

# **Friends Life Limited**

**Annual PRA Insurance Returns for the year ended**

**31 December 2013**

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



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**Statement of solvency - long-term insurance business**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Adjusted solo solvency calculation

Adjusted solo solvency calculation	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R2	4096141	GL	31	12	2013	£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	<b>11</b>	5801480	4949376
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	1738643	2080784
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	7540123	7030160

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	703407	776273
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	6836716	6253887

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	1346582	1434820
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	3146	2984
Individual minimum capital requirement	<b>34</b>	1346582	1434820
Capital requirements of regulated related undertakings	<b>35</b>	254546	298048
Minimum capital requirement (34+35)	<b>36</b>	1601128	1732868
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	6407199	6163726
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	6339277	5730510

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	4239011	3408843
Enhanced capital requirement	<b>40</b>	5840139	5141711

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	5840139	5141711
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	1699984	1888449

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
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**Components of capital resources**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	4096141	GL	31	12	2013	£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	<b>11</b>		402000	402000	402000
Profit and loss account and other reserves	<b>12</b>		3226366	3226366	3181194
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>		4588373	4588373	4267567
Fund for future appropriations	<b>15</b>		666090	666090	647250
Core tier one capital in related undertakings	<b>16</b>		(1638086)	(1638086)	(1570882)
Core tier one capital (sum of 11 to 16)	<b>19</b>		7244743	7244743	6927129

**Tier one waivers**

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

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>		51000	51000	51000
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>		598042	598042	598042
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		7893785	7893785	7576171
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		30286	30286	49770
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>		57694	57694	9103
Deductions from tier one (32 to 36)	<b>37</b>		87980	87980	58873
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		7805805	7805805	7517298

**Components of capital resources**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	4096141	GL	31	12	2013	£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)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>		347168	347168	353740
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>		347168	347168	353740

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>		661713	661713	661713
Lower tier two capital in related undertakings	<b>53</b>				973
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>		661713	661713	662686

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		1008881	1008881	1016426
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		1008881	1008881	1016426

**Components of capital resources**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	4096141	GL	31	12	2013	£000
			General insurance business  1	Long-term insurance business  2		Total as at the end of this financial year 3	Total as at the end of the previous year 4

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		8814686	8814686	8533724
Inadmissible assets other than intangibles and own shares	<b>73</b>		1261022	1261022	1481801
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>		13540	13540	21763
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		7540123	7540123	7030160

**Available capital resources for GENPRU/INSPRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		7540123	7540123	7030160
Available capital resources for 50% MCR requirement	<b>82</b>		7207763	7207763	6919256
Available capital resources for 75% MCR requirement	<b>83</b>		7540123	7540123	7030160

**Financial engineering adjustments**

Implicit items	<b>91</b>				
Financial reinsurance - ceded	<b>92</b>		17240	17240	36541
Financial reinsurance - accepted	<b>93</b>				
Outstanding contingent loans	<b>94</b>				
Any other charges on future profits	<b>95</b>				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>		17240	17240	36541

**Calculation of general insurance capital requirement - premiums amount and brought forward amount**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Long term insurance business

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R11	4096141	GL	31	12	2013	£000
				This financial year 1			Previous year 2	
Gross premiums written		11	338673			269918		
Premiums taxes and levies (included in line 11)		12						
Premiums written net of taxes and levies (11-12)		13	338673			269918		
Premiums for classes 11, 12 or 13 (included in line 13)		14						
Premiums for "actuarial health insurance" (included in line 13)		15	46024			9252		
Sub-total A (13 + 1/2 14 - 2/3 15)		16	307990			263750		
Gross premiums earned		21	343409			275161		
Premium taxes and levies (included in line 21)		22						
Premiums earned net of taxes and levies (21-22)		23	343409			275161		
Premiums for classes 11, 12 or 13 (included in line 23)		24						
Premiums for "actuarial health insurance" (included in line 23)		25	49473			12815		
Sub-total H (23 + 1/2 24 - 2/3 25)		26	310427			266618		
Sub-total I (higher of sub-total A and sub-total H)		30	310427			266618		
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31						
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	55877			47991		
	Excess (if any) over 61.3M EURO x 0.02	33	5166			4344		
Sub-total J (32-33)		34	50711			43648		
Claims paid in period of 3 financial years		41	540313			485246		
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42						
	For insurance business accounted for on an accident year basis	43	364693			345326		
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44						
	For insurance business accounted for on an accident year basis	45	378107			362859		
Sub-total C (41+42+43-44-45)		46	526899			467713		
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	248562			233048		
Sub-total D (46-47)		48	278338			234665		
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)		49	0.53			0.50		
Premiums amount (Sub-total J x reinsurance ratio)		50	26788			21899		
Provision for claims outstanding (before discounting and net of reinsurance)		51	264095			262260		
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52						
Brought forward amount (See instruction 4)		53	21899			20737		
Greater of lines 50 and 53		54	26788			21899		

**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	4096141	GL	31	12	2013	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R			11	36			36	
Claims paid in reference period			21	540313			485246	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22					
	For insurance business accounted for on an accident year basis		23	364693			345326	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24					
	For insurance business accounted for on an accident year basis		25	378107			362859	
Claims incurred in reference period (21+22+23-24-25)			26	526899			467713	
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28	77987			51880	
Sub-total E (26 +1/2 27 - 2/3 28)			29	474908			433126	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)			31	158303			144375	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	41159			37538	
	Excess (if any) over 42.9M EURO x 0.03		33	3655			3293	
Sub-total G (32-33)			39	37504			34244	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	19812			17181	
Higher of premiums amount and brought forward amount (11.54)			42	26788			21899	
General insurance capital requirement (higher of lines 41 and 42)			43	26788			21899	

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**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	4096141	GL	31	12	2013	£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	<b>21</b>	715367	686505
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	1679	224
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	589029	867638
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	26901	7405
	Other	46	91261	94342
Variable interest securities	Approved	47		
	Other	48	12532	10918
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	23700	
	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 assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**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	4096141	GL	31	12	2013	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	68679	27663
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	292268	39641
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	2509	1802
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	1823925	1736138
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**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	4096141	GL	31	12	2013	£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)	<b>91</b>	1823925	1736138
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	749	730
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	254546	361516
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>	13540	21763
Inadmissible assets of regulated related undertakings	<b>96</b>	269569	278891
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	1695780	1600096
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(90698)	31207
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)	<b>102</b>	3967410	4030341
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		87700

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	10
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings			11		1277054		1293097	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>			
	Debts and loans	<b>22</b>			
Other insurance dependants	Shares	<b>23</b>			
	Debts and loans	<b>24</b>			
Non-insurance dependants	Shares	<b>25</b>		771996	740277
	Debts and loans	<b>26</b>		237080	234465
Other group undertakings	Shares	<b>27</b>		75113	71428
	Debts and loans	<b>28</b>			8958
Participating interests	Shares	<b>29</b>			
	Debts and loans	<b>30</b>			

**Other financial investments**

Equity shares		<b>41</b>		5229654	5079863
Other shares and other variable yield participations		<b>42</b>		611300	645716
Holdings in collective investment schemes		<b>43</b>		2150122	2020383
Rights under derivative contracts		<b>44</b>		178899	623639
Fixed interest securities	Approved	<b>45</b>		6811383	8168039
	Other	<b>46</b>		8712418	7758364
Variable interest securities	Approved	<b>47</b>		1497373	1267727
	Other	<b>48</b>		1758350	2007458
Participation in investment pools		<b>49</b>			
Loans secured by mortgages		<b>50</b>			23
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>			727
Loans secured by policies of insurance issued by the company		<b>52</b>		15663	11296
Other loans		<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		128973	185240
	More than one month withdrawal	<b>55</b>			
Other financial investments		<b>56</b>			
Deposits with ceding undertakings		<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		825351	859288
	Property linked	<b>59</b>		30388207	29298229

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	41795	93609
	Intermediaries	<b>72</b>	6441	44987
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	29094	29329
	Ceded	<b>75</b>	11132	60357
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	371930	304987
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	204306	261183
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	242227	239552
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	5622	3975

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	61581483	61312195
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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)	<b>91</b>	61581483	61312195
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	230076	346228
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>	3755	3960
Book value of related ancillary services undertakings	<b>97</b>	1	1
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	2037	8770
Deferred acquisition costs excluded from line 89	<b>99</b>	920201	1019632
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	13392483	11374319
Other asset adjustments (may be negative)	<b>101</b>	(333899)	(749744)
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)	<b>102</b>	75796137	73315360
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FP With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	11
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings			11		350421		365684	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	179995	161784
	Debts and loans	<b>26</b>	234361	234465
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>	1778630	1929156
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	723554	613987
Rights under derivative contracts		<b>44</b>	78709	259508
Fixed interest securities	Approved	<b>45</b>	3791498	4456654
	Other	<b>46</b>	2771010	3052967
Variable interest securities	Approved	<b>47</b>	179305	63180
	Other	<b>48</b>	22110	22778
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>	2536	2584
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	37530	144989
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	47908	46989
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FP With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	2112	5487
	Intermediaries	<b>72</b>	522	555
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	46417	
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	5720	19015
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	89785	101690
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	86	

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	10342209	11481472
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FP With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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)	<b>91</b>	10342209	11481472
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	9124	11604
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	144396	151552
Other asset adjustments (may be negative)	<b>101</b>	1524	
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)	<b>102</b>	10497254	11644628
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	564802	553433
	Debts and loans	<b>26</b>	2719	
Other group undertakings	Shares	<b>27</b>	2214	2233
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>	1086	972
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	329904	238777
Rights under derivative contracts		<b>44</b>	11081	573
Fixed interest securities	Approved	<b>45</b>	546543	312758
	Other	<b>46</b>	1823629	325380
Variable interest securities	Approved	<b>47</b>	572819	230565
	Other	<b>48</b>	1667765	1911435
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>	88	
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	85169	14395
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	509893	213138
	Property linked	<b>59</b>	30363496	29276593

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	28439	79238
	Intermediaries	<b>72</b>	5892	44356
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	28623	22446
	Ceded	<b>75</b>	11060	1176
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	174535	220046
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		204520
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	45828	13707
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	4883	2883

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	36780468	33668624
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - Non Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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)	<b>91</b>	36780468	33668624
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	220499	331832
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>	3755	3960
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	2037	8770
Deferred acquisition costs excluded from line 89	<b>99</b>	920201	1019632
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	13152027	11111524
Other asset adjustments (may be negative)	<b>101</b>	(230298)	(658722)
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)	<b>102</b>	50848689	45485620
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FPLAL With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	13
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings			11	40			80	

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares		<b>41</b>	39940	67470
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	43406	15372
Rights under derivative contracts		<b>44</b>	813	432
Fixed interest securities	Approved	<b>45</b>	153224	156584
	Other	<b>46</b>	12204	1093
Variable interest securities	Approved	<b>47</b>		1885
	Other	<b>48</b>		
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>		
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	4112	25856
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FPLAL With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	4901	
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>		138
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	1503	1408
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	260143	270318
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FPLAL With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£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)	<b>91</b>	260143	270318
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	67	1382
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	842	2448
Other asset adjustments (may be negative)	<b>101</b>	(1653)	(1521)
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)	<b>102</b>	259399	272627
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLC New With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	14
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings			11	553452		539459		

**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	57246	64400
	Debts and loans	28		4606
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares		41	1802726	1639126
Other shares and other variable yield participations		42	350964	388627
Holdings in collective investment schemes		43	351178	419158
Rights under derivative contracts		44	50297	190523
Fixed interest securities	Approved	45	890542	985999
	Other	46	1675906	1756325
Variable interest securities	Approved	47	133609	44306
	Other	48	54501	46479
Participation in investment pools		49		
Loans secured by mortgages		50		20
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	6398	6443
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	20178	22122
	Property linked	59		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLC New With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	14
					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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	7120	2639
	Intermediaries	<b>72</b>	22	72
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	371	1072
	Ceded	<b>75</b>	1	2
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	56679	45203
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	53177	31227
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	44773	47886
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	6109140	6235693
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLC New With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	14
					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)	<b>91</b>	6109140	6235693
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	32	63
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(52814)	(107607)
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)	<b>102</b>	6056358	6128149
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLC Old With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	15
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings			11	148908			139975	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>	15653	4794
	Debts and loans	<b>28</b>		1152
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>	483261	454722
Other shares and other variable yield participations		<b>42</b>	94432	96081
Holdings in collective investment schemes		<b>43</b>	80961	89569
Rights under derivative contracts		<b>44</b>	12880	27935
Fixed interest securities	Approved	<b>45</b>	221733	222447
	Other	<b>46</b>	365790	396413
Variable interest securities	Approved	<b>47</b>	34611	9996
	Other	<b>48</b>	13974	10486
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		3
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>	1703	1592
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	3478	3825
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLC Old With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	15
					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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	798	565
	Intermediaries	<b>72</b>	5	4
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	100	5811
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	55906	76093
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	6539	6284
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	10224	10195
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		772

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	1550956	1558712
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLC Old With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	15
					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)	<b>91</b>	1550956	1558712
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	10	41
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(53852)	27086
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)	<b>102</b>	1497114	1585838
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLAS With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	16
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings			11	221208			247900	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	27199	25060
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		3200
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares		<b>41</b>	964407	988417
Other shares and other variable yield participations		<b>42</b>	165904	161008
Holdings in collective investment schemes		<b>43</b>	515567	643519
Rights under derivative contracts		<b>44</b>	20893	144668
Fixed interest securities	Approved	<b>45</b>	882515	2033597
	Other	<b>46</b>	1934745	2226185
Variable interest securities	Approved	<b>47</b>	577029	917795
	Other	<b>48</b>		16281
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		727
Loans secured by policies of insurance issued by the company		<b>52</b>	502	677
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	243663	573214
	Property linked	<b>59</b>	24711	21636

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLAS With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	16
					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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	3325	5680
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	71	59179
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	31481	38682
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	120388	
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	44985	64665
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	261	321

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	5778854	8172413
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - FLAS With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	16
					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)	<b>91</b>	5778854	8172413
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	344	1306
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>	1	1
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		26415
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	62180	9427082
Other asset adjustments (may be negative)	<b>101</b>	3219	(8980)
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)	<b>102</b>	5844598	17618236
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - WL With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	17
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11		3025		

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares		<b>41</b>	159604	
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	105552	
Rights under derivative contracts		<b>44</b>	4226	
Fixed interest securities	Approved	<b>45</b>	325328	
	Other	<b>46</b>	129134	
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>		
Participation in investment pools		<b>49</b>		
Loans secured by mortgages		<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings		<b>51</b>		
Loans secured by policies of insurance issued by the company		<b>52</b>	4436	
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	2162	
	More than one month withdrawal	<b>55</b>		
Other financial investments		<b>56</b>		
Deposits with ceding undertakings		<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	231	
	Property linked	<b>59</b>		

**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Category of assets **Total Long Term Business - WL With Profit Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
	R13	4096141	GL	31	12	2013	£000	17
					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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	1	
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	2011	
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	18482	
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	5129	
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	392	

Deductions from the aggregate value of assets	<b>87</b>		
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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)	<b>89</b>	759713	
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Analysis of admissible assets

Name of insurer Friends Life Limited

Global business

Financial year ended 31 December 2013

Category of assets Total Long Term Business - WL With Profit Fund

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
	R13		31	12	2013	£000	17
						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	759713	
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	33038	
Other asset adjustments (may be negative)	101	(25)	
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	792726	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Long term insurance business liabilities and margins**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**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		<b>11</b>	51769980	52271347
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>	9	
Balance of surplus/(valuation deficit)		<b>13</b>	356686	99053
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	52126675	52370400
Claims outstanding	Gross	<b>15</b>	318192	349742
	Reinsurers' share	<b>16</b>	30170	30323
	Net (15-16)	<b>17</b>	288022	319419
Provisions	Taxation	<b>21</b>	179714	103657
	Other risks and charges	<b>22</b>	118675	122015
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	51713	34527
	Reinsurance accepted	<b>32</b>	4418	6550
	Reinsurance ceded	<b>33</b>	1604738	1871812
Debenture loans	Secured	<b>34</b>		128454
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	10384	
Creditors	Taxation	<b>37</b>	192305	231712
	Other	<b>38</b>	1542140	1234790
Accruals and deferred income		<b>39</b>	17905	38537
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	4010014	4091473
Excess of the value of net admissible assets		<b>51</b>	5444794	4850323
Total liabilities and margins		<b>59</b>	61581483	61312196

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	175459	492576
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	30305465	29226174

Total liabilities (11+12+49)	<b>71</b>	55780003	56362820
Increase to liabilities - DAC related	<b>72</b>	135057	118918
Reinsurers' share of technical provisions	<b>73</b>	13392483	11374318
Other adjustments to liabilities (may be negative)	<b>74</b>	4518525	3544234
Capital and reserves and fund for future appropriations	<b>75</b>	1970068	1915071
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)	<b>76</b>	75796136	73315362

**Long term insurance business liabilities and margins**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Total business/Sub fund **FP 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		<b>11</b>	8141782	9197748
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>		(219052)
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	8141782	8978696
Claims outstanding	Gross	<b>15</b>	14329	10213
	Reinsurers' share	<b>16</b>	633	1520
	Net (15-16)	<b>17</b>	13696	8693
Provisions	Taxation	<b>21</b>	57974	43091
	Other risks and charges	<b>22</b>	4964	4150
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	19258	11742
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	440	465
Debenture loans	Secured	<b>34</b>		128454
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>	51931	28402
	Other	<b>38</b>	415309	343613
Accruals and deferred income		<b>39</b>	1737	1892
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	565309	570502
Excess of the value of net admissible assets		<b>51</b>	1635118	1932275
Total liabilities and margins		<b>59</b>	10342209	11481473

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	58549	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	8707091	9768250
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	144396	151552
Other adjustments to liabilities (may be negative)	<b>74</b>	1474173	1481735
Capital and reserves and fund for future appropriations	<b>75</b>	171594	243092
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)	<b>76</b>	10497254	11644629

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Total business/Sub fund **FPLAL 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		<b>11</b>	197941	225515
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>	24999	24999
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	222940	250514
Claims outstanding	Gross	<b>15</b>	752	447
	Reinsurers' share	<b>16</b>	10	
	Net (15-16)	<b>17</b>	742	447
Provisions	Taxation	<b>21</b>	552	52
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	27	2
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>	2736	1909
	Other	<b>38</b>	13672	10131
Accruals and deferred income		<b>39</b>		
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	17729	12541
Excess of the value of net admissible assets		<b>51</b>	19474	7263
Total liabilities and margins		<b>59</b>	260143	270318

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	1040	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	215670	238056
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	842	2448
Other adjustments to liabilities (may be negative)	<b>74</b>	39598	28646
Capital and reserves and fund for future appropriations	<b>75</b>	3290	3477
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)	<b>76</b>	259399	272627

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Total business/Sub fund **FLC New 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		<b>11</b>	4077656	4562289
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>	9	
Balance of surplus/(valuation deficit)		<b>13</b>	61254	83611
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	4138919	4645900
Claims outstanding	Gross	<b>15</b>	23093	22165
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	23093	22165
Provisions	Taxation	<b>21</b>	78899	34314
	Other risks and charges	<b>22</b>	5026	2657
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	269	318
	Reinsurance accepted	<b>32</b>	2591	5490
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>	108544	115013
	Other	<b>38</b>	104790	87363
Accruals and deferred income		<b>39</b>	6198	16587
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	329410	283907
Excess of the value of net admissible assets		<b>51</b>	1640811	1305886
Total liabilities and margins		<b>59</b>	6109140	6235693

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	490	(4089)
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	4407075	4846196
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>	1449673	1108905
Capital and reserves and fund for future appropriations	<b>75</b>	199610	173048
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)	<b>76</b>	6056358	6128149

**Long term insurance business liabilities and margins**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Total business/Sub fund **FLC Old 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		<b>11</b>	970393	1086446
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>		
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	970393	1086446
Claims outstanding	Gross	<b>15</b>	5978	2654
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	5978	2654
Provisions	Taxation	<b>21</b>	18558	7998
	Other risks and charges	<b>22</b>	1628	1262
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	47	23
	Reinsurance accepted	<b>32</b>	343	
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>		1168
	Other	<b>38</b>	42448	15947
Accruals and deferred income		<b>39</b>	1838	1949
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	70840	31001
Excess of the value of net admissible assets		<b>51</b>	509723	441265
Total liabilities and margins		<b>59</b>	1550956	1558712

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	131	(572)
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>		

Total liabilities (11+12+49)	<b>71</b>	1041233	1117447
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>	394543	427022
Capital and reserves and fund for future appropriations	<b>75</b>	61338	41370
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)	<b>76</b>	1497114	1585839

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Total business/Sub fund **FLAS 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		<b>11</b>	3986661	6780806
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>		
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	3986661	6780806
Claims outstanding	Gross	<b>15</b>	86625	80543
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	86625	80543
Provisions	Taxation	<b>21</b>	23579	18202
	Other risks and charges	<b>22</b>	28379	51032
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	154	224
	Reinsurance accepted	<b>32</b>	1276	1060
	Reinsurance ceded	<b>33</b>	864	827
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>		
	Other	<b>38</b>	103626	74945
Accruals and deferred income		<b>39</b>	2811	6587
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	247314	233420
Excess of the value of net admissible assets		<b>51</b>	1544879	1158187
Total liabilities and margins		<b>59</b>	5778854	8172413

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	21817	21488
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	24711	21636

Total liabilities (11+12+49)	<b>71</b>	4233975	7014226
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	62180	9427082
Other adjustments to liabilities (may be negative)	<b>74</b>	1331007	990664
Capital and reserves and fund for future appropriations	<b>75</b>	217436	186264
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)	<b>76</b>	5844598	17618236

**Long term insurance business liabilities and margins**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**Total business/Sub fund **WL 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		<b>11</b>	609136	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>		
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	609136	
Claims outstanding	Gross	<b>15</b>	18121	
	Reinsurers' share	<b>16</b>	59	
	Net (15-16)	<b>17</b>	18062	
Provisions	Taxation	<b>21</b>	152	
	Other risks and charges	<b>22</b>	2588	
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	1032	
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>	18197	
	Other	<b>38</b>	15757	
Accruals and deferred income		<b>39</b>		
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	55788	
Excess of the value of net admissible assets		<b>51</b>	94789	
Total liabilities and margins		<b>59</b>	759713	

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

Total liabilities (11+12+49)	<b>71</b>	664924	
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	33038	
Other adjustments to liabilities (may be negative)	<b>74</b>	81942	
Capital and reserves and fund for future appropriations	<b>75</b>	12822	
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)	<b>76</b>	792726	

**Long term insurance business liabilities and margins**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**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		<b>11</b>	33786411	30418544
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>	270433	209495
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	34056844	30628039
Claims outstanding	Gross	<b>15</b>	169294	233719
	Reinsurers' share	<b>16</b>	29468	28803
	Net (15-16)	<b>17</b>	139826	204916
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	76090	62914
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	30926	22217
	Reinsurance accepted	<b>32</b>	208	
	Reinsurance ceded	<b>33</b>	1603434	1870520
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	10384	
Creditors	Taxation	<b>37</b>	10897	85220
	Other	<b>38</b>	846538	777828
Accruals and deferred income		<b>39</b>	5321	11522
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	2723624	3035138
Excess of the value of net admissible assets		<b>51</b>		5447
Total liabilities and margins		<b>59</b>	36780468	33668624

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	93432	475748
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	30280754	29204538

Total liabilities (11+12+49)	<b>71</b>	36510035	33453682
Increase to liabilities - DAC related	<b>72</b>	135057	118918
Reinsurers' share of technical provisions	<b>73</b>	13152027	11111524
Other adjustments to liabilities (may be negative)	<b>74</b>	(252411)	(466323)
Capital and reserves and fund for future appropriations	<b>75</b>	1303979	1267820
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)	<b>76</b>	50848687	45485621

Liabilities (other than long term insurance business)

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	4096141	GL	31	12	2013	£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		<b>11</b>		
Claims outstanding		<b>12</b>		
Provision for unexpired risks		<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>		
	Other than credit business	<b>15</b>		
Other technical provisions		<b>16</b>		
Total gross technical provisions (11 to 16)		<b>19</b>		

Provisions and creditors

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		133
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>		10129
	Foreseeable dividend	<b>48</b>	273000	
	Other	<b>49</b>	66828	6607
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	339828	16869
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>	300000	300000
Subordinated loan capital		<b>63</b>	856136	856136
Total (59 to 63)		<b>69</b>	1495964	1173005

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(363697)	31207
Capital and reserves	<b>84</b>	2835144	2826129
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)	<b>85</b>	3967410	4030341

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

Global business

Financial year ended **31 December 2013**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	4096141	GL	31	12	2013	£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	419238			13917	
Investment income	Income		14	18738			238392	
	Value re-adjustments on investments		15	1547				
	Gains on the realisation of investments		16	987			1319	
Investment charges	Investment management charges, including interest		17	86224			78026	
	Value re-adjustments on investments		18	939			2626155	
	Loss on the realisation of investments		19				14084	
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	95759			1057213	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	449106			(1407424)	
Tax on profit or loss on ordinary activities			31	(14078)			(19017)	
Profit or loss on ordinary activities after tax (29-31)			39	463184			(1388407)	
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	463184			(1388407)	
Dividends (paid or foreseeable)			51	703000			450000	
Profit or loss retained for the financial year (49-51)			59	(239816)			(1838407)	

Analysis of derivative contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total long term insurance business assets**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£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	1309		319		14713		138239
	Interest rates		12	32928		205662		1907822		1946470
	Inflation		13	7667		98637		929734		349837
	Credit index / basket		14							
	Credit single name		15	1349		6754				390820
	Equity index		16	5074		32684		132280		793238
	Equity stock		17							
	Land		18							
	Currencies		19	28374		20185		31399		1134949
	Mortality		20							
	Other		21							
In the money options	Swaptions		31	43086				248000		
	Equity index calls		32							
	Equity stock calls		33							
	Equity index puts		34	4023						22517
	Equity stock puts		35							
	Other		36							
Out of the money options	Swaptions		41	2680						776581
	Equity index calls		42	244				73228		
	Equity stock calls		43							
	Equity index puts		44	54029						1243954
	Equity stock puts		45							
	Other		46							
Total (11 to 46)			51	180763		364241		3337176		6796605
Adjustment for variation margin			52	(1864)		(26794)				
Total (51 + 52)			53	178899		337447				

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - FP With Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£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	19733	95291	606754	951805			
	Inflation		13	4464	34	156405	148337			
	Credit index / basket		14							
	Credit single name		15							
	Equity index		16	4537	2064	118124	52639			
	Equity stock		17							
	Land		18							
	Currencies		19	2346			184509			
	Mortality		20							
	Other		21							
In the money options	Swaptions		31							
	Equity index calls		32							
	Equity stock calls		33							
	Equity index puts		34	4023			22517			
	Equity stock puts		35							
	Other		36							
Out of the money options	Swaptions		41	2292			692273			
	Equity index calls		42							
	Equity stock calls		43							
	Equity index puts		44	41018			604140			
	Equity stock puts		45							
	Other		46							
Total (11 to 46)			51	78413	97389	881283	2656220			
Adjustment for variation margin			52	296	2533					
Total (51 + 52)			53	78709	99922					

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - Non Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£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		6610				69078	
	Inflation		13	18	58050		280530		201500	
	Credit index / basket		14							
	Credit single name		15	653	2307				185298	
	Equity index		16							
	Equity stock		17							
	Land		18							
	Currencies		19	10410	534		27837		204976	
	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	11081	67501		308367		660852	
Adjustment for variation margin			52							
Total (51 + 52)			53	11081	67501					

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - FPLAL With Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£000	13
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	1025	1670		19000	44000		
	Inflation		13							
	Credit index / basket		14							
	Credit single name		15							
	Equity index		16	225	67		5120	1607		
	Equity stock		17							
	Land		18							
	Currencies		19							
	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	1250	1737		24120	45607		
Adjustment for variation margin			52	(437)	(284)					
Total (51 + 52)			53	813	1453					

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - FLC New With Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£000	14
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	950		16		947		97011
	Interest rates		12	467		45038		543083		142621
	Inflation		13	2748				56951		
	Credit index / basket		14							
	Credit single name		15	469		2842				113663
	Equity index		16	125		15975		3694		415144
	Equity stock		17							
	Land		18							
	Currencies		19	9559		16952		2806		534997
	Mortality		20							
	Other		21							
In the money options	Swaptions		31	29122				169134		
	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	8051						455741
	Equity stock puts		45							
	Other		46							
Total (11 to 46)			51	51491		80823		776615		1759177
Adjustment for variation margin			52	(1194)		(15473)				
Total (51 + 52)			53	50297		65350				

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - FLC Old With Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£000	15
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	256	4		255	26099			
	Interest rates	12	320	9673		102417	30963			
	Inflation	13	437			9049				
	Credit index / basket	14								
	Credit single name	15	74	451			18059			
	Equity index	16	33	4086		994	65959			
	Equity stock	17								
	Land	18								
	Currencies	19	2571	2699		755	85002			
	Mortality	20								
	Other	21								
In the money options	Swaptions	31	7450			43266				
	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	2060				116582			
	Equity stock puts	45								
	Other	46								
Total (11 to 46)		51	13201	16913		156736	342666			
Adjustment for variation margin		52	(321)	(3958)						
Total (51 + 52)		53	12880	12955						

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - FLAS With Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£000	16
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	103	299		13512		15128	
	Interest rates		12	8438	36761		557000		700600	
	Inflation		13		40553		426799			
	Credit index / basket		14							
	Credit single name		15							
	Equity index		16	148	9633		4085		237316	
	Equity stock		17							
	Land		18							
	Currencies		19	3488					125465	
	Mortality		20							
	Other		21							
In the money options	Swaptions		31	6514			35600			
	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	194			70866			
	Equity stock calls		43							
	Equity index puts		44	2216					47244	
	Equity stock puts		45							
	Other		46							
Total (11 to 46)			51	21101	87246		1107862		1125753	
Adjustment for variation margin			52	(208)	(9625)					
Total (51 + 52)			53	20893	77621					

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 contracts

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**

Category of assets **Total Long Term Business - WL With Profit Fund**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	4096141	GL	31	12	2013	£000	17
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	2945		10619		79568	7403	
	Inflation		13							
	Credit index / basket		14							
	Credit single name		15	153		1154			73800	
	Equity index		16	6		859		263	20573	
	Equity stock		17							
	Land		18							
	Currencies		19							
	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	388					84308	
	Equity index calls		42	50				2362		
	Equity stock calls		43							
	Equity index puts		44	684					20247	
	Equity stock puts		45							
	Other		46							
Total (11 to 46)			51	4226		12632		82193	206331	
Adjustment for variation margin			52			13				
Total (51 + 52)			53	4226		12645				

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 Limited**With-profits fund **FP With Profit Fund**Financial year ended **31 December 2013**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	<b>11</b>	10342209	11481472
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	2347130	2533904
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	102376	111081
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	7892703	8836487
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	5794652	6663845
	Regulatory current liabilities of the fund	<b>22</b>	565309	570502
	Total (21+22)	<b>29</b>	6359961	7234347
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	241947	278757
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	6601908	7513104
Regulatory excess capital (19-39)		<b>49</b>	1290794	1323384

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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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)	<b>61</b>	1290794	1323384
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	193767	181448
Present value of other future internal transfers not already taken into account	<b>65</b>	27093	25267
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)	<b>66</b>	1069934	1116669

**With-profits insurance capital component for the fund**

Name of insurer **Friends Life Limited**

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

Financial year ended **31 December 2013**

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	<b>11</b>	260143	270318
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	61814	68195
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	2491	2753
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	195838	199369
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	136127	157320
	Regulatory current liabilities of the fund	<b>22</b>	17729	12541
	Total (21+22)	<b>29</b>	153856	169861
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	5553	6405
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	159409	176265
Regulatory excess capital (19-39)		<b>49</b>	36430	23104

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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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)	<b>61</b>	36430	23104
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>		
Present value of other future internal transfers not already taken into account	<b>65</b>		
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)	<b>66</b>	36430	23104

**With-profits insurance capital component for the fund**

Name of insurer **Friends Life Limited**

With-profits fund **FLC New With Profit Fund**

Financial year ended **31 December 2013**

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	<b>11</b>	6109140	6235693
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	805803	962731
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	33538	39903
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	5269799	5233059
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	3271853	3599559
	Regulatory current liabilities of the fund	<b>22</b>	329419	283918
	Total (21+22)	<b>29</b>	3601272	3883477
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	136371	150529
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	3737644	4034006
Regulatory excess capital (19-39)		<b>49</b>	1532156	1199053

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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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)	<b>61</b>	1532156	1199053
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	141459	100537
Present value of other future internal transfers not already taken into account	<b>65</b>	(20514)	(19830)
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)	<b>66</b>	1411211	1118346

**With-profits insurance capital component for the fund**

Name of insurer **Friends Life Limited**

With-profits fund **FLC Old With Profit Fund**

Financial year ended **31 December 2013**

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	<b>11</b>	1550956	1558712
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	133586	141950
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	5459	5794
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	1411911	1410968
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	836807	944496
	Regulatory current liabilities of the fund	<b>22</b>	70840	31001
	Total (21+22)	<b>29</b>	907647	975497
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	34678	39197
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	942325	1014694
Regulatory excess capital (19-39)		<b>49</b>	469586	396274

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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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)	<b>61</b>	469586	396274
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	41259	30149
Present value of other future internal transfers not already taken into account	<b>65</b>		
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)	<b>66</b>	428327	366125

**With-profits insurance capital component for the fund**

Name of insurer **Friends Life Limited**

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

Financial year ended **31 December 2013**

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	<b>11</b>	5778854	8172413
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	1729070	4144770
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	84347	204717
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	3965437	3822926
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	2257591	2636036
	Regulatory current liabilities of the fund	<b>22</b>	247314	233420
	Total (21+22)	<b>29</b>	2504905	2869456
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	91856	107435
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	2596761	2976891
Regulatory excess capital (19-39)		<b>49</b>	1368676	846035

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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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)	<b>61</b>	1368676	846035
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	148020	124934
Present value of other future internal transfers not already taken into account	<b>65</b>		
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)	<b>66</b>	1220656	721101

**With-profits insurance capital component for the fund**Name of insurer **Friends Life Limited**With-profits fund **WL With Profit Fund**Financial year ended **31 December 2013**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	<b>11</b>	759713	
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	83417	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	4086	
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	672210	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	525718	
	Regulatory current liabilities of the fund	<b>22</b>	55788	
	Total (21+22)	<b>29</b>	581506	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	21183	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	602689	
Regulatory excess capital (19-39)		<b>49</b>	69521	

**Realistic excess capital**

Realistic excess capital	<b>51</b>	(4584)	
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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)	<b>61</b>	74105	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	3014	
Present value of other future internal transfers not already taken into account	<b>65</b>	(1362)	
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)	<b>66</b>	72453	

**Realistic balance sheet**Name of insurer **Friends Life Limited**With-profits fund **FP With Profit Fund**Financial year ended **31 December 2013**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	<b>11</b>	7892703	8836487
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	237824	238722
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	8130526	9075210
Support arrangement assets	<b>27</b>		6840
Assets available to the fund (26+27)	<b>29</b>	8130526	9082050

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	6190996	6905685
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	209179
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	988
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	61796
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	194420
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	477005
	Future costs of smoothing (possibly negative)	<b>44</b>	105675
	Financing costs	<b>45</b>	56852
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	238647
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1218994
Realistic current liabilities of the fund	<b>51</b>	595335	628357
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	8005325	8891367

**Realistic balance sheet**Name of insurer **Friends Life Limited**With-profits fund **FP With Profit Fund**Financial year ended **31 December 2013**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	<b>62</b>	8130526	9075210
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	8130526	9075210
Risk capital margin for fund (62-59)	<b>65</b>	125201	183843
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		6840
Working capital for fund (29-59)	<b>68</b>	125201	190683
Working capital ratio for fund (68/29)	<b>69</b>	1.54	2.10

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	1481990	1440200
Additional amount potentially available for inclusion in line 63	<b>82</b>	931265	888215

**Realistic balance sheet**

Name of insurer **Friends Life Limited**

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

Financial year ended **31 December 2013**

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	<b>11</b>	195838	199369
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	9838	8589
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	205676	207958
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	205676	207958

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	87201	93212
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	77255
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	(62)
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	2953
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	15598
	Future costs of smoothing (possibly negative)	<b>44</b>	
	Financing costs	<b>45</b>	
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	1712
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	97580
Realistic current liabilities of the fund	<b>51</b>	17729	12542
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	202510	204483

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FPLAL With Profit Fund**  
 Financial year ended **31 December 2013**  
 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	<b>62</b>	205676	207958
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	205676	207958
Risk capital margin for fund (62-59)	<b>65</b>	3166	3476
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>	3166	3476
Working capital ratio for fund (68/29)	<b>69</b>	1.54	1.67

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	1481990	1440200
Additional amount potentially available for inclusion in line 63	<b>82</b>	931265	888215

**Realistic balance sheet**

Name of insurer **Friends Life Limited**

With-profits fund **FLC New With Profit Fund**

Financial year ended **31 December 2013**

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	<b>11</b>	5269799	5233059
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	129177	218802
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	5398976	5451861
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	5398976	5451861

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	3357368	3351021
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	1270010
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	249972
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	126634
	Future costs of smoothing (possibly negative)	<b>44</b>	(65214)
	Financing costs	<b>45</b>	
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	130787
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1712189
Realistic current liabilities of the fund	<b>51</b>	329419	283908
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	5398976	5451861

Realistic balance sheet

Name of insurer           **Friends Life Limited**  
With-profits fund       **FLC New With Profit Fund**  
Financial year ended   **31 December 2013**  
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	5398976	5451861
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	5398976	5451861
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
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	1481990	1440200
Additional amount potentially available for inclusion in line 63	82	931265	888215

**Realistic balance sheet**

Name of insurer **Friends Life Limited**

With-profits fund **FLC Old With Profit Fund**

Financial year ended **31 December 2013**

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	<b>11</b>	1411911	1410968
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	30799	29404
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	1442710	1440372
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	1442710	1440372

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	855751	877991
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	393008
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	61896
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	45774
	Future costs of smoothing (possibly negative)	<b>44</b>	(12199)
	Financing costs	<b>45</b>	
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	22290
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	510769
Realistic current liabilities of the fund	<b>51</b>	76190	36054
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	1442710	1440372

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2013**  
 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	<b>62</b>	1442710	1440372
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	1442710	1440372
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	1481990	1440200
Additional amount potentially available for inclusion in line 63	<b>82</b>	931265	888215

**Realistic balance sheet**

Name of insurer **Friends Life Limited**

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

Financial year ended **31 December 2013**

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	<b>11</b>	3965437	3822926
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	174807	469315
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	4140244	4292241
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	4140244	4292241

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	2680993	2812757
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	844790
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	209115
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	84129
	Future costs of smoothing (possibly negative)	<b>44</b>	26145
	Financing costs	<b>45</b>	(26415)
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	16615
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1180794
Realistic current liabilities of the fund	<b>51</b>	278457	262889
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	4140244	4292241

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLAS With Profit Fund**  
 Financial year ended **31 December 2013**  
 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	<b>62</b>	4140244	4292241
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	4140244	4292241
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	1481990	1440200
Additional amount potentially available for inclusion in line 63	<b>82</b>	931265	888215

**Realistic balance sheet**Name of insurer **Friends Life Limited**With-profits fund **WL With Profit Fund**Financial year ended **31 December 2013**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	<b>11</b>	672210	
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	16851	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	689061	
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	689061	

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	555198	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	2302
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	2629
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	6309
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	78113
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	5076
	Future costs of smoothing (possibly negative)	<b>44</b>	133
	Financing costs	<b>45</b>	
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	1389
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	78075
Realistic current liabilities of the fund	<b>51</b>	55788	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	689061	

**Realistic balance sheet**Name of insurer **Friends Life Limited**With-profits fund **WL With Profit Fund**Financial year ended **31 December 2013**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	<b>62</b>	693645	
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	693645	
Risk capital margin for fund (62-59)	<b>65</b>	4584	
Realistic excess capital for fund (26-(59+65))	<b>66</b>	(4584)	
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	(4584)	
Working capital for fund (29-59)	<b>68</b>	(0)	
Working capital ratio for fund (68/29)	<b>69</b>	(0.00)	

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	1481990	
Additional amount potentially available for inclusion in line 63	<b>82</b>	931265	

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	(423874)	816670
Investment income receivable before deduction of tax	12	1997213	675283
Increase (decrease) in the value of non-linked assets brought into account	13	2035011	314496
Increase (decrease) in the value of linked assets	14	365083	125851
Other income	15	45260	62787
<b>Total income</b>	<b>19</b>	<b>4018693</b>	<b>1995087</b>

**Expenditure**

Claims incurred	21	6737129	2102001
Expenses payable	22	643571	441266
Interest payable before the deduction of tax	23	11354	17412
Taxation	24	61921	36319
Other expenditure	25	43760	38170
Transfer to (from) non technical account	26	419238	13917
<b>Total expenditure</b>	<b>29</b>	<b>7916973</b>	<b>2649085</b>

Business transfers - in	31	3654555	38378910
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(243725)	37724912
Fund brought forward	49	52370400	14645488
Fund carried forward (39+49)	59	52126675	52370400

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **FP With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	127669	204246
Investment income receivable before deduction of tax	12	376155	431056
Increase (decrease) in the value of non-linked assets brought into account	13	273570	253237
Increase (decrease) in the value of linked assets	14	120	
Other income	15	34766	34414
<b>Total income</b>	<b>19</b>	<b>812280</b>	<b>922953</b>

**Expenditure**

Claims incurred	21	1521531	1356643
Expenses payable	22	60551	64653
Interest payable before the deduction of tax	23	(1918)	5313
Taxation	24	46220	59312
Other expenditure	25		
Transfer to (from) non technical account	26	22812	13917
<b>Total expenditure</b>	<b>29</b>	<b>1649196</b>	<b>1499838</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(836916)	(576885)
Fund brought forward	49	8978698	9555583
Fund carried forward (39+49)	59	8141782	8978698

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **FPLAL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	3180	3451
Investment income receivable before deduction of tax	12	9387	9863
Increase (decrease) in the value of non-linked assets brought into account	13	(13135)	1845
Increase (decrease) in the value of linked assets	14		
Other income	15	115	133
<b>Total income</b>	<b>19</b>	<b>(453)</b>	<b>15292</b>

**Expenditure**

Claims incurred	21	25768	37705
Expenses payable	22	466	644
Interest payable before the deduction of tax	23	18	103
Taxation	24	869	540
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>27121</b>	<b>38992</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(27574)	(23700)
Fund brought forward	49	250514	274214
Fund carried forward (39+49)	59	222940	250514

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC New With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	132875	1679
Investment income receivable before deduction of tax	12	230052	1604
Increase (decrease) in the value of non-linked assets brought into account	13	(184313)	(666)
Increase (decrease) in the value of linked assets	14	(11280)	
Other income	15	1574	
<b>Total income</b>	<b>19</b>	<b>168908</b>	<b>2617</b>

**Expenditure**

Claims incurred	21	578243	4383
Expenses payable	22	27768	233
Interest payable before the deduction of tax	23	829	7
Taxation	24	46691	13843
Other expenditure	25		
Transfer to (from) non technical account	26	22357	
<b>Total expenditure</b>	<b>29</b>	<b>675888</b>	<b>18466</b>

Business transfers - in	31		4661748
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(506980)	4645899
Fund brought forward	49	4645899	
Fund carried forward (39+49)	59	4138919	4645899

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC Old With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	43840	246
Investment income receivable before deduction of tax	12	75729	348
Increase (decrease) in the value of non-linked assets brought into account	13	(28098)	(1691)
Increase (decrease) in the value of linked assets	14	(2139)	
Other income	15	285	
<b>Total income</b>	<b>19</b>	<b>89617</b>	<b>(1097)</b>

**Expenditure**

Claims incurred	21	182260	709
Expenses payable	22	7213	49
Interest payable before the deduction of tax	23	171	3
Taxation	24	11031	2509
Other expenditure	25		
Transfer to (from) non technical account	26	4994	
<b>Total expenditure</b>	<b>29</b>	<b>205669</b>	<b>3270</b>

Business transfers - in	31		1090811
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(116052)	1086445
Fund brought forward	49	1086445	
Fund carried forward (39+49)	59	970393	1086445

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLAS With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	(6709)	119
Investment income receivable before deduction of tax	12	280803	2308
Increase (decrease) in the value of non-linked assets brought into account	13	(430896)	(14856)
Increase (decrease) in the value of linked assets	14	(21776)	
Other income	15		
<b>Total income</b>	<b>19</b>	<b>(178578)</b>	<b>(12429)</b>

**Expenditure**

Claims incurred	21	620602	4791
Expenses payable	22	5059	189
Interest payable before the deduction of tax	23	1782	1
Taxation	24	9717	13602
Other expenditure	25		
Transfer to (from) non technical account	26	19075	
<b>Total expenditure</b>	<b>29</b>	<b>656235</b>	<b>18583</b>

Business transfers - in	31		6811818
Business transfers - out	32	1959332	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2794145)	6780806
Fund brought forward	49	6780806	
Fund carried forward (39+49)	59	3986661	6780806

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **WL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	102	
Investment income receivable before deduction of tax	12	265	
Increase (decrease) in the value of non-linked assets brought into account	13	(2020)	
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>(1653)</b>	

**Expenditure**

Claims incurred	21	1512	
Expenses payable	22	56	
Interest payable before the deduction of tax	23		
Taxation	24	924	
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>2492</b>	

Business transfers - in	31	613281	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	609136	
Fund brought forward	49		
Fund carried forward (39+49)	59	609136	

**Long-term insurance business : Revenue account**

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	(724831)	606928
Investment income receivable before deduction of tax	12	1024822	230104
Increase (decrease) in the value of non-linked assets brought into account	13	2419903	76627
Increase (decrease) in the value of linked assets	14	400158	125851
Other income	15	8520	28240
<b>Total income</b>	<b>19</b>	<b>3128572</b>	<b>1067750</b>

**Expenditure**

Claims incurred	21	3807213	697770
Expenses payable	22	542458	375498
Interest payable before the deduction of tax	23	10472	11985
Taxation	24	(53531)	(53487)
Other expenditure	25	43760	38170
Transfer to (from) non technical account	26	350000	
<b>Total expenditure</b>	<b>29</b>	<b>4700372</b>	<b>1069937</b>

Business transfers - in	31	5000606	25814533
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	3428806	25812347
Fund brought forward	49	30628038	4815691
Fund carried forward (39+49)	59	34056844	30628038

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Regular premiums	11	983060	475978	117396	1576434	955760
Single premiums	12	92744	412146	11373	516263	288417

**Reinsurance - external**

Regular premiums	13	220685	165213	1233	387131	240081
Single premiums	14	1639			1639	34

**Reinsurance - intra-group**

Regular premiums	15	4224	53374	(41)	57557	91486
Single premiums	16	1804505	266340	(600)	2070244	95906

**Net of reinsurance**

Regular premiums	17	758151	257390	116204	1131746	624193
Single premiums	18	(1713400)	145807	11973	(1555620)	192477

**Total**

Gross	19	1075804	888124	128769	2092697	1244177
Reinsurance	20	2031052	484927	592	2516571	427507
Net	21	(955248)	403197	128177	(423874)	816670

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11	110174	86914	4054	201142	286498
Single premiums	12	105	12156	179	12440	77171

**Reinsurance - external**

Regular premiums	13	5579	41	13	5633	6151
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	16580	36825	1879	55284	66660
Single premiums	16	2643	22187	166	24996	86612

**Net of reinsurance**

Regular premiums	17	88015	50048	2162	140225	213687
Single premiums	18	(2538)	(10031)	13	(12556)	(9441)

**Total**

Gross	19	110279	99070	4233	213582	363669
Reinsurance	20	24802	59053	2058	85913	159423
Net	21	85477	40017	2175	127669	204246

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
Total business / subfund **FPLAL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Regular premiums	11	861	157		1018	1275
Single premiums	12		2163		2163	2180

**Reinsurance - external**

Regular premiums	13	1			1	4
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	860	157		1017	1271
Single premiums	18		2163		2163	2180

**Total**

Gross	19	861	2320		3181	3455
Reinsurance	20	1			1	4
Net	21	860	2320		3180	3451

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11	103583	20599	1338	125520	1263
Single premiums	12	706	6900	14	7620	416

**Reinsurance - external**

Regular premiums	13	265			265	
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	103318	20599	1338	125255	1263
Single premiums	18	706	6900	14	7620	416

**Total**

Gross	19	104289	27499	1352	133140	1679
Reinsurance	20	265			265	
Net	21	104024	27499	1352	132875	1679

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11	35290	2868	49	38207	143
Single premiums	12	194	5504		5698	104

**Reinsurance - external**

Regular premiums	13	65			65	
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	35225	2868	49	38142	143
Single premiums	18	194	5504		5698	104

**Total**

Gross	19	35484	8372	49	43905	246
Reinsurance	20	65			65	
Net	21	35419	8372	49	43840	246

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLAS With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Regular premiums	11	39489	87061	1516	128066	1268
Single premiums	12	13126	53821		66947	1069

**Reinsurance - external**

Regular premiums	13	3155	103355		106510	1075
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	(5137)	61287		56150	588
Single premiums	16	6613	32449		39062	555

**Net of reinsurance**

Regular premiums	17	41471	(77581)	1516	(34594)	(395)
Single premiums	18	6513	21372		27885	514

**Total**

Gross	19	52615	140882	1516	195013	2337
Reinsurance	20	4631	197091		201722	2218
Net	21	47984	(56209)	1516	(6709)	119

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11	97	7		104	
Single premiums	12					

**Reinsurance - external**

Regular premiums	13	2			2	
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	95	7		102	
Single premiums	18					

**Total**

Gross	19	97	7		104	
Reinsurance	20	2			2	
Net	21	95	7		102	

**Long-term insurance business : Analysis of premiums**

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Regular premiums	11	716507	324990	113194	1154691	665901
Single premiums	12	85255	351958	11180	448393	208032

**Reinsurance - external**

Regular premiums	13	211618	61817	1220	274655	232851
Single premiums	14	1639			1639	34

**Reinsurance - intra-group**

Regular premiums	15	918	16684	835	18437	24826
Single premiums	16	1801780	232170	(766)	2033184	9294

**Net of reinsurance**

Regular premiums	17	503971	246489	111139	861599	408224
Single premiums	18	(1718164)	119788	11946	(1586430)	198704

**Total**

Gross	19	801762	676948	124374	1603084	873933
Reinsurance	20	2015955	310671	1289	2327915	267005
Net	21	(1214193)	366277	123085	(724831)	606928

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2013**  
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	785273	63199	7439	855911	316237
Disability periodic payments	12	96829		135	96964	43875
Surrender or partial surrender	13	1650885	2273523	107480	4031889	1825316
Annuity payments	14	11078	776012	34	787124	351771
Lump sums on maturity	15	1064188	1094631	9023	2167841	645646
<b>Total</b>	<b>16</b>	<b>3608254</b>	<b>4207364</b>	<b>124111</b>	<b>7939729</b>	<b>3182845</b>

**Reinsurance - external**

Death or disability lump sums	21	188501	291		188792	124314
Disability periodic payments	22	18443			18443	8926
Surrender or partial surrender	23	66			66	2
Annuity payments	24	21	249014		249035	118380
Lump sums on maturity	25	46			46	141
<b>Total</b>	<b>26</b>	<b>207077</b>	<b>249305</b>		<b>456382</b>	<b>251763</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	1050	7799		8848	23578
Disability periodic payments	32	10			10	
Surrender or partial surrender	33	221768	190098	13367	425234	713523
Annuity payments	34	0	305430		305430	53318
Lump sums on maturity	35	(34)	6731		6697	38661
<b>Total</b>	<b>36</b>	<b>222794</b>	<b>510057</b>	<b>13367</b>	<b>746219</b>	<b>829080</b>

**Net of reinsurance**

Death or disability lump sums	41	595722	55109	7439	658271	168345
Disability periodic payments	42	78376		135	78511	34949
Surrender or partial surrender	43	1429051	2083425	94113	3606589	1111791
Annuity payments	44	11057	221568	34	232659	180072
Lump sums on maturity	45	1064176	1087900	9023	2161098	606844
<b>Total</b>	<b>46</b>	<b>3178382</b>	<b>3448002</b>	<b>110744</b>	<b>6737128</b>	<b>2102001</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **FP With Profit Fund**  
Financial year ended **31 December 2013**  
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	60046	18836	1757	80639	82626
Disability periodic payments	12					
Surrender or partial surrender	13	243400	667756	34653	945809	1226195
Annuity payments	14	1881	167059	18	168958	171359
Lump sums on maturity	15	696855	83323	4643	784821	565311
<b>Total</b>	<b>16</b>	<b>1002182</b>	<b>936974</b>	<b>41071</b>	<b>1980227</b>	<b>2045491</b>

**Reinsurance - external**

Death or disability lump sums	21	5052			5052	4479
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	21			21	20
Lump sums on maturity	25					103
<b>Total</b>	<b>26</b>	<b>5073</b>			<b>5073</b>	<b>4602</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	15768	6581	84	22433	19678
Disability periodic payments	32					
Surrender or partial surrender	33	87091	293443	10853	391387	627749
Annuity payments	34		2219		2219	2066
Lump sums on maturity	35	33340	1434	2810	37584	34753
<b>Total</b>	<b>36</b>	<b>136199</b>	<b>303677</b>	<b>13747</b>	<b>453623</b>	<b>684246</b>

**Net of reinsurance**

Death or disability lump sums	41	39226	12255	1673	53154	58469
Disability periodic payments	42					
Surrender or partial surrender	43	156309	374313	23800	554422	598446
Annuity payments	44	1860	164840	18	166718	169273
Lump sums on maturity	45	663515	81889	1833	747237	530455
<b>Total</b>	<b>46</b>	<b>860910</b>	<b>633297</b>	<b>27324</b>	<b>1521531</b>	<b>1356643</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **FPLAL With Profit Fund**  
Financial year ended **31 December 2013**  
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	1980	292		2272	2363
Disability periodic payments	12					
Surrender or partial surrender	13	2364	3058		5422	6650
Annuity payments	14	32	3903		3935	3763
Lump sums on maturity	15	13614	638		14252	24967
<b>Total</b>	<b>16</b>	<b>17990</b>	<b>7891</b>		<b>25881</b>	<b>37743</b>

**Reinsurance - external**

Death or disability lump sums	21	4			4	
Disability periodic payments	22					
Surrender or partial surrender	23	63			63	
Annuity payments	24					
Lump sums on maturity	25	46			46	38
<b>Total</b>	<b>26</b>	<b>113</b>			<b>113</b>	<b>38</b>

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	1976	292		2268	2363
Disability periodic payments	42					
Surrender or partial surrender	43	2301	3058		5359	6650
Annuity payments	44	32	3903		3935	3763
Lump sums on maturity	45	13568	638		14206	24929
<b>Total</b>	<b>46</b>	<b>17877</b>	<b>7891</b>		<b>25768</b>	<b>37705</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC New With Profit Fund**  
Financial year ended **31 December 2013**  
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	62987	4408	1178	68573	582
Disability periodic payments	12					
Surrender or partial surrender	13	109541	50292	11309	171142	1562
Annuity payments	14	12	32968	8	32988	271
Lump sums on maturity	15	164302	140537	968	305807	1968
<b>Total</b>	<b>16</b>	<b>336842</b>	<b>228205</b>	<b>13463</b>	<b>578510</b>	<b>4383</b>

**Reinsurance - external**

Death or disability lump sums	21	267			267	
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>267</b>			<b>267</b>	

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	62720	4408	1178	68306	582
Disability periodic payments	42					
Surrender or partial surrender	43	109541	50292	11309	171142	1562
Annuity payments	44	12	32968	8	32988	271
Lump sums on maturity	45	164302	140537	968	305807	1968
<b>Total</b>	<b>46</b>	<b>336575</b>	<b>228205</b>	<b>13463</b>	<b>578243</b>	<b>4383</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC Old With Profit Fund**  
Financial year ended **31 December 2013**  
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	13580	1226		14806	64
Disability periodic payments	12					
Surrender or partial surrender	13	25002	15740	2392	43134	260
Annuity payments	14	2	7218	8	7228	31
Lump sums on maturity	15	71315	46051	322	117688	354
<b>Total</b>	<b>16</b>	<b>109899</b>	<b>70235</b>	<b>2722</b>	<b>182856</b>	<b>709</b>

**Reinsurance - external**

Death or disability lump sums	21	596			596	
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>596</b>			<b>596</b>	

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	12984	1226		14210	64
Disability periodic payments	42					
Surrender or partial surrender	43	25002	15740	2392	43134	260
Annuity payments	44	2	7218	8	7228	31
Lump sums on maturity	45	71315	46051	322	117688	354
<b>Total</b>	<b>46</b>	<b>109303</b>	<b>70235</b>	<b>2722</b>	<b>182260</b>	<b>709</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLAS With Profit Fund**  
Financial year ended **31 December 2013**  
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	192835	14882	98	207815	1225
Disability periodic payments	12	1061			1061	7
Surrender or partial surrender	13	263550	352624	15871	632045	7007
Annuity payments	14	7006	210204		217210	2717
Lump sums on maturity	15	83081	460679		543760	2020
<b>Total</b>	<b>16</b>	<b>547533</b>	<b>1038389</b>	<b>15969</b>	<b>1601891</b>	<b>12976</b>

**Reinsurance - external**

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		99868		99868	1069
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>		<b>99868</b>		<b>99868</b>	<b>1069</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	77106	8580		85686	664
Disability periodic payments	32					
Surrender or partial surrender	33	211635	180241		391876	4711
Annuity payments	34	7067	106287		113354	1194
Lump sums on maturity	35		290505		290505	547
<b>Total</b>	<b>36</b>	<b>295808</b>	<b>585613</b>		<b>881421</b>	<b>7116</b>

**Net of reinsurance**

Death or disability lump sums	41	115729	6302	98	122129	561
Disability periodic payments	42	1061			1061	7
Surrender or partial surrender	43	51915	172383	15871	240169	2296
Annuity payments	44	(61)	4049		3988	454
Lump sums on maturity	45	83081	170174		253255	1473
<b>Total</b>	<b>46</b>	<b>251725</b>	<b>352908</b>	<b>15969</b>	<b>620602</b>	<b>4791</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **WL With Profit Fund**  
Financial year ended **31 December 2013**  
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	54	8		62	
Disability periodic payments	12					
Surrender or partial surrender	13	33	81	32	146	
Annuity payments	14	1	25		26	
Lump sums on maturity	15	986	293		1279	
<b>Total</b>	<b>16</b>	<b>1074</b>	<b>407</b>	<b>32</b>	<b>1513</b>	

**Reinsurance - external**

Death or disability lump sums	21	1			1	
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>1</b>			<b>1</b>	

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	53	8		61	
Disability periodic payments	42					
Surrender or partial surrender	43	33	81	32	146	
Annuity payments	44	1	25		26	
Lump sums on maturity	45	986	293		1279	
<b>Total</b>	<b>46</b>	<b>1073</b>	<b>407</b>	<b>32</b>	<b>1512</b>	

**Long-term insurance business : Analysis of claims**

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2013**  
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	548316	30939	5359	584614	230040
Disability periodic payments	12	95769		135	95904	43868
Surrender or partial surrender	13	1279803	1362844	54076	2696723	588353
Annuity payments	14	9211	465431		474642	174824
Lump sums on maturity	15	68414	647118	7112	722644	51573
<b>Total</b>	<b>16</b>	<b>2001513</b>	<b>2506332</b>	<b>66682</b>	<b>4574527</b>	<b>1088659</b>

**Reinsurance - external**

Death or disability lump sums	21	182581	291		182872	119835
Disability periodic payments	22	18443			18443	8926
Surrender or partial surrender	23	3			3	2
Annuity payments	24		149146		149146	117291
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>201027</b>	<b>149437</b>		<b>350464</b>	<b>246054</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	1816	882	869	3567	3900
Disability periodic payments	32	10			10	
Surrender or partial surrender	33	10133	81002	13367	104502	85774
Annuity payments	34		307720		307720	51252
Lump sums on maturity	35	1039	(1200)	1212	1051	3908
<b>Total</b>	<b>36</b>	<b>12998</b>	<b>388404</b>	<b>15448</b>	<b>416850</b>	<b>144834</b>

**Net of reinsurance**

Death or disability lump sums	41	363919	29766	4490	398175	106306
Disability periodic payments	42	77316		135	77451	34942
Surrender or partial surrender	43	1269667	1281842	40709	2592218	502577
Annuity payments	44	9211	8565		17776	6281
Lump sums on maturity	45	67375	648318	5900	721593	47665
<b>Total</b>	<b>46</b>	<b>1787488</b>	<b>1968491</b>	<b>51234</b>	<b>3807213</b>	<b>697770</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Commission - acquisition	11	18517	4699	14038	37254	147043
Commission - other	12	27103	11972	2793	41868	13055
Management - acquisition	13	22527	17863	10190	50580	77342
Management - maintenance	14	214087	67682	10306	292075	116541
Management - other	15	97785	128020	170	225975	85707
<b>Total</b>	<b>16</b>	<b>380019</b>	<b>230236</b>	<b>37497</b>	<b>647752</b>	<b>439689</b>

**Reinsurance - external**

Commission - acquisition	21					8
Commission - other	22	111	3	10	124	140
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>111</b>	<b>3</b>	<b>10</b>	<b>124</b>	<b>148</b>

**Reinsurance - intra-group**

Commission - acquisition	31	2	4051	2	4055	(1739)
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34		2		2	15
Management - other	35					
<b>Total</b>	<b>36</b>	<b>2</b>	<b>4053</b>	<b>2</b>	<b>4057</b>	<b>(1724)</b>

**Net of reinsurance**

Commission - acquisition	41	18515	648	14036	33199	148774
Commission - other	42	26992	11969	2783	41744	12915
Management - acquisition	43	22527	17863	10190	50580	77342
Management - maintenance	44	214087	67680	10306	292073	116526
Management - other	45	97785	128020	170	225975	85707
<b>Total</b>	<b>46</b>	<b>379906</b>	<b>226180</b>	<b>37485</b>	<b>643571</b>	<b>441265</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	187	244	7	438	1364
Commission - other	12	1438	982	225	2645	2198
Management - acquisition	13					
Management - maintenance	14	8404	13705	423	22532	22029
Management - other	15	2417	(184)	7	2240	92
<b>Total</b>	<b>16</b>	<b>12446</b>	<b>14747</b>	<b>662</b>	<b>27855</b>	<b>25683</b>

**Reinsurance - external**

Commission - acquisition	21					8
Commission - other	22	3	2		5	
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>3</b>	<b>2</b>		<b>5</b>	<b>8</b>

**Reinsurance - intra-group**

Commission - acquisition	31	2	4015	2	4019	(1827)
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	(12918)	(23506)	(296)	(36720)	(37151)
Management - other	35					
<b>Total</b>	<b>36</b>	<b>(12916)</b>	<b>(19491)</b>	<b>(294)</b>	<b>(32701)</b>	<b>(38978)</b>

**Net of reinsurance**

Commission - acquisition	41	185	(3771)	5	(3581)	3183
Commission - other	42	1435	980	225	2640	2198
Management - acquisition	43					
Management - maintenance	44	21322	37211	719	59252	59180
Management - other	45	2417	(184)	7	2240	92
<b>Total</b>	<b>46</b>	<b>25359</b>	<b>34236</b>	<b>956</b>	<b>60551</b>	<b>64653</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FPLAL With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11		1		1	11
Commission - other	12	3			3	3
Management - acquisition	13					
Management - maintenance	14	248	201		449	643
Management - other	15	13			13	(13)
<b>Total</b>	<b>16</b>	<b>264</b>	<b>202</b>		<b>466</b>	<b>644</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41		1		1	11
Commission - other	42	3			3	3
Management - acquisition	43					
Management - maintenance	44	248	201		449	643
Management - other	45	13			13	(13)
<b>Total</b>	<b>46</b>	<b>264</b>	<b>202</b>		<b>466</b>	<b>644</b>

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	476	284	705	1465	17
Commission - other	12	1686	411	23	2120	11
Management - acquisition	13	13	208		221	6
Management - maintenance	14	20786	3176		23962	199
Management - other	15					
<b>Total</b>	<b>16</b>	<b>22961</b>	<b>4079</b>	<b>728</b>	<b>27768</b>	<b>233</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	476	284	705	1465	17
Commission - other	42	1686	411	23	2120	11
Management - acquisition	43	13	208		221	6
Management - maintenance	44	20786	3176		23962	199
Management - other	45					
<b>Total</b>	<b>46</b>	<b>22961</b>	<b>4079</b>	<b>728</b>	<b>27768</b>	<b>233</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	(128)	(20)	238	90	1
Commission - other	12	343	68	1	412	1
Management - acquisition	13	4	76		80	1
Management - maintenance	14	5618	850		6468	46
Management - other	15	163			163	
<b>Total</b>	<b>16</b>	<b>6000</b>	<b>974</b>	<b>239</b>	<b>7213</b>	<b>49</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	(128)	(20)	238	90	1
Commission - other	42	343	68	1	412	1
Management - acquisition	43	4	76		80	1
Management - maintenance	44	5618	850		6468	46
Management - other	45	163			163	
<b>Total</b>	<b>46</b>	<b>6000</b>	<b>974</b>	<b>239</b>	<b>7213</b>	<b>49</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	1317	970	471	2758	(1)
Commission - other	12	3696	2848	17	6561	1
Management - acquisition	13	976	2625	28	3629	35
Management - maintenance	14	14097	22508	386	36991	452
Management - other	15					
<b>Total</b>	<b>16</b>	<b>20086</b>	<b>28951</b>	<b>902</b>	<b>49939</b>	<b>487</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31	1204	982		2186	(3)
Commission - other	32	3503	2775		6278	1
Management - acquisition	33	518	2546		3064	
Management - maintenance	34	12891	20040	421	33352	300
Management - other	35					
<b>Total</b>	<b>36</b>	<b>18116</b>	<b>26343</b>	<b>421</b>	<b>44880</b>	<b>299</b>

**Net of reinsurance**

Commission - acquisition	41	113	(12)	471	572	2
Commission - other	42	193	73	17	283	
Management - acquisition	43	458	79	28	565	35
Management - maintenance	44	1206	2468	(35)	3639	152
Management - other	45					
<b>Total</b>	<b>46</b>	<b>1970</b>	<b>2608</b>	<b>481</b>	<b>5059</b>	<b>189</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	(1)			(1)	
Commission - other	12	3			3	
Management - acquisition	13					
Management - maintenance	14	27	25	1	53	
Management - other	15	1			1	
<b>Total</b>	<b>16</b>	<b>30</b>	<b>25</b>	<b>1</b>	<b>56</b>	

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	(1)			(1)	
Commission - other	42	3			3	
Management - acquisition	43					
Management - maintenance	44	27	25	1	53	
Management - other	45	1			1	
<b>Total</b>	<b>46</b>	<b>30</b>	<b>25</b>	<b>1</b>	<b>56</b>	

**Long-term insurance business : Analysis of expenses**

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Commission - acquisition	11	17870	4202	12617	34689	145648
Commission - other	12	23437	10438	2527	36402	10842
Management - acquisition	13	22052	17500	10162	49714	77302
Management - maintenance	14	177798	47257	9917	234972	93473
Management - other	15	95191	128204	163	223558	85628
<b>Total</b>	<b>16</b>	<b>336348</b>	<b>207601</b>	<b>35386</b>	<b>579335</b>	<b>412892</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	108	1	10	119	140
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>108</b>	<b>1</b>	<b>10</b>	<b>119</b>	<b>140</b>

**Reinsurance - intra-group**

Commission - acquisition	31		36		36	88
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	12918	23508	296	36722	37166
Management - other	35					
<b>Total</b>	<b>36</b>	<b>12918</b>	<b>23544</b>	<b>296</b>	<b>36758</b>	<b>37254</b>

**Net of reinsurance**

Commission - acquisition	41	17870	4166	12617	34653	145560
Commission - other	42	23329	10437	2517	36283	10702
Management - acquisition	43	22052	17500	10162	49714	77302
Management - maintenance	44	164880	23749	9621	198250	56307
Management - other	45	95191	128204	163	223558	85628
<b>Total</b>	<b>46</b>	<b>323322</b>	<b>184056</b>	<b>35080</b>	<b>542458</b>	<b>375498</b>

**Long-term insurance business : Linked funds balance sheet**Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2013**Units **£000**

Financial year	Previous year
1	2

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11	23098774	22427677
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	7221534	6794009
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>30320308</b>	<b>29221686</b>
Provision for tax on unrealised capital gains	15	15081	
Secured and unsecured loans	16	1894	1746
Other liabilities	17	116109	96479
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>30187224</b>	<b>29123461</b>

**Directly held linked assets**

Value of directly held linked assets	21	107664	104773
--------------------------------------	----	--------	--------

**Total**

Value of directly held linked assets and units held (18+21)	31	30294888	29228235
Surplus units	32	19517	17657
Deficit units	33	30095	15596
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>30305466</b>	<b>29226174</b>

**Long-term insurance business : Revenue account for internal linked funds**Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2013**Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	1788582	250707
Investment income attributable to the funds before deduction of tax	12	896560	154665
Increase (decrease) in the value of investments in the financial year	13	2856176	127114
Other income	14	629690	25067072
<b>Total income</b>	<b>19</b>	<b>6171008</b>	<b>25599558</b>

**Expenditure**

Value of total cancellation of units	21	4774190	742208
Charges for management	22	250656	37808
Charges in respect of tax on investment income	23	69597	12431
Taxation on realised capital gains	24	5148	(4712)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	2623	
Other expenditure	26	5031	3006
<b>Total expenditure</b>	<b>29</b>	<b>5107245</b>	<b>790741</b>

Increase (decrease) in funds in financial year (19-29)	39	1063763	24808817
Internal linked fund brought forward	49	29123461	4314644
Internal linked funds carried forward (39+49)	59	30187224	29123461

**Long-term insurance business : Summary of new business**

Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2013**

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	<b>11</b>	2547	7337	10390	20274	42357
Single premium business	<b>12</b>	369	7494	53	7916	344
<b>Total</b>	<b>13</b>	2916	14831	10443	28190	42701

**Amount of new regular  
premiums**

Direct insurance business	<b>21</b>	36369	33477	12569	82415	106815
External reinsurance	<b>22</b>	9			9	
Intra-group reinsurance	<b>23</b>	331	3809		4140	
<b>Total</b>	<b>24</b>	36709	37286	12569	86564	106815

**Amount of new single  
premiums**

Direct insurance business	<b>25</b>	85712	361303	11373	458388	100554
External reinsurance	<b>26</b>	309	16		324	
Intra-group reinsurance	<b>27</b>	6724	50828		57551	448
<b>Total</b>	<b>28</b>	92744	412146	11373	516264	101002

Long-term insurance business : Analysis of new business

Name of insurer  
Total business  
Financial year ended  
Units  
UK Life / Direct Insurance Business

Friends Life Limited  
  
31 December 2013  
£000

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
325	Level term assurance	769	816		
330	Decreasing term assurance	357	82	108	992
340	Accelerated critical illness (guaranteed premiums)	866	1010		
345	Accelerated critical illness (reviewable premiums)	49	20		
350	Stand-alone critical illness (guaranteed premiums)	46	62		
355	Stand-alone critical illness (reviewable premiums)	7	4		
360	Income protection non-profit (guaranteed premiums)	28	11		
365	Income protection non-profit (reviewable premiums)	39	18		
380	Miscellaneous protection rider	83	7		
390	Deferred annuity non-profit			31	1939
395	Annuity non-profit (PLA)			167	35635
420	Group income protection	2	33749		
500	Life UWP single premium				3729
505	Life UWP whole life regular premium	51	158		
515	Life UWP endowment regular premium - target cash	33	42		

Long-term insurance business : Analysis of new business

Name of insurer  
Total business  
Financial year ended  
Units  
UK Life / Direct Insurance Business

Friends Life Limited  
  
31 December 2013  
£000

Product code number  1	Product description  2	Regular premium business		Single premium business	
		Number of policyholders / scheme members  3	Amount of premiums  4	Number of policyholders / scheme members  5	Amount of premiums  6
700	Life property linked single premium			11	34800
710	Life property linked whole life regular premium	136	331		
715	Life property linked endowment regular premium - savings	1			
910	Miscellaneous index linked	80	59	52	8616

Long-term insurance business : Analysis of new business

Name of insurer

Total business

Financial year ended

Units

Friends Life Limited

31 December 2013

£000

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				309
505	Life UWP whole life regular premium		5		
710	Life property linked whole life regular premium		5		

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

Financial year ended

31 December 2013

Units

£000

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
700	Life property linked single premium				6724
710	Life property linked whole life regular premium		331		

Long-term insurance business : Analysis of new business

Name of insurer Friends Life Limited

Total business

Financial year ended 31 December 2013

Units £000

UK Pension / Direct Insurance Business

Product code number  1	Product description  2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA)			6341	221547
410	Group life	42	5		
525	Individual pensions UWP	30	47	45	4145
530	Individual pensions UWP - increments		703		17251
535	Group money purchase pensions UWP	203	300	45	28
540	Group money purchase pensions UWP - increments		308		11058
555	Group deposit administration with-profits	522	1805		
565	DWP National Insurance rebates UWP				202
570	Income drawdown UWP			4	104
575	Miscellaneous UWP		6		58
725	Individual pensions property linked	354	1189	560	17677
730	Individual pensions property linked - increments		1821		45186
735	Group money purchase pensions property linked	6187	12981	412	2331
740	Group money purchase pensions property linked - increments		14272		16790
745	DWP National Insurance rebates property linked				533

Long-term insurance business : Analysis of new business

Name of insurer  
Total business  
Financial year ended  
Units  
UK Pension / Direct Insurance Business

Friends Life Limited  
  
31 December 2013  
£000

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
750	Income drawdown property linked			84	23320
755	Trustee investment plan			3	191
760	Small self administered schemes		40		883

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

Financial year ended

31 December 2013

Units

£000

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Individual pensions UWP - increments				13
565	DWP National Insurance rebates UWP				1
745	DWP National Insurance rebates property linked				2

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

Financial year ended

31 December 2013

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
525	Individual pensions UWP		11		0
535	Group money purchase pensions UWP		95		183
725	Individual pensions property linked		36		12
730	Individual pensions property linked - increments		458		6464
735	Group money purchase pensions property linked		1360		1
740	Group money purchase pensions property linked - increments		1809		43114
745	DWP National Insurance rebates property linked				300
760	Small self administered schemes		40		755

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

Financial year ended

31 December 2013

Units

£000

Overseas / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
175	Group conventional deferred annuity with-profits				17
325	Level term assurance	2081	1518		
350	Stand-alone critical illness (guaranteed premiums)	2203	737		
500	Life UWP single premium				769
525	Individual pensions UWP				99
555	Group deposit administration with-profits	27	180		256
700	Life property linked single premium			48	9493
715	Life property linked endowment regular premium - savings	6079	10124	5	704
725	Individual pensions property linked		11		36

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

Name of insurer **Friends Life Limited**  
Category of assets **10 Total long term insurance business assets**  
Financial year ended **31 December 2013**  
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	1465196	1745725	57002	3.57	
Other fixed interest securities	13	5511908	5536582	304761	4.49	
Variable interest securities	14	2361674	2081145	59299	2.50	
UK listed equity shares	15	12934	12934	395	7.31	
Non-UK listed equity shares	16	11039	16237	391	2.80	
Unlisted equity shares	17	640570	75768	1822	0.01	
Other assets	18	956701	1491631	4561	0.33	
<b>Total</b>	<b>19</b>	<b>10960022</b>	<b>10960022</b>	<b>428231</b>	<b>3.37</b>	

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

Land and buildings	21	1277054	1492169	57139	3.83	10.15
Approved fixed interest securities	22	5418864	5845663	177289	2.33	(1.61)
Other fixed interest securities	23	3338734	3424124	166498	3.71	2.82
Variable interest securities	24	908699	494610	17929	2.32	(1.03)
UK listed equity shares	25	3293815	3488269	104555	5.03	20.70
Non-UK listed equity shares	26	1525027	1408826	33193	4.62	18.85
Unlisted equity shares	27	593377	1034365		0.12	19.85
Other assets	28	3052334	2219878	28042	1.48	1.24
<b>Total</b>	<b>29</b>	<b>19407903</b>	<b>19407903</b>	<b>584645</b>	<b>3.12</b>	<b>7.05</b>

**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 Limited**  
Category of assets **11 Total Long Term Business - FP With Profit Fund**  
Financial year ended **31 December 2013**  
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	<b>11</b>					
Approved fixed interest securities	<b>12</b>	537089	537089	14849	3.27	
Other fixed interest securities	<b>13</b>	1659046	1659046	93426	4.61	
Variable interest securities	<b>14</b>	50710	50710	166	4.18	
UK listed equity shares	<b>15</b>	12653	12653	395	7.47	
Non-UK listed equity shares	<b>16</b>	7909	7909	192	2.72	
Unlisted equity shares	<b>17</b>	73060	73060	1822		
Other assets	<b>18</b>	61132	61132	16	0.05	
<b>Total</b>	<b>19</b>	2401598	2401598	110867	4.06	

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

Land and buildings	<b>21</b>	350421	538491	10264	1.91	9.39
Approved fixed interest securities	<b>22</b>	3285704	3285704	92628	2.43	(1.33)
Other fixed interest securities	<b>23</b>	1169828	1169828	64248	4.60	2.17
Variable interest securities	<b>24</b>	151111	229821	3152	3.68	1.10
UK listed equity shares	<b>25</b>	772920	1097616	32750	4.17	22.22
Non-UK listed equity shares	<b>26</b>	598719	638581	22812	4.84	14.92
Unlisted equity shares	<b>27</b>	493363	313090		0.40	13.82
Other assets	<b>28</b>	1070636	619572	1031	0.76	1.50
<b>Total</b>	<b>29</b>	7892703	7892703	226885	2.98	5.40

**Overall return on with-profits assets**

Post investment costs but pre-tax	<b>31</b>					7.60
Return allocated to non taxable 'asset shares'	<b>32</b>					7.56
Return allocated to taxable 'asset shares'	<b>33</b>					6.58

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

Name of insurer **Friends Life Limited**  
 Category of assets **12 Total Long Term Business - Non Profit Fund**  
 Financial year ended **31 December 2013**  
 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	555941	836470	28406	3.82	
Other fixed interest securities	13	1843634	1868308	95235	3.87	
Variable interest securities	14	2251224	1970695	53731	2.52	
UK listed equity shares	15	281	281			
Non-UK listed equity shares	16	311	311			
Unlisted equity shares	17	567510	2708		0.38	
Other assets	18	688178	1228306	4524	0.39	
<b>Total</b>	<b>19</b>	<b>5907079</b>	<b>5907079</b>	<b>181897</b>	<b>2.69</b>	

**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					
<b>Total</b>	<b>29</b>					

**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 Limited**  
Category of assets **13 Total Long Term Business - FPLAL With Profit Fund**  
Financial year ended **31 December 2013**  
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	49250	49250	535	2.70	
Other fixed interest securities	13	7038	7038	280	1.66	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16	2819	8017	199	2.98	
Unlisted equity shares	17					
Other assets	18	5198				
<b>Total</b>	<b>19</b>	<b>64304</b>	<b>64304</b>	<b>1013</b>	<b>2.62</b>	

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

Land and buildings	21	40	3020	150	4.97	32.18
Approved fixed interest securities	22	105314	105314	5271	3.04	(4.57)
Other fixed interest securities	23	5329	5329	212	1.66	3.69
Variable interest securities	24					
UK listed equity shares	25	34489	61526	2318	4.86	22.30
Non-UK listed equity shares	26	2632	3143	78	4.19	14.52
Unlisted equity shares	27					
Other assets	28	48034	17507	104	0.46	0.16
<b>Total</b>	<b>29</b>	<b>195838</b>	<b>195838</b>	<b>8133</b>	<b>3.39</b>	<b>5.39</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					8.99
Return allocated to non taxable 'asset shares'	32					8.98
Return allocated to taxable 'asset shares'	33					7.75

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

Name of insurer **Friends Life Limited**  
Category of assets **14 Total Long Term Business - FLC New With Profit Fund**  
Financial year ended **31 December 2013**  
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	85846	85846	3819	3.72	
Other fixed interest securities	13	668173	668173	37230	4.34	
Variable interest securities	14	1409	1409	21	3.91	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	63735	63735			
<b>Total</b>	<b>19</b>	<b>819163</b>	<b>819163</b>	<b>41070</b>	<b>3.94</b>	

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

Land and buildings	21	553452	568582	25462	4.48	9.66
Approved fixed interest securities	22	816559	816559	30009	2.45	(1.77)
Other fixed interest securities	23	1030058	1090148	49534	3.23	2.34
Variable interest securities	24	189207	137199	1877	0.69	(1.42)
UK listed equity shares	25	1204647	1083670	29603	5.31	21.48
Non-UK listed equity shares	26	598078	463419	5190	4.44	22.09
Unlisted equity shares	27	57247	416047			17.91
Other assets	28	820551	694175	20289	2.97	1.77
<b>Total</b>	<b>29</b>	<b>5269799</b>	<b>5269799</b>	<b>161965</b>	<b>3.42</b>	<b>9.22</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					11.38
Return allocated to non taxable 'asset shares'	32					11.38
Return allocated to taxable 'asset shares'	33					9.73

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

Name of insurer **Friends Life Limited**  
Category of assets **15 Total Long Term Business - FLC Old With Profit Fund**  
Financial year ended **31 December 2013**  
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	13425	13425	592	3.72	
Other fixed interest securities	13	104551	104551	5775	4.34	
Variable interest securities	14	218	218	3	3.91	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	17374	17374			
<b>Total</b>	<b>19</b>	<b>135568</b>	<b>135568</b>	<b>6371</b>	<b>3.72</b>	

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

Land and buildings	21	148908	152992	4783	3.13	9.66
Approved fixed interest securities	22	211213	211213	7773	2.45	(1.77)
Other fixed interest securities	23	266034	281789	12839	3.22	2.34
Variable interest securities	24	49004	35012	485	0.69	(1.42)
UK listed equity shares	25	322933	289514	7548	5.33	21.48
Non-UK listed equity shares	26	160328	122442	1265	4.50	22.09
Unlisted equity shares	27	15653	112193			17.91
Other assets	28	237837	206755	5445	2.68	1.77
<b>Total</b>	<b>29</b>	<b>1411910</b>	<b>1411910</b>	<b>40138</b>	<b>3.24</b>	<b>9.22</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					11.38
Return allocated to non taxable 'asset shares'	32					11.38
Return allocated to taxable 'asset shares'	33					9.73

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

Name of insurer **Friends Life Limited**  
Category of assets **16 Total Long Term Business - FLAS With Profit Fund**  
Financial year ended **31 December 2013**  
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	140460	140460	5757	3.95	
Other fixed interest securities	13	1229466	1229466	72815	5.37	
Variable interest securities	14	58113	58113	5377	0.46	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	116998	116998			
<b>Total</b>	<b>19</b>	<b>1545037</b>	<b>1545037</b>	<b>83949</b>	<b>4.65</b>	

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

Land and buildings	21	221208	224473	16210	7.22	13.35
Approved fixed interest securities	22	755658	1182457	32214	1.77	(1.30)
Other fixed interest securities	23	736202	745747	32853	3.42	5.20
Variable interest securities	24	519377	92578	12416	2.01	(5.60)
UK listed equity shares	25	815478	791343	26566	5.72	17.11
Non-UK listed equity shares	26	149014	164958	3346	4.36	22.94
Unlisted equity shares	27	27114	193035			34.93
Other assets	28	741392	570852	673	0.12	0.83
<b>Total</b>	<b>29</b>	<b>3965443</b>	<b>3965443</b>	<b>124278</b>	<b>2.97</b>	<b>7.40</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					10.29
Return allocated to non taxable 'asset shares'	32					10.29
Return allocated to taxable 'asset shares'	33					8.79

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

Name of insurer **Friends Life Limited**  
Category of assets **17 Total Long Term Business - WL With Profit Fund**  
Financial year ended **31 December 2013**  
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	83186	83186	3043	2.74	
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	4086	4086	20	0.50	
<b>Total</b>	<b>19</b>	<b>87272</b>	<b>87272</b>	<b>3064</b>	<b>2.63</b>	

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

Land and buildings	21	3025	4611	269	5.83	6.69
Approved fixed interest securities	22	244415	244415	9393	2.88	(4.98)
Other fixed interest securities	23	131282	131282	6812	2.42	(0.05)
Variable interest securities	24					
UK listed equity shares	25	143348	164600	5770	5.17	20.69
Non-UK listed equity shares	26	16256	16283	503	5.00	15.60
Unlisted equity shares	27					
Other assets	28	133883	111018	500	1.16	(2.22)
<b>Total</b>	<b>29</b>	<b>672210</b>	<b>672210</b>	<b>23247</b>	<b>3.14</b>	<b>3.30</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					9.82
Return allocated to non taxable 'asset shares'	32					9.82
Return allocated to taxable 'asset shares'	33					9.84

**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2013**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	5448247	8.39	2.31	2.31

<b>Other approved fixed interest securities</b>	<b>21</b>	2143141	10.15	3.41	3.05
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	611891	9.19	3.75	3.40
AA/Aa	<b>32</b>	1205452	9.92	3.52	3.14
A/A	<b>33</b>	3867173	9.49	4.02	3.46
BBB/Baa	<b>34</b>	2930297	8.28	4.37	3.39
BB/Ba	<b>35</b>	242624	8.38	6.60	3.65
B/B	<b>36</b>	52498	6.62	12.59	6.72
CCC/Caa	<b>37</b>	23982	13.96	12.47	4.21
Other (including unrated)	<b>38</b>	26788	38.44	3.36	3.24
<b>Total other fixed interest securities</b>	<b>39</b>	8960705	9.19	4.19	3.41

<b>Approved variable interest securities</b>	<b>41</b>	734693	19.16	1.50	1.07
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<b>Other variable interest securities</b>	<b>51</b>	1841062	21.65	2.85	2.38
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	19127848	10.65	3.33	2.87
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
Category of assets **11 Total Long Term Business - FP With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	3054534	7.85	2.32	2.32

<b>Other approved fixed interest securities</b>	<b>21</b>	768259	13.18	3.45	2.74
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	268953	10.39	4.19	3.67
AA/Aa	<b>32</b>	341858	10.43	3.99	3.51
A/A	<b>33</b>	1277566	9.95	4.32	3.66
BBB/Baa	<b>34</b>	867934	7.60	5.07	3.91
BB/Ba	<b>35</b>	54559	4.95	8.83	3.88
B/B	<b>36</b>	16933	9.28	8.13	4.42
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	1072	5.51	7.67	6.29
<b>Total other fixed interest securities</b>	<b>39</b>	2828874	9.23	4.61	3.73

<b>Approved variable interest securities</b>	<b>41</b>	183533	23.65	3.51	3.51
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<b>Other variable interest securities</b>	<b>51</b>	96998	19.53	4.25	3.60
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	6932197	9.59	3.44	2.99
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
Category of assets **12 Total Long Term Business - Non Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	204265	10.05	2.67	2.67

<b>Other approved fixed interest securities</b>	<b>21</b>	632204	10.28	4.19	4.11
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	50870	9.58	3.87	3.60
AA/Aa	<b>32</b>	219764	9.55	3.53	3.23
A/A	<b>33</b>	865384	9.09	4.05	3.58
BBB/Baa	<b>34</b>	716031	7.48	3.72	2.93
BB/Ba	<b>35</b>	12313	7.04	5.42	3.15
B/B	<b>36</b>	3795	11.66	6.90	3.65
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	151	21.18	2.96	2.45
<b>Total other fixed interest securities</b>	<b>39</b>	1868308	8.53	3.87	3.29

<b>Approved variable interest securities</b>	<b>41</b>	303018	23.69	1.02	0.86
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<b>Other variable interest securities</b>	<b>51</b>	1667677	22.30	2.79	2.33
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	4675473	14.73	3.29	2.87
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
Category of assets **13 Total Long Term Business - FPLAL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	154564	10.79	3.00	3.00

<b>Other approved fixed interest securities</b>	<b>21</b>				
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	2104	2.82	1.36	0.86
AA/Aa	<b>32</b>	5368	2.80	1.64	1.17
A/A	<b>33</b>	4895	2.48	1.81	1.24
BBB/Baa	<b>34</b>				
BB/Ba	<b>35</b>				
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>				
<b>Total other fixed interest securities</b>	<b>39</b>	12367	2.68	1.66	1.15

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	166931	10.19	2.90	2.87
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
Category of assets **14 Total Long Term Business - FLC New With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	567469	8.29	2.37	2.37

<b>Other approved fixed interest securities</b>	<b>21</b>	334936	7.34	2.91	2.71
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	146055	7.71	3.31	3.10
AA/Aa	<b>32</b>	284564	9.40	2.81	2.54
A/A	<b>33</b>	662242	8.96	3.65	3.17
BBB/Baa	<b>34</b>	576145	8.08	3.81	2.97
BB/Ba	<b>35</b>	76275	10.14	5.98	3.66
B/B	<b>36</b>	4959	5.46	6.33	2.39
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	8081	40.00	4.59	4.49
<b>Total other fixed interest securities</b>	<b>39</b>	1758321	8.83	3.65	3.02

<b>Approved variable interest securities</b>	<b>41</b>	83380	8.82	(0.35)	(0.49)
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<b>Other variable interest securities</b>	<b>51</b>	55228	8.79	2.30	1.98
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	2799334	8.54	3.16	2.73
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
Category of assets **15 Total Long Term Business - FLC Old With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	145318	8.34	2.38	2.38

<b>Other approved fixed interest securities</b>	<b>21</b>	79320	6.89	2.79	2.61
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	33811	7.53	3.26	3.05
AA/Aa	<b>32</b>	68772	9.16	2.65	2.42
A/A	<b>33</b>	143221	8.23	3.48	3.02
BBB/Baa	<b>34</b>	122218	8.27	3.80	2.96
BB/Ba	<b>35</b>	15502	10.88	5.87	3.57
B/B	<b>36</b>	1052	5.46	6.33	2.39
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	1764	39.98	4.59	4.49
<b>Total other fixed interest securities</b>	<b>39</b>	386340	8.59	3.52	2.92

<b>Approved variable interest securities</b>	<b>41</b>	21073	8.67	(0.36)	(0.51)
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<b>Other variable interest securities</b>	<b>51</b>	14157	8.67	2.28	1.97
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	646208	8.33	3.02	2.63
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**Long-term insurance business : Fixed and variable interest assets**

Name of insurer **Friends Life Limited**  
Category of assets **16 Total Long Term Business - FLAS With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	1048969	8.56	1.90	1.90

<b>Other approved fixed interest securities</b>	<b>21</b>	273948	6.52	2.47	2.14
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	105684	8.83	3.40	3.23
AA/Aa	<b>32</b>	278858	10.46	3.90	3.41
A/A	<b>33</b>	877407	10.11	4.01	3.42
BBB/Baa	<b>34</b>	574439	11.27	5.13	3.95
BB/Ba	<b>35</b>	73364	9.56	6.27	3.75
B/B	<b>36</b>	25759	4.40	17.83	9.70
CCC/Caa	<b>37</b>	23982	13.96	12.47	4.21
Other (including unrated)	<b>38</b>	15720	39.88	2.30	2.25
<b>Total other fixed interest securities</b>	<b>39</b>	1975213	10.61	4.64	3.66

<b>Approved variable interest securities</b>	<b>41</b>	143689	11.39	1.31	(0.48)
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<b>Other variable interest securities</b>	<b>51</b>	7002	24.06	3.29	2.60
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	3448821	9.72	3.49	2.83
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## Long-term insurance business : Fixed and variable interest assets

Name of insurer **Friends Life Limited**  
Category of assets **17 Total Long Term Business - WL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	273128	11.49	2.91	2.91

<b>Other approved fixed interest securities</b>	<b>21</b>	54474	6.25	2.48	2.41
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	4414	5.16	2.76	2.59
AA/Aa	<b>32</b>	6269	9.45	3.71	3.61
A/A	<b>33</b>	36458	3.77	2.47	1.87
BBB/Baa	<b>34</b>	73530	2.45	1.99	1.42
BB/Ba	<b>35</b>	10612	3.09	4.23	2.46
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>				
<b>Total other fixed interest securities</b>	<b>39</b>	131282	3.29	2.42	1.77

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	458884	8.52	2.72	2.53
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**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Friends Life Limited**Total business / subfund **Summary**Financial year ended **31 December 2013**Units **£000**

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

**Gross**

Form 51 - with-profits	11	1955019	2253405	906	4209331	4693603
Form 51 - non-profit	12	1565616	11713468	16473	13295556	13690673
Form 52	13	2655033	5547394	253189	8455615	9305002
Form 53 - linked	14	15297225	20759546	515587	36572358	33523144
Form 53 - non-linked	15	92571	279985	155783	528339	578838
Form 54 - linked	16	357890	1096877	1735	1456502	1512726
Form 54 - non-linked	17	16719	19474	9	36202	80121
<b>Total</b>	<b>18</b>	<b>21940072</b>	<b>41670149</b>	<b>943681</b>	<b>64553903</b>	<b>63384107</b>

**Reinsurance - external**

Form 51 - with-profits	21	3379	2		3381	3737
Form 51 - non-profit	22	540174	1889547	3763	2433485	2363932
Form 52	23					
Form 53 - linked	24	1444	62163		63607	65217
Form 53 - non-linked	25	908			908	932
Form 54 - linked	26	119663	101799	266	221728	196133
Form 54 - non-linked	27	195		1	196	16741
<b>Total</b>	<b>28</b>	<b>665762</b>	<b>2053512</b>	<b>4030</b>	<b>2723304</b>	<b>2646692</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32		3495010		3495010	3666945
Form 52	33		(80398)		(80398)	1536
Form 53 - linked	34	(233851)	6437137		6203286	4231753
Form 53 - non-linked	35		108561		108561	109528
Form 54 - linked	36	1047	408377		409424	457304
Form 54 - non-linked	37		6839		6839	7280
<b>Total</b>	<b>38</b>	<b>(232804)</b>	<b>10375526</b>		<b>10142723</b>	<b>8474347</b>

**Net of reinsurance**

Form 51 - with-profits	41	1951641	2253403	906	4205949	4689867
Form 51 - non-profit	42	1025441	6328911	12710	7367062	7659796
Form 52	43	2655033	5627791	253189	8536013	9303466
Form 53 - linked	44	15529632	14260246	515587	30305465	29226174
Form 53 - non-linked	45	91663	171424	155783	418870	468378
Form 54 - linked	46	237179	586701	1469	825349	859288
Form 54 - non-linked	47	16524	12635	8	29167	56101
<b>Total</b>	<b>48</b>	<b>21507113</b>	<b>29241111</b>	<b>939651</b>	<b>51687876</b>	<b>52263069</b>

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Friends Life Limited**Total business / subfund **FP With Profit Fund**Financial year ended **31 December 2013**Units **£000**

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

**Gross**

Form 51 - with-profits	11	873516	1503867		2377383	2968078
Form 51 - non-profit	12	93747	2204757	606	2299110	2489232
Form 52	13	914739	2367892	129944	3412575	3691267
Form 53 - linked	14	1110471	3850111	106906	5067488	4665596
Form 53 - non-linked	15	6802	134975	302	142079	146475
Form 54 - linked	16		47908		47908	46989
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	2999275	10109510	237758	13346543	14007637

**Reinsurance - external**

Form 51 - with-profits	21	2426	2		2429	2760
Form 51 - non-profit	22	13323	176		13499	15886
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	15749	179		15928	18645

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32		25207		25207	29522
Form 52	33					
Form 53 - linked	34	1110471	3850111	106906	5067488	4665596
Form 53 - non-linked	35	16	103244		103261	103385
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	1110488	3978563	106906	5195957	4798502

**Net of reinsurance**

Form 51 - with-profits	41	871089	1503864		2374954	2965318
Form 51 - non-profit	42	80424	2179374	606	2260404	2443825
Form 52	43	914739	2367892	129944	3412575	3691267
Form 53 - linked	44					
Form 53 - non-linked	45	6786	31731	302	38818	43090
Form 54 - linked	46		47908		47908	46989
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	1873038	6130769	130852	8134659	9190489

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FPLAL With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	72066	63267		135333	157223
Form 51 - non-profit	12	1785	60033		61818	68200
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>73851</b>	<b>123300</b>		<b>197151</b>	<b>225423</b>

**Reinsurance - external**

Form 51 - with-profits	21	837			837	923
Form 51 - non-profit	22	4			4	5
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>842</b>			<b>842</b>	<b>927</b>

**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					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41	71229	63267		134496	156300
Form 51 - non-profit	42	1780	60033		61814	68195
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>73009</b>	<b>123300</b>		<b>196310</b>	<b>224496</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC New With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

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

**Gross**

Form 51 - with-profits	11	543845	130104	513	674461	748584
Form 51 - non-profit	12	179461	615910	141	795512	950405
Form 52	13	1149546	1426395	86278	2662219	2931058
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		20178		20178	22122
Form 54 - non-linked	17		913		913	1004
<b>Total</b>	<b>18</b>	<b>1872852</b>	<b>2193500</b>	<b>86931</b>	<b>4153284</b>	<b>4653173</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>					

**Reinsurance - intra-group**

Form 51 - with-profits	31	33986			33986	31462
Form 51 - non-profit	32	10800			10800	10800
Form 52	33	29599	14876		44476	48622
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>74386</b>	<b>14876</b>		<b>89262</b>	<b>90884</b>

**Net of reinsurance**

Form 51 - with-profits	41	509859	130104	513	640475	717122
Form 51 - non-profit	42	168661	615910	141	784712	939605
Form 52	43	1119947	1411519	86278	2617744	2882436
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		20178		20178	22122
Form 54 - non-linked	47		913		913	1004
<b>Total</b>	<b>48</b>	<b>1798467</b>	<b>2178624</b>	<b>86931</b>	<b>4064022</b>	<b>4562289</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	170751	39430	393	210575	239148
Form 51 - non-profit	12	17340	112385	209	129933	137930
Form 52	13	215244	396629	10066	621938	705348
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		3478		3478	3825
Form 54 - non-linked	17		176		176	195
<b>Total</b>	<b>18</b>	<b>403335</b>	<b>552097</b>	<b>10668</b>	<b>966100</b>	<b>1086446</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>					

**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					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41	170751	39430	393	210575	239148
Form 51 - non-profit	42	17340	112385	209	129933	137930
Form 52	43	215244	396629	10066	621938	705348
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		3478		3478	3825
Form 54 - non-linked	47		176		176	195
<b>Total</b>	<b>48</b>	<b>403335</b>	<b>552097</b>	<b>10668</b>	<b>966100</b>	<b>1086446</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Friends Life Limited**

Total business / subfund **FLAS With Profit Fund**

Financial year ended **31 December 2013**

Units **£000**

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

**Gross**

Form 51 - with-profits	11	119484	319240		438724	612032
Form 51 - non-profit	12	246804	1241783	708	1489295	5321869
Form 52	13	394852	1351166	17477	1763495	2024059
Form 53 - linked	14	3311001	4036288	24711	7372000	7168109
Form 53 - non-linked	15	5552	4669	12281	22502	16598
Form 54 - linked	16	135256	244334		379590	1051463
Form 54 - non-linked	17	260	7954		8214	13756
<b>Total</b>	<b>18</b>	<b>4213208</b>	<b>7205435</b>	<b>55177</b>	<b>11473821</b>	<b>16207887</b>

**Reinsurance - external**

Form 51 - with-profits	21	51			51	54
Form 51 - non-profit	22	1472	2651		4123	39314
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	56042	439		56481	69425
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>57565</b>	<b>3090</b>		<b>60656</b>	<b>108794</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	42549	10297		52846	1766293
Form 52	33					
Form 53 - linked	34	3311001	4036288		7347290	7146473
Form 53 - non-linked	35	(1753)	3846		2093	(3575)
Form 54 - linked	36	76367	3079		79446	408824
Form 54 - non-linked	37	253			253	273
<b>Total</b>	<b>38</b>	<b>3428417</b>	<b>4053510</b>		<b>7481927</b>	<b>9318288</b>

**Net of reinsurance**

Form 51 - with-profits	41	119433	319240		438673	611978
Form 51 - non-profit	42	202783	1228835	708	1432326	3516261
Form 52	43	394852	1351166	17477	1763495	2024059
Form 53 - linked	44			24711	24711	21636
Form 53 - non-linked	45	7305	823	12281	20409	20174
Form 54 - linked	46	2847	240816		243663	573214
Form 54 - non-linked	47	8	7954		7962	13484
<b>Total</b>	<b>48</b>	<b>727226</b>	<b>3148834</b>	<b>55177</b>	<b>3931238</b>	<b>6780805</b>

**Long-term insurance business : Summary of mathematical reserves**

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	209343	197498		406841	
Form 51 - non-profit	12	18278	64380		82657	
Form 52	13	12273	98319	8350	118942	
Form 53 - linked	14	233851	32900		266751	
Form 53 - non-linked	15	365	180		544	
Form 54 - linked	16		231		231	
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>474109</b>	<b>393507</b>	<b>8350</b>	<b>875966</b>	

**Reinsurance - external**

Form 51 - with-profits	21	64			64	
Form 51 - non-profit	22	15			15	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>79</b>			<b>79</b>	

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	233851	32900		266751	
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>233851</b>	<b>32900</b>		<b>266751</b>	

**Net of reinsurance**

Form 51 - with-profits	41	209279	197498		406777	
Form 51 - non-profit	42	18263	64380		82643	
Form 52	43	12273	98319	8350	118942	
Form 53 - linked	44					
Form 53 - non-linked	45	365	180		544	
Form 54 - linked	46		231		231	
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>240180</b>	<b>360607</b>	<b>8350</b>	<b>609136</b>	

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Friends Life Limited**Total business / subfund **Non Profit Fund**Financial year ended **31 December 2013**Units **£000**

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

**Gross**

Form 51 - with-profits	<b>11</b>					
Form 51 - non-profit	<b>12</b>	1061615	7481590	14809	8558014	6562146
Form 52	<b>13</b>	49858	136557	57583	243999	177507
Form 53 - linked	<b>14</b>	15531076	16876535	490876	32898487	30006145
Form 53 - non-linked	<b>15</b>	78116	144007	143201	365323	412199
Form 54 - linked	<b>16</b>	299001	789445	1736	1090181	802322
Form 54 - non-linked	<b>17</b>	16711	10432	9	27152	65439
<b>Total</b>	<b>18</b>	17036376	25438566	708214	43183156	38025757

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>					
Form 51 - non-profit	<b>22</b>	525360	1886720	3764	2415843	2308727
Form 52	<b>23</b>					
Form 53 - linked	<b>24</b>	1444	62163		63607	65217
Form 53 - non-linked	<b>25</b>	908			908	932
Form 54 - linked	<b>26</b>	63621	101360	266	165247	126708
Form 54 - non-linked	<b>27</b>	195		1	196	16741
<b>Total</b>	<b>28</b>	591527	2050243	4031	2645800	2518325

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>					
Form 51 - non-profit	<b>32</b>	64	3526877		3526941	3699440
Form 52	<b>33</b>	51880	134291	56510	242680	177151
Form 53 - linked	<b>34</b>		2554126		2554126	736390
Form 53 - non-linked	<b>35</b>		5317		5317	6152
Form 54 - linked	<b>36</b>	1047	413994		415042	462475
Form 54 - non-linked	<b>37</b>		6839		6839	7280
<b>Total</b>	<b>38</b>	52991	6641443	56510	6750944	5088888

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>					
Form 51 - non-profit	<b>42</b>	536191	2067993	11045	2615229	553979
Form 52	<b>43</b>	(2021)	2267	1074	1319	356
Form 53 - linked	<b>44</b>	15529632	14260246	490876	30280754	29204538
Form 53 - non-linked	<b>45</b>	77208	138690	143201	359099	405114
Form 54 - linked	<b>46</b>	234333	274091	1470	509893	213139
Form 54 - non-linked	<b>47</b>	16517	3593	8	20117	41418
<b>Total</b>	<b>48</b>	16391859	16746880	647673	33786411	30418544

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

Name of insurer **Friends Life Limited**  
Total business / subfund **FP With Profit Fund**  
Financial year ended **31 December 2013**  
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
100	Conventional whole life with-profits OB	18327	193407	1789				138364
120	Conventional endowment with-profits OB savings	14131	110062	2365				89961
125	Conventional endowment with-profits OB target cash	47642	735723	22939				640473
165	Conventional deferred annuity with-profits	1						4
175	Group conventional deferred annuity with-profits	6	31					454
210	Additional reserves with-profits OB							4260
300	Regular premium non-profit WL/EA OB	27089	73114	1652				50166
325	Level term assurance	24264	1777494	5829				11298
330	Decreasing term assurance	58492	970331	3950				5358
340	Accelerated critical illness (guaranteed premiums)	6113	302718	1943				6738
350	Stand-alone critical illness (guaranteed premiums)	1507	75933	408				780
390	Deferred annuity non-profit	9	9					212
395	Annuity non-profit (PLA)	2077	1954					15451
435	Miscellaneous non-profit	157	3781	6				3744

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 Limited

FP With Profit Fund

31 December 2013

£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		8421	15				2424
125	Conventional endowment with-profits OB target cash		6					3
300	Regular premium non-profit WL/EA OB		83	1				63
325	Level term assurance		740112	2564				8307
330	Decreasing term assurance		66250	527				(267)
340	Accelerated critical illness (guaranteed premiums)		241726	1466				5161
350	Stand-alone critical illness (guaranteed premiums)		5220	26				57
395	Annuity non-profit (PLA)							2

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / 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
100	Conventional whole life with-profits OB	3	4					4
155	Conventional pensions endowment with-profits	1	15					14
165	Conventional deferred annuity with-profits	17938	29722	2367				809977
175	Group conventional deferred annuity with-profits	9091	159324	49				689769
185	Group conventional pensions endowment with-profits	93	330					2616
205	Miscellaneous conventional with-profits	418	6577	7				1486
210	Additional reserves with-profits OB							
300	Regular premium non-profit WL/EA OB	364	138538	251				263
315	Individual deposit administration non-profit	292	5235	0				5235
320	Group deposit administration non-profit	274	9811	19				22420
325	Level term assurance	9699	414915	1227				2297
390	Deferred annuity non-profit	4704	11376					215455
400	Annuity non-profit (CPA)	79443	160500					1959087

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 / Reinsurance ceded external

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
205	Miscellaneous conventional with-profits		231					2
325	Level term assurance		10639	22				37
390	Deferred annuity non-profit		8					
400	Annuity non-profit (CPA)		10					140

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 / Reinsurance ceded intra-group

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
315	Individual deposit administration non-profit		5235	0				5235
320	Group deposit administration non-profit		9811	19				18950
390	Deferred annuity non-profit		71					1022

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

Overseas / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
325	Level term assurance	686	81543	284				(43)
330	Decreasing term assurance	72	4101	32				34
350	Stand-alone critical illness (guaranteed premiums)	713	29093	168				448
395	Annuity non-profit (PLA)	9	18					167

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 Limited

FPLAL With Profit Fund

31 December 2013

£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	5311	80319	504				46836
120	Conventional endowment with-profits OB savings	3027	28263	265				25230
300	Regular premium non-profit WL/EA OB	616	2712	30				1538
325	Level term assurance	638	2879	12				35
330	Decreasing term assurance	2	9					
390	Deferred annuity non-profit	5						4
395	Annuity non-profit (PLA)	66	36					208

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 Limited

FPLAL With Profit Fund

31 December 2013

£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		2002	2				825
120	Conventional endowment with-profits OB savings		28					12
300	Regular premium non-profit WL/EA OB		7					4

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 Limited

FPLAL With Profit Fund

31 December 2013

£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	2	84					84
165	Conventional deferred annuity with-profits	2734	135	135				56247
175	Group conventional deferred annuity with-profits	368	10	8				6922
205	Miscellaneous conventional with-profits	58	498	1				14
325	Level term assurance	160	2193	7				35
390	Deferred annuity non-profit	90	115					1269
400	Annuity non-profit (CPA)	2477	3996					58729

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 / Reinsurance ceded external

Friends Life Limited

FPLAL With Profit Fund

31 December 2013

£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
325	Level term assurance		41					

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 Limited  
FLC New With Profit Fund  
31 December 2013  
£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	4149	50737	291				32554
120	Conventional endowment with-profits OB savings	126545	608733	45172				468895
125	Conventional endowment with-profits OB target cash	144	1813	24				14790
165	Conventional deferred annuity with-profits	3	1					23
205	Miscellaneous conventional with-profits	32372	31217	3235				27583
300	Regular premium non-profit WL/EA OB	310963	619458	39440				174654
390	Deferred annuity non-profit	1	24					586
395	Annuity non-profit (PLA)	4	8					108
435	Miscellaneous non-profit	935	4113					4113

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 intra-group

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
120	Conventional endowment with-profits OB savings		32	4296				32915
205	Miscellaneous conventional with-profits			206				1071
300	Regular premium non-profit WL/EA OB		49400	3370				10800

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 Limited

FLC New With Profit Fund

31 December 2013

£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	2902	63034	165				106397
165	Conventional deferred annuity with-profits	10	17	1				105
175	Group conventional deferred annuity with-profits	45	319	226				6598
205	Miscellaneous conventional with-profits	31	541					20
210	Additional reserves with-profits OB							16983
390	Deferred annuity non-profit	88	471					11278
400	Annuity non-profit (CPA)	15039	34971					552622
435	Miscellaneous non-profit	642	21465					51785
440	Additional reserves non-profit OB							225

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

Overseas / Gross

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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	8	548	5				350
120	Conventional endowment with-profits OB savings	10	119	1				108
165	Conventional deferred annuity with-profits	2	4					53
205	Miscellaneous conventional with-profits	2	40					1
395	Annuity non-profit (PLA)	7	12					141

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 Limited

FLC Old With Profit Fund

31 December 2013

£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	656	11506	46				7086
120	Conventional endowment with-profits OB savings	21606	133925	12810				152560
125	Conventional endowment with-profits OB target cash	20	337	4				2205
165	Conventional deferred annuity with-profits	23	6					109
205	Miscellaneous conventional with-profits	7155	8547	1045				8791
300	Regular premium non-profit WL/EA OB	2338	54538	3370				15948
390	Deferred annuity non-profit	1	2					46
395	Annuity non-profit (PLA)	2	2					14
435	Miscellaneous non-profit	221	1331					1331

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 Limited

FLC Old With Profit Fund

31 December 2013

£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	1760	22066	20				36769
165	Conventional deferred annuity with-profits	13	11					187
205	Miscellaneous conventional with-profits	10	36					1
210	Additional reserves with-profits OB							2473
390	Deferred annuity non-profit	6	5					88
400	Annuity non-profit (CPA)	2268	4038					65036
435	Miscellaneous non-profit	1175	16504					47261

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

Overseas / Gross

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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	10	415	3				313
120	Conventional endowment with-profits OB savings	4	79	1				70
165	Conventional deferred annuity with-profits	2	1					11
205	Miscellaneous conventional with-profits	2	6					
395	Annuity non-profit (PLA)	1	8					86
435	Miscellaneous non-profit	3	122					122

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 Limited  
FLAS With Profit Fund  
31 December 2013  
£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	13829	81948	1732				55627
120	Conventional endowment with-profits OB savings	11738	60808	780				50682
125	Conventional endowment with-profits OB target cash	497	9368	216				8573
155	Conventional pensions endowment with-profits	24	2133	19				4169
165	Conventional deferred annuity with-profits	2						6
205	Miscellaneous conventional with-profits	9	181	6				171
210	Additional reserves with-profits OB							257
300	Regular premium non-profit WL/EA OB	188536	344907	17541				166697
325	Level term assurance	2988	82816	354				1188
330	Decreasing term assurance	850	11324	120				62
335	Decreasing term assurance (rider benefits)	2		0				0
355	Stand-alone critical illness (reviewable premiums)	63	7411	27				124
360	Income protection non-profit (guaranteed premiums)	2223	17272	347				4123
385	Income protection claims in payment							17
390	Deferred annuity non-profit	644	1125					7694

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 Limited

FLAS With Profit Fund

31 December 2013

£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
395	Annuity non-profit (PLA)	2110	4155					43495
410	Group life	4	793603	4526				14349
411	Group death in service dependants' annuities	2	26					5
420	Group income protection	44	977					59
425	Group income protection claims in payment							2278
435	Miscellaneous non-profit	1700	28297	4				6711

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 Limited

FLAS With Profit Fund

31 December 2013

£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		67					51
300	Regular premium non-profit WL/EA OB		3					
325	Level term assurance		4478	18				121
330	Decreasing term assurance		3	1				
336	Mortality risk premium reinsurance			75				206
360	Income protection non-profit (guaranteed premiums)		509	10				60
385	Income protection claims in payment							12
395	Annuity non-profit (PLA)		14					946
420	Group income protection		359					14
425	Group income protection claims in payment							62
435	Miscellaneous non-profit		1					50

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 intra-group

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
395	Annuity non-profit (PLA)		4141					42549

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 Limited  
FLAS With Profit Fund  
31 December 2013  
£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
115	Conventional whole life with-profits (tax exempt)	2	854	7				315
155	Conventional pensions endowment with-profits	5742	167706	569				247414
165	Conventional deferred annuity with-profits	63	85	1				1063
185	Group conventional pensions endowment with-profits	140	1156	6				1898
200	Annuity with-profits (CPA)	622	5530					65442
210	Additional reserves with-profits OB							3109
300	Regular premium non-profit WL/EA OB	4	104					80
325	Level term assurance	661	31967	88				1695
330	Decreasing term assurance	1	3					
390	Deferred annuity non-profit	24528	35949					566915
400	Annuity non-profit (CPA)	13214	35251					553719
405	Annuity non-profit (CPA impaired life)	1829	7855					90977
410	Group life	1095	331688	18				824
411	Group death in service dependants' annuities	778	14848					1014
435	Miscellaneous non-profit	3791	22440					25449

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 Limited

FLAS With Profit Fund

31 December 2013

£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
440	Additional reserves non-profit OB							1108

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 / Reinsurance ceded external

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
325	Level term assurance		555					11
336	Mortality risk premium reinsurance							12
400	Annuity non-profit (CPA)							6
405	Annuity non-profit (CPA impaired life)		247					2617
410	Group life		4339					5

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 / Reinsurance ceded intra-group

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
400	Annuity non-profit (CPA)		999					10297

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

Overseas / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
410	Group life		15255	133				708

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

Name of insurer **Friends Life Limited**  
Total business / subfund **WL With Profit Fund**  
Financial year ended **31 December 2013**  
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
100	Conventional whole life with-profits OB	14516	63002	863				39864
120	Conventional endowment with-profits OB savings	13239	53502	241				47028
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	16837	168678	244				317
210	Additional reserves with-profits OB							10
300	Regular premium non-profit WL/EA OB	14106	17365	41				15274
325	Level term assurance	710	26035	125				19
330	Decreasing term assurance	306	5184	70				2
335	Decreasing term assurance (rider benefits)		216	2				
360	Income protection non-profit (guaranteed premiums)	652	2917	107				434
380	Miscellaneous protection rider		1					2
390	Deferred annuity non-profit	279	152					2067
395	Annuity non-profit (PLA)	128	59					379
435	Miscellaneous non-profit							100

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 Limited

WL With Profit Fund

31 December 2013

£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		162	1				64
120	Conventional endowment with-profits OB savings		212					
300	Regular premium non-profit WL/EA OB		78	2				
325	Level term assurance		48					
330	Decreasing term assurance		23	1				1
360	Income protection non-profit (guaranteed premiums)		123	4				14

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 Limited  
WL With Profit Fund  
31 December 2013  
£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	812	21225	60				18662
165	Conventional deferred annuity with-profits	5828	8231	313				129010
175	Group conventional deferred annuity with-profits	46	9					253
185	Group conventional pensions endowment with-profits	2409	42516	40				35425
205	Miscellaneous conventional with-profits	18	523	2				17
210	Additional reserves with-profits OB							14130
300	Regular premium non-profit WL/EA OB	234	318					312
305	Single premium non-profit WL/EA OB	599	7145					7385
325	Level term assurance	164	6748	12				148
380	Miscellaneous protection rider		15					2
390	Deferred annuity non-profit	1417	1223					22433
400	Annuity non-profit (CPA)	1474	2441					30679
440	Additional reserves non-profit OB							3420

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 / Reinsurance ceded external

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
325	Level term assurance		84					

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

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2013**  
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	44261	155200	2399				78856
325	Level term assurance	277206	41330596	87805				213414
330	Decreasing term assurance	212705	22148334	55627				(22863)
335	Decreasing term assurance (rider benefits)	9305	128068	504				2459
340	Accelerated critical illness (guaranteed premiums)	339473	31100724	162906				47343
345	Accelerated critical illness (reviewable premiums)	55250	5776575	28614				39522
350	Stand-alone critical illness (guaranteed premiums)	28363	2212870	13449				(60)
355	Stand-alone critical illness (reviewable premiums)	8021	588962	3522				4885
360	Income protection non-profit (guaranteed premiums)	135005	1898967	60105				(52369)
365	Income protection non-profit (reviewable premiums)	12619	136127	3519				11180
370	Long-term care policy	4483	58963	2927				150628
380	Miscellaneous protection rider	57515	169543	892				(1757)
385	Income protection claims in payment	1570	20329	20				170850
390	Deferred annuity non-profit	2368	150					4366
395	Annuity non-profit (PLA)	2490	26237					133209

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 Limited

Non Profit Fund

31 December 2013

£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
410	Group life	54241	7483939	7370				2216
411	Group death in service dependants' annuities	8	188					15
415	Collective life		475234					54
420	Group income protection	216625	6256088	56895				66597
425	Group income protection claims in payment	99	9650					156229
430	Group critical illness	137750	9957006	25608				6653
435	Miscellaneous non-profit	127	239	6				1616
440	Additional reserves non-profit OB							48571

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

Name of insurer                      Friends Life Limited  
Total business / subfund        Non Profit Fund  
Financial year ended              31 December 2013  
Units                                  £000  
UK Life / Reinsurance ceded external

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		7024	270				1289
325	Level term assurance		33960655	44984				213101
330	Decreasing term assurance		14860843	24566				17258
335	Decreasing term assurance (rider benefits)		36					3
340	Accelerated critical illness (guaranteed premiums)		20816872	37734				71759
345	Accelerated critical illness (reviewable premiums)		3553954	1717				27480
350	Stand-alone critical illness (guaranteed premiums)		1423415	4808				8202
355	Stand-alone critical illness (reviewable premiums)		402393	91				2780
360	Income protection non-profit (guaranteed premiums)		572092	2387				19188
365	Income protection non-profit (reviewable premiums)		68178	819				8704
370	Long-term care policy		120805	1914				67924
380	Miscellaneous protection rider		57170	125				(80)
385	Income protection claims in payment		4133	13				39322
410	Group life		3454572	2355				770
420	Group income protection		949044	8240				7500

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

Name of insurer                      Friends Life Limited  
Total business / subfund        Non Profit Fund  
Financial year ended              31 December 2013  
Units                                  £000  
UK Life / Reinsurance ceded external

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
425	Group income protection claims in payment		1274					51972
430	Group critical illness		3073663	6067				1921
440	Additional reserves non-profit OB							(13734)

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 intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
395	Annuity non-profit (PLA)		8					64

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / 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	91	398					349
315	Individual deposit administration non-profit	554	4997					4997
325	Level term assurance	10445	1022396	2264				5590
330	Decreasing term assurance	1551	169869	389				(216)
380	Miscellaneous protection rider	43	3489	70				420
390	Deferred annuity non-profit	48411	9661	6				204364
400	Annuity non-profit (CPA)	319253	520942					7242188
405	Annuity non-profit (CPA impaired life)	5	42					615
410	Group life	465027	45329382	50242				14710
411	Group death in service dependants' annuities	10676	2118192	4044				1864
435	Miscellaneous non-profit	268	3404	5				5103
440	Additional reserves non-profit OB							1604

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 / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
325	Level term assurance		447636	674				2624
330	Decreasing term assurance		86024	125				101
400	Annuity non-profit (CPA)		253044					1880416
410	Group life		20893483	17448				5768
411	Group death in service dependants' annuities		867350	1037				439
435	Miscellaneous non-profit		1735	5				35
440	Additional reserves non-profit OB							(2664)

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 / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
390	Deferred annuity non-profit		5613	6				134413
400	Annuity non-profit (CPA)		42					615
405	Annuity non-profit (CPA impaired life)		219					505
411	Group death in service dependants' annuities							2200
440	Additional reserves non-profit OB		239942					3389144

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

Overseas / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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	46	363	5				262
325	Level term assurance	16233	2138767	9788				(5326)
330	Decreasing term assurance	603	43550	316				387
340	Accelerated critical illness (guaranteed premiums)	22	2270	16				56
350	Stand-alone critical illness (guaranteed premiums)	11695	422023	3525				861
390	Deferred annuity non-profit	100	109	770				7240
395	Annuity non-profit (PLA)	116	352					4255
410	Group life							12
435	Miscellaneous non-profit		20909	161				6733
440	Additional reserves non-profit OB							328

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

Overseas / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
325	Level term assurance		321980	6				3764

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
500	Life UWP single premium	21753	303203		300257	300257	841	301098
505	Life UWP whole life regular premium	4206	471864	6227	112796	112295	4985	117280
510	Life UWP endowment regular premium - savings	3842	106808	2887	52215	52195	976	53171
515	Life UWP endowment regular premium - target cash	21776	972922	22107	385384	385000	6310	391310
574	UWP investment only reinsurance		52152	4	52152	52151	(271)	51880

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
525	Individual pensions UWP	123208	1918290	17527	1894555	1879877	156860	2036737
535	Group money purchase pensions UWP	12267	133333	1491	164900	164821	12186	177007
574	UWP investment only reinsurance		153470	35	153470	153451	697	154148

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
500	Life UWP single premium	1356	66217		65561	65561		65561
505	Life UWP whole life regular premium	21	1809	35	1791	1791		1791
510	Life UWP endowment regular premium - savings	129	4328	237	3912	3859	3	3862
525	Individual pensions UWP	74	2224	80	2220	2220		2220
574	UWP investment only reinsurance		56591		56591	56591	(82)	56510

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
500	Life UWP single premium	24924	749495		735175	735175	39163	774338
505	Life UWP whole life regular premium	8149	731640	5731	12052	12052	606	12658
506	Life UWP whole life regular premium (ISA)	553	3352	52	3325	3325	55	3380
510	Life UWP endowment regular premium - savings	252	7652	470	7165	7165	50	7215
515	Life UWP endowment regular premium - target cash	19503	739639	15240	294268	294268	3675	297943
574	UWP investment only reinsurance		47449		47449	47449	72	47521
575	Miscellaneous UWP	3524	5907		5849	5849	642	6491

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
500	Life UWP single premium		28629		27800	27800		27800
505	Life UWP whole life regular premium		13776	79	184	184		184
506	Life UWP whole life regular premium (ISA)		231		233	233		233
510	Life UWP endowment regular premium - savings		116	9	68	68		68
515	Life UWP endowment regular premium - target cash		2937	113	792	792		792
575	Miscellaneous UWP		470		522	522		522

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
505	Life UWP whole life regular premium		13710	43				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
525	Individual pensions UWP	33185	888977	11179	818617	818617	186865	1005482
535	Group money purchase pensions UWP	7412	120183	3553	118100	118100	1554	119654
555	Group deposit administration with-profits	12671	258107	6409	258107	258107	22145	280251
570	Income drawdown UWP	61	10610		10610	10610	2	10612
571	Trustee investment plan UWP	80	9912	11	9912	9912	1	9913
575	Miscellaneous UWP	7	377	13	307	307	2	309
610	Additional reserves UWP						175	175

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
525	Individual pensions UWP		7394	106	7517	7517		7517
535	Group money purchase pensions UWP		6275	304	6176	6176		6176
570	Income drawdown UWP		836		836	836		836
571	Trustee investment plan UWP		347	1	347	347		347

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded external

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
525	Individual pensions UWP		54					

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
500	Life UWP single premium	87	3814		3797	3797		3797
505	Life UWP whole life regular premium	173	21548	165	714	714	5	720
510	Life UWP endowment regular premium - savings	7	264	14	264	264	1	265
515	Life UWP endowment regular premium - target cash	121	9229	163	3120	3120	40	3160
555	Group deposit administration with-profits	407	17328	836	17328	17328	1201	18529
574	UWP investment only reinsurance		59809		59809	59809		59809

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Reinsurance ceded external

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
505	Life UWP whole life regular premium		5960	31				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
500	Life UWP single premium	2720	134994		131241	131241	5700	136941
505	Life UWP whole life regular premium	1146	141044	978	2821	2821	99	2920
506	Life UWP whole life regular premium (ISA)	43	376	52	377	377	6	383
510	Life UWP endowment regular premium - savings	61	2283	126	2177	2177	10	2187
515	Life UWP endowment regular premium - target cash	4490	139294	2663	65375	65375	831	66206
574	UWP investment only reinsurance		5523		5523	5523		5523
575	Miscellaneous UWP	259	997		1043	1043	40	1083

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
505	Life UWP whole life regular premium		6427	22				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
525	Individual pensions UWP	11780	282824	1711	272722	272722	57457	330179
535	Group money purchase pensions UWP	1307	40959	569	39756	39756	612	40368
555	Group deposit administration with-profits	2011	18968	96	18968	18968	580	19548
570	Income drawdown UWP	11	3706		3706	3706	2	3708
571	Trustee investment plan UWP	20	2634	1	2635	2635		2635
575	Miscellaneous UWP	6	218	2	164	164	2	165
610	Additional reserves UWP						25	25

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded external

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
525	Individual pensions UWP		25					

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
500	Life UWP single premium	9	148		147	147		147
505	Life UWP whole life regular premium	15	3627	14	73	73	1	74
510	Life UWP endowment regular premium - savings	1	174	7	174	174		174
515	Life UWP endowment regular premium - target cash	28	1126	20	473	473	8	481
555	Group deposit administration with-profits	14	478		478	478	2	479
574	UWP investment only reinsurance		8711		8711	8711		8711

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Reinsurance ceded external

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
505	Life UWP whole life regular premium		2794	14				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
500	Life UWP single premium	11021	272963		264884	264884	123	265006
505	Life UWP whole life regular premium	3443	371241	3840	33216	32479	499	32978
510	Life UWP endowment regular premium - savings	1757	63224	1535	34569	33839	4265	38104
515	Life UWP endowment regular premium - target cash	1565	43846	1354	20711	19947	22	19970
555	Group deposit administration with-profits		2032	55	2032	2032		2032
574	UWP investment only reinsurance		36761		36761	36761		36761

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
525	Individual pensions UWP	24273	786978	5452	732538	715538	138354	853892
535	Group money purchase pensions UWP	13918	269837	5134	233334	224601	1580	226181
555	Group deposit administration with-profits		245644	12032	245342	245342	434	245776
570	Income drawdown UWP	10	3049		3049	3049		3049
571	Trustee investment plan UWP	38	4171	15	4171	4141	575	4716
575	Miscellaneous UWP	161	21501	331	18137	17489	64	17553

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
574	UWP investment only reinsurance		17477		17477	17477		17477

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
500	Life UWP single premium	271	7473		4059	4059		4059
510	Life UWP endowment regular premium - savings	29	71	10	151	151		151
515	Life UWP endowment regular premium - target cash	957	11150	525	8063	8063		8063

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
525	Individual pensions UWP		63584	589	65050	64581	10	64592
535	Group money purchase pensions UWP		17702	36	17702	17702	2	17704
575	Miscellaneous UWP		1094		15249	15249		15249
610	Additional reserves UWP						775	775

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
500	Life UWP single premium		8144		8144	8144	206	8350

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
500	Life UWP single premium	1381	37993		37617	37617	8	37625
505	Life UWP whole life regular premium	218	56383	563	2968	2968		2968
510	Life UWP endowment regular premium - savings	712	7625	652	6629	6629	17	6647
515	Life UWP endowment regular premium - target cash	697	17636	639	4937	4937	32	4969
575	Miscellaneous UWP						(2350)	(2350)

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
574	UWP investment only reinsurance		52152	4	52152	52151	(271)	51880

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
525	Individual pensions UWP	2791	96139	925	97515	96972	336	97309
535	Group money purchase pensions UWP	1497	36169	432	35984	35980	1034	37014
575	Miscellaneous UWP						2235	2235

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
525	Individual pensions UWP		63613	589	64931	64462	322	64784
535	Group money purchase pensions UWP		17347	30	17303	17303	99	17402
574	UWP investment only reinsurance		51207	35	51207	51187	917	52105

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
500	Life UWP single premium	868	39711		39318	39318	(4)	39314
505	Life UWP whole life regular premium	18	1153	83	1141	1141	(7)	1134
510	Life UWP endowment regular premium - savings	772	14243	802	13039	11908	64	11972
525	Individual pensions UWP	141	4252	103	4224	4224	1	4225
575	Miscellaneous UWP						938	938

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
574	UWP investment only reinsurance		56591		56591	56591	(82)	56510

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
700	Life property linked single premium	17647	438020		433611	433611	1900	435511
710	Life property linked whole life regular premium	33625	958161	9857	215892	213399	4988	218386
715	Life property linked endowment regular premium - savings	12802	306326	4200	148813	148701	173	148874
720	Life property linked endowment regular premium - target cash	26080	596513	12447	316236	314760	(258)	314502

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
794	Property linked investment only reinsurance		1110517	172	1110471	1110471	16	1110488

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
725	Individual pensions property linked	409959	3400913	63288	3380546	3360458	31011	3391469
735	Group money purchase pensions property linked	36544	598150	15741	491674	489653	103964	593617

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
725	Individual pensions property linked		2353		22929	22929		22929
735	Group money purchase pensions property linked		87		87	87		87
794	Property linked investment only reinsurance		3929901	31307	3827095	3827095	103244	3930339

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
700	Life property linked single premium	1139	44633		44191	44191	235	44426
710	Life property linked whole life regular premium	180	8034	147	7954	7954	6	7961
715	Life property linked endowment regular premium - savings	1742	31758	1215	30015	29364	17	29381
725	Individual pensions property linked	1016	25419	798	25397	25397	43	25440

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Reinsurance ceded intra-group

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
794	Property linked investment only reinsurance		106906		106906	106906		106906

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
700	Life property linked single premium	89174	3012164		2959198	2959198	1315	2960513
710	Life property linked whole life regular premium	22635	1558718	15069	168320	168320	2718	171038
715	Life property linked endowment regular premium - savings	9342	207513	3962	139403	139403	483	139886
720	Life property linked endowment regular premium - target cash	2589	100714	1926	43204	43204	701	43905
795	Miscellaneous property linked	60	876		876	876	335	1211

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
700	Life property linked single premium		1593	37				
710	Life property linked whole life regular premium		421008	2950				
715	Life property linked endowment regular premium - savings		10617	67				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
700	Life property linked single premium		2988664		2959198	2959198	1287	2960486
710	Life property linked whole life regular premium		189102	15069	168320	168320	(3597)	164724
715	Life property linked endowment regular premium - savings		143123	3962	139403	139403	332	139735
720	Life property linked endowment regular premium - target cash		45475	1926	43204	43204	224	43428
795	Miscellaneous property linked		876		876	876		876

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
725	Individual pensions property linked	137142	3305401	24011	3214772	3150589	2654	3153244
735	Group money purchase pensions property linked	35138	833412	32678	769661	759637	2095	761733
750	Income drawdown property linked	98	12603		12603	12603	14	12617
755	Trustee investment plan	153	10555	25	9891	9756	(4)	9751
760	Small self administered schemes	1585	120041	1846	107419	103703	(90)	103613

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded external

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
725	Individual pensions property linked		902	3				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
725	Individual pensions property linked		3215073	24011	3214772	3150589	1985	3152574
735	Group money purchase pensions property linked		769399	32678	769661	759637	1969	761607
750	Income drawdown property linked		12603		12603	12603	14	12617
755	Trustee investment plan		9890	25	9891	9756	(5)	9750
760	Small self administered schemes		107345	1846	107419	103703	(117)	103586

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
715	Life property linked endowment regular premium - savings	3458	54341	967	24711	24711	12281	36992

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
700	Life property linked single premium	233	5846		5789	5789	3	5793
710	Life property linked whole life regular premium	2112	72085	544	6955	6955	124	7079
715	Life property linked endowment regular premium - savings	4	99	2	99	99		99
720	Life property linked endowment regular premium - target cash	10988	372488	7556	221008	221008	188	221196
790	Miscellaneous protection rider	7	1605	51			44	44
795	Miscellaneous property linked						5	5

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
700	Life property linked single premium		5789		5789	5789		5789
710	Life property linked whole life regular premium		6955	544	6955	6955		6955
715	Life property linked endowment regular premium - savings		99	2	99	99		99
720	Life property linked endowment regular premium - target cash		221008	7556	221008	221008		221008
790	Miscellaneous protection rider			51				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
725	Individual pensions property linked	1944	35120	260	33006	32900	173	33074
790	Miscellaneous protection rider		49	1			6	6

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
794	Property linked investment only reinsurance		32900	260	33006	32900		32900

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
700	Life property linked single premium	217948	12876475		12770078	12755222	24659	12779881
710	Life property linked whole life regular premium	113247	7582802	74234	756204	755764	9544	765308
715	Life property linked endowment regular premium - savings	9624	330046	10843	291135	291129	631	291760
720	Life property linked endowment regular premium - target cash	16361	868489	23805	551988	551923	3395	555318
790	Miscellaneous protection rider	265	5588	267			758	758
794	Property linked investment only reinsurance		1150013	172	1149967	1149967	16	1149983
795	Miscellaneous property linked	9719	18997	7161	27069	27069	3138	30207
800	Additional reserves property linked						35976	35976

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
710	Life property linked whole life regular premium		142785	494				
715	Life property linked endowment regular premium - savings		405	9	1444	1444		1444
720	Life property linked endowment regular premium - target cash		32710	73				
795	Miscellaneous property linked		185				908	908

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
725	Individual pensions property linked	421541	10570352	142086	10480929	10384788	48176	10432963
735	Group money purchase pensions property linked	231697	4073102	168481	4065365	4052205	60669	4112874
750	Income drawdown property linked	5282	674119	72	674119	674119	1058	675177
755	Trustee investment plan	1653	214844	668	214845	214666	44	214709
760	Small self administered schemes	287	129398	2116	128959	124862	(62)	124800
765	Group managed fund	158	574078		578054	578054		578054
790	Miscellaneous protection rider	5	305	8			192	192
794	Property linked investment only reinsurance		840722		847841	847841	(5)	847836
800	Additional reserves property linked						33935	33935

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
725	Individual pensions property linked		483	4				
794	Property linked investment only reinsurance		62163		62163	62163		62163

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
725	Individual pensions property linked		1814166	13079	1837394	1814090	2252	1816342
735	Group money purchase pensions property linked		555208	11923	554911	554046	3065	557111
750	Income drawdown property linked		169788	72	169788	169788		169788
755	Trustee investment plan		13443		13443	13443		13443
794	Property linked investment only reinsurance		3590		2759	2759		2759

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
700	Life property linked single premium	1256	28554		27276	27276	291	27567
710	Life property linked whole life regular premium	1387	208788	1504	24129	24129	107	24236
715	Life property linked endowment regular premium - savings	80489	1008425	92878	324566	318015	101520	419535
720	Life property linked endowment regular premium - target cash	32	1674	33	797	797	1	798
725	Individual pensions property linked	591	13320	463	13260	13260	60	13320
794	Property linked investment only reinsurance		106906		106906	106906		106906
795	Miscellaneous property linked	290	493	309	493	493	1	494
800	Additional reserves property linked						41221	41221

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
710	Life property linked whole life regular premium		53332	274				

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FP With Profit Fund

31 December 2013

£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
905	Index linked annuity	1714	2299		47908	47908		47908

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLC New With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)	1000	892		20178	20178	913	21091

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLC Old With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)	171	160		3478	3478	176	3653

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
901	Index linked income protection claims in payment		1047		1047	1047		1047
905	Index linked annuity(CPA)	214	4925		134200	134200	254	134453
910	Miscellaneous index linked	2	18		9	9	6	15

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)		1774		56042	56042		56042
915	Additional reserves index linked							

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)		3022		76367	76367	253	76620

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)	1931	8428		155529	155529	1248	156777
910	Miscellaneous index linked	1284	2538		88805	88805	6706	95511

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded external

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)		56		439	439		439

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

FLAS With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)		262		3079	3079		3079

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

WL With Profit Fund

31 December 2013

£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
905	Index linked annuity(CPA)	2	7		231	231		231

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2013**  
 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
901	Index linked income protection claims in payment	8	5100		32889	32889		32889
902	Group index linked income protection claims in payment				32324	32324		32324
905	Index linked annuity	354	10945		103964	103964	309	104273
910	Accelerated Critical Illness (guaranteed premiums)	81	6659	52	229	229		229
910	Group Income Protection	47114		10929	5550	5550		5550
910	Income Protection non-profit	7355	144139	4516	(11791)	(11791)		(11791)
910	Long Term care policy - Future Care	1106	70066	762	10725	10725		10725
910	Long Term care policy - Future Care claims in payment	104	1413		4434	4434		4434
910	Long Term care policy - Immediate Care	7	186		859	859		859
910	Individual PHI	2777	52383	1692	(4034)	(4034)		(4034)
910	Miscellaneous non profit	1	4		4	4		4
910	Miscellaneous protection rider	8378	12480	174	(632)	(632)		(632)
910	Stand alone Critical Illness (guaranteed premiums)	213	22464	317	100	100		100
910	Miscellaneous index linked	4699	316943	3178	124380	124380	16403	140782

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
901	Index linked income protection claims in payment		1417		10145	10145		10145
902	Group index linked income protection claims in payment				12150	12150	(0)	12150
910	Accelerated Critical Illness (guaranteed premiums)		5226		116	116		116
910	Group Income Protection			1637	791	791		791
910	Income Protection non-profit		80160	118	(2935)	(2935)		(2935)
910	Long Term care policy - Future Care		59367	81	173	173		173
910	Long Term care policy - Future Care claims in payment		1272		3991	3991		3991
910	Individual PHI		22655	20	(350)	(350)		(350)
910	Miscellaneous protection rider		(2873)	23	(72)	(72)		(72)
910	Stand alone Critical Illness (guaranteed premiums)		18539		237	237		237
910	Miscellaneous index linked		197967	1450	39376	39376	195	39571

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Life / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
901	Index linked income protection claims in payment		99		1047	1047		1047

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
905	Index linked annuity	17486	49339		789445	789445	10432	799877

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
905	Index linked annuity		22106		101360	101360		101360

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

Name of insurer

Total business / subfund

Financial year ended

Units

UK Pension / Reinsurance ceded intra-group

Friends Life Limited

Non Profit Fund

31 December 2013

£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
905	Index linked annuity		26208		413994	413994	6839	420833

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Gross

Friends Life Limited

Non Profit Fund

31 December 2013

£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
901	Index linked income protection claims in payment		163		873	873		873
905	Index linked annuity(CPA)		39		671	671	2	674
910	Miscellaneous index linked		10957	30	191	191	7	198

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

Name of insurer

Total business / subfund

Financial year ended

Units

Overseas / Reinsurance ceded external

Friends Life Limited

Non Profit Fund

31 December 2013

£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
901	Index linked income protection claims in payment		41		218	218		218
910	Miscellaneous index linked		2829	7	48	48	1	49

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

(Sheet 1)

Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2013**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit management charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Life Fixed Interest	01 - life - stock market managed fund	140211	Cross Holdings		2.4611	2.4355	(1.04)
Life Monthly Distribution	01 - life - stock market managed fund	363705	Cross Holdings		1.0776	1.1604	7.68
Life Monthly Distribution Accumulation	01 - life - stock market managed fund	123765	FP Accumulation 0.75% - FPLAL	0.75	1.5402	1.6964	10.14
FL Unit EL	02 - life - balanced managed fund	382765	The Unit Fund 0.75% (WL)	0.75	35.9844	42.0564	16.87
Managed Fund L	02 - life - balanced managed fund	826191	Issue 83	1.00	16.1460	17.9440	11.14
Reserve Fund L	03 - life - defensive managed fund	304502	Issue 90	1.00	1.2890	1.2880	(0.08)
Distribution Fund L	04 - life - other managed fund	4732957	Issue 73	1.00	3.7290	3.9330	5.47
Life Managed	04 - life - other managed fund	670340	FP Accumulation 0.75% - PRE	0.75	7.2261	8.1387	12.63
Deferred Distribution L	04 - life - other managed fund	3057907	Issue 72	1.00	4.9280	5.4590	10.78
High Yield Dist L	04 - life - other managed fund	518312	Issue 90	1.00	0.8690	0.9040	4.03
Defensive Dist L	04 - life - other managed fund	267138	Issue 90	1.00	1.1400	1.1880	4.21
Monthly Distribution L	04 - life - other managed fund	213185	Issue 90	1.00	0.9710	1.0240	5.46
UK Equity Fund L	05 - life - UK equity	114453	Issue 83	1.00	23.5270	28.0340	19.16
Higher Income Fund L	05 - life - UK equity	147956	Issue 72	1.00	32.3190	38.1370	18.00
Life Stewardship	05 - life - UK equity	238923	FP Accumulation 0.75% - PRE	0.75	9.2828	11.5406	24.32
Global Distribution L	06 - life - overseas equity	143230	Issue 90	1.00	1.7390	1.8980	9.14
Life - Commercial Property	07 - life - property	166604	Accumulation SY		5.1108	5.5780	9.14
Life Property	07 - life - property	151793	FP Accumulation 0.75% - FPLAL	0.75	4.3828	4.7479	8.33

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

Name of insurer  
Total business  
Financial year ended  
Units

Friends Life Limited  
  
31 December 2013  
£000

Fund name	Type of fund	Net assets	Main series	Unit management charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Property Fund L	07 - life - property	242725	Issue 90	1.00	1.3070	1.3740	5.13
FL Rainbow Equity EP	11 - individual pension - stock market managed fund	404638	Colonial Rainbow Equity I Inv (Ordinary) 1.00% (WL)	1.00	48.0686	58.8611	22.45
Global Managed P	11 - individual pension - stock market managed fund	143057	Issue 23	1.00	4.1140	4.8920	18.91
Retirement 2015 P	11 - individual pension - stock market managed fund	125027	Issue 66	1.00	1.5220	1.5910	4.53
Retirement 2020 P	11 - individual pension - stock market managed fund	193436	Issue 66	1.00	1.3840	1.5950	15.25
Retirement 2025 P	11 - individual pension - stock market managed fund	260456	Issue 66	1.00	1.3650	1.6680	22.20
Retirement 2030 P	11 - individual pension - stock market managed fund	277059	Issue 66	1.00	1.3660	1.6690	22.18
Retirement 2035 P	11 - individual pension - stock market managed fund	242563	Issue 66	1.00	1.3620	1.6650	22.25
Retirement 2040 P	11 - individual pension - stock market managed fund	261153	Issue 66	1.00	1.3580	1.6590	22.16
FL Rainbow Managed EP	12 - individual pension - balanced managed fund	962582	Colonial Rainbow Managed I INV (Ordinary) 1.00% (WL)	1.00	19.8669	23.2085	16.82
Managed Fund P	12 - individual pension - balanced managed fund	3695006	Issue 21	1.00	27.7840	31.7140	14.14
Reserve Fund P	13 - individual pension - defensive managed fund	158103	Issue 66	1.00	1.8130	1.8270	0.77
Pension - Managed	14 - individual pension - other managed fund	496324	Accumulation C	1.00	52.3341	59.5740	13.83
Rosenberg Amer Eq P	14 - individual pension - other managed fund	103461	Issue 21	1.00	10.2720	13.5760	32.17
Fixed Interest P	14 - individual pension - other managed fund	190929	Issue 21	1.00	14.6110	14.1580	(3.10)
Cash Fund P	14 - individual pension - other managed fund	312302	Issue 21	1.00	7.8580	7.8160	(0.53)
Retirement Dist P	14 - individual pension - other managed fund	2068490	Issue 21	1.00	5.3050	5.8790	10.82
Aquila Global Eq 50/50 P	14 - individual pension - other managed fund	128035	Issue 66	1.00	1.8110	2.1950	21.20

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

Name of insurer  
Total business  
Financial year ended  
Units

Friends Life Limited  
  
31 December 2013  
£000

Fund name	Type of fund	Net assets	Main series	Unit management charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
UK Equity Fund P	15 - individual pension - UK equity	955749	Issue 21	1.00	49.7060	59.7620	20.23
Higher Income Fund P	15 - individual pension - UK equity	255099	Issue 23	1.00	11.3940	13.4790	18.30
Rosenberg Global Eq P	16 - individual pension - overseas equity	188967	Issue 21	1.00	12.9540	15.8980	22.73
Rosenberg Pacific P	16 - individual pension - overseas equity	112839	Issue 21	1.00	15.7020	15.5700	(0.84)
Rosenberg European P	16 - individual pension - overseas equity	178382	Issue 21	1.00	6.0230	7.6020	26.22
Global Distribution P	16 - individual pension - overseas equity	104722	Issue 66	1.00	1.8460	2.0460	10.83
Pension - Commercial Property	17 - individual pension - property	686537	Accumulation SY		6.8661	7.6071	10.79
Property Fund P	17 - individual pension - property	319428	Issue 66	1.00	1.8580	1.9720	6.14
Group Mixed	22 - group managed fund - balanced managed fund	106433	Group Managed Fund	1.00	64.9100	74.2752	14.43

**Long-term insurance business : Index linked business**Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2013**Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	401232	17.12
Other variable interest securities	12	349984	11.80
Approved fixed interest securities	13	9650	10.14
Other fixed interest securities	14	64048	9.07
Cash and deposits	15	15	
Equity index derivatives	16	413	
Inflation swaps	17		
Other assets	18	9	
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	<b>825351</b>	

**Credit rating of other fixed interest and other variable interest securities**

AAA/Aaa	31	9846	9.33
AA/Aa	32	31548	8.27
A/A	33	265535	11.73
BBB/Baa	34	104061	11.69
BB/Ba	35	2015	9.33
B/B	36	500	9.18
CCC/Caa	37	65	9.40
Other (including unrated)	38	464	9.40
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>	<b>414032</b>	<b>11.38</b>

Long-term insurance business: Analysis of valuation interest rate

Name of insurer                      **Friends Life Limited**

Subfund                                **Non Profit Fund**

Financial year ended                **31 December 2013**

Units                                    **£000**

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 F51 L&GA NP	75265	1.62	2.03	2.31
UK F51 L&GA NP - PHI	158893	n/a	3.22	3.24
UK F51 L&GA NP - ex-FLC	89593	1.95	2.44	2.66
UK F51 L&GA NP - GAF ex-FLC	48433	n/a	2.40	2.66
UK F51 L&GA NP - PHI ex-FLC	166774	n/a	2.40	2.66
UK F51 L&GA NP - ex-FLWL	23141	2.00	2.50	2.60
UK F51 Pensions NP	35884	n/a	2.77	3.07
UK F51 Pensions NP - ex-FLC	1570037	n/a	3.65	3.84
UK F51 Pensions NP - ex-FLWL	431907	n/a	3.65	3.85
UK F53 L&GA NL - ex-FLC	58397	1.95	2.44	2.66
UK F53 Pensions NL	(27831)	n/a	3.20	3.29
UK F53 Pensions NL - ex-FLC	141530	n/a	2.40	2.66
OS F53 NL	103896	n/a	3.33	3.46
UK F54 L&GA NL - PHI ex-FLC	16302	n/a	2.40	2.66
Miscellaneous	103545	n/a	n/a	0.46
Total	2995764			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer                      **Friends Life Limited**

Subfund                                **FP With Profit Fund**

Financial year ended                **31 December 2013**

Units                                    **£000**

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 F51 L&GA WP	866057	2.60	3.25	3.75
UK F51 L&GA NP	76680	2.50	3.13	3.28
UK F52 L&GA	913739	2.60	3.25	3.75
UK F53 L&GA NL	4687	2.50	3.13	3.28
UK F51 Pensions WP	1367358	n/a	3.30	3.39
UK F51 Pensions NP	190196	n/a	3.20	3.34
UK F51 Pensiosn NP - Annuities	1960396	n/a	3.76	4.04
UK F52 Pensions	2345888	n/a	3.30	3.39
UK F53 Pensions NL	26692	n/a	3.20	3.34
OS F52	129944	n/a	3.30	3.39
Miscellaneous	212237	n/a	n/a	0.15
Total	8093874			

## Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Life Limited**

Subfund	FPLAL With Profit Fund
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Financial year ended **31 December 2013**

Units £000

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 F51 L&GA WP	71229	2.50	3.13	3.28
UK F51 L&GA NP	1780	2.50	3.13	3.93
UK F51 Pensions WP	61491	n/a	3.20	3.72
UK F51 Pensions NP	60033	n/a	3.20	3.71
Miscellaneous	3407	n/a	n/a	3.05
Total	197941			

## Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Life Limited**

Subfund	FLC New With Profit Fund
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Financial year ended **31 December 2013**

Units £000

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 F51 Pensions NP	615910	n/a	3.40	3.68
UK F51 L&GA WP	520703	3.00	3.75	4.53
UK F51 Pensions WP	130104	n/a	3.40	3.68
UK F52 Pensions	776352	n/a	2.75	3.51
UK F52 L&GA	1110831	2.75	3.44	4.30
UK F52 Pensions Guaranteed 4%	637843	n/a	4.00	4.45
Miscellaneous	265735	n/a	n/a	3.60
Total	4057479			

## Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Life Limited**

Subfund	FLC Old With Profit Fund
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Financial year ended **31 December 2013**

Units £000

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 F51 Pensions NP	112385	n/a	3.40	3.68
UK F51 L&GA WP	174227	3.00	3.75	4.53
UK F51 Pensions WP	39430	n/a	3.40	3.68
UK F52 Pensions	153816	n/a	2.75	3.51
UK F52 L&GA	213778	2.75	3.44	4.30
UK F52 Pensions Guaranteed 4%	243514	n/a	4.00	4.45
Miscellaneous	29765	n/a	n/a	3.66
Total	966915			



## Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Friends Life Limited**

Subfund	WL With Profit Fund
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Financial year ended **31 December 2013**

Units £000

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 F51 L&GA NP	17362	2.15	2.69	2.80
UK F51 L&GA WP	209279	2.45	3.06	3.19
UK F51 Pensions NP	64379	n/a	2.70	2.80
UK F51 Pensions WP	67065	n/a	3.10	3.19
UK F51 Pensions WP - Deferred Annuity	129263	n/a	2.60	3.33
UK F52 L&GA WP	12273	2.45	3.06	3.19
UK F52 Pensions WP	97569	n/a	3.10	3.19
Miscellaneous	11715	n/a	n/a	1.94
Total	608905			

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	52126675	52370402
Bonus payments in anticipation of a surplus	12	688414	262855
Transfer to non-technical account	13	419237	13916
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	53234325	52647173
Mathematical reserves	21	51687876	52263070
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1546449	384103

**Composition of surplus**

Balance brought forward	31	99053	(10354)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33	149062	105279
Surplus arising since the last valuation	34	1298334	289178
Total	39	1546449	384103

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	688414	262855
Cash bonuses	42	9	
Reversionary bonuses	43	82104	8279
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	770527	271134
Net transfer out of fund / part of fund	47	419237	13916
Total distributed surplus (46+47)	48	1189764	285050
Surplus carried forward	49	356686	99053
Total (48+49)	59	1546449	384103

**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 Limited**  
Total business / subfund **FP With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	8141782	8978696
Bonus payments in anticipation of a surplus	12	336904	250882
Transfer to non-technical account	13	22811	13916
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8501497	9243494
Mathematical reserves	21	8134659	9190489
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	366838	53005

**Composition of surplus**

Balance brought forward	31	(219053)	(219757)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	585890	272762
Total	39	366838	53005

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	336904	250882
Cash bonuses	42		
Reversionary bonuses	43	7123	7260
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	344027	258142
Net transfer out of fund / part of fund	47	22811	13916
Total distributed surplus (46+47)	48	366838	272058
Surplus carried forward	49		(219053)
Total (48+49)	59	366838	53005

**Percentage of distributed surplus allocated to policyholders**

Current year	61	93.78	94.88
Current year - 1	62	94.88	94.77
Current year - 2	63	94.77	96.68
Current year - 3	64	96.68	97.06

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **FPLAL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	222940	250514
Bonus payments in anticipation of a surplus	12	7033	11973
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	229973	262487
Mathematical reserves	21	196309	224496
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	33663	37991

**Composition of surplus**

Balance brought forward	31	24999	25000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	8664	12991
Total	39	33663	37991

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	7033	11973
Cash bonuses	42		
Reversionary bonuses	43	1632	1019
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	8665	12992
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	8665	12992
Surplus carried forward	49	24999	24999
Total (48+49)	59	33663	37991

**Percentage of distributed surplus allocated to policyholders**

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC New With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	4138919	4645900
Bonus payments in anticipation of a surplus	12	187566	
Transfer to non-technical account	13	22357	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4348842	4645900
Mathematical reserves	21	4064022	4562289
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	284820	83611

**Composition of surplus**

Balance brought forward	31	83611	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		83611
Surplus arising since the last valuation	34	201209	
Total	39	284820	83611

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	187566	
Cash bonuses	42	9	
Reversionary bonuses	43	13634	
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	201209	
Net transfer out of fund / part of fund	47	22357	
Total distributed surplus (46+47)	48	223566	
Surplus carried forward	49	61254	83611
Total (48+49)	59	284820	83611

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC Old With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	970393	1086446
Bonus payments in anticipation of a surplus	12	40656	
Transfer to non-technical account	13	4994	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1016043	1086446
Mathematical reserves	21	966100	1086446
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	49943	

**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	49943	
Total	39	49943	

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	40656	
Cash bonuses	42		
Reversionary bonuses	43	4293	
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	44949	
Net transfer out of fund / part of fund	47	4994	
Total distributed surplus (46+47)	48	49943	
Surplus carried forward	49		
Total (48+49)	59	49943	

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **FLAS With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	3986661	6780806
Bonus payments in anticipation of a surplus	12	116255	
Transfer to non-technical account	13	19075	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4121991	6780806
Mathematical reserves	21	3931239	6780806
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	190752	

**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	190752	
Total	39	190752	

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	116255	
Cash bonuses	42		
Reversionary bonuses	43	55422	
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	171677	
Net transfer out of fund / part of fund	47	19075	
Total distributed surplus (46+47)	48	190752	
Surplus carried forward	49		
Total (48+49)	59	190752	

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **WL With Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	609136	
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	609136	
Mathematical reserves	21	609136	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		

**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		
Total	39		

**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		
Total (48+49)	59		

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.91	
Current year - 1	62	90.86	
Current year - 2	63	90.64	
Current year - 3	64	90.75	

**Long-term insurance business : Distribution of surplus**

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2013**  
Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	34056844	30628040
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	350000	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	34406844	30628040
Mathematical reserves	21	33786411	30418544
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	620433	209496

**Composition of surplus**

Balance brought forward	31	209496	184403
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33	149062	21668
Surplus arising since the last valuation	34	261875	3425
Total	39	620433	209496

**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	350000	
Total distributed surplus (46+47)	48	350000	
Surplus carried forward	49	270433	209496
Total (48+49)	59	620433	209496

**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 Limited**  
Original insurer **Friends Provident Life and Pensions Limited**  
Date of maturity value / open market option **01 March 2014**

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	7217	1652		UWP	Y	7217
Endowment assurance	15	12521	3816		UWP	Y	12521
Endowment assurance	20	18577	3017		CWP	N	22477
Endowment assurance	25	28873	9011		CWP	N	38281
Regular premium pension	5	15056	2505		UWP	Y	15056
Regular premium pension	10	34161	8412		UWP	Y	34161
Regular premium pension	15	57146	16987		UWP	Y	57146
Regular premium pension	20	82614	11680		UWP	Y	82614
Single premium pension	5	14750	4043		UWP	Y	14750
Single premium pension	10	18206	6917		UWP	Y	18206
Single premium pension	15	18758	5012		UWP	Y	18758
Single premium pension	20	33098	5900		UWP	Y	33098

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

Name of insurer **Friends Life Limited**  
Original insurer **Friends Provident Life and Pensions Limited**  
Date of surrender value **01 March 2014**

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	UWP	n/a	n/a
Endowment assurance	10	6597	1486		UWP	Y	12736
Endowment assurance	15	11388	3039		UWP	Y	14868
Endowment assurance	20	17329	2704		CWP	N	33516
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	17330	6313		UWP	Y	17440
Single premium pension	2	11761	1317		UWP	Y	11761
Single premium pension	3	12825	2271		UWP	Y	12825
Single premium pension	5	14750	4043		UWP	Y	14750
Single premium pension	10	18206	6917		UWP	Y	18206

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

Name of insurer **Friends Life Limited**  
Original insurer **London and Manchester**  
Date of maturity value / open market option **01 March 2014**

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	11926	3721		UWP	N	11926
Endowment assurance	20	18771	6944		UWP	N	18771
Endowment assurance	25	38704	13472	n/a	CWP	N	38704
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	53225	16614		UWP	N	53225
Regular premium pension	20	84457	31024		UWP	N	84457
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	20777	7791		UWP	N	20777
Single premium pension	20	38675	20518		UWP	N	38675

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

Name of insurer

Original insurer

Date of surrender value

Friends Life Limited

London and Manchester

01 March 2014

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	11333	3526		UWP	N	14939
Endowment assurance	20	18238	6683		UWP	N	18650
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 business : With-profits payouts on maturity (normal retirement)

Name of insurer Friends Life Limited  
Original insurer NM  
Date of maturity value / open market option 01 March 2014

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	31115	15321		CWP	N	31115
Endowment assurance	25	50020	24884		CWP	N	50020
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	107852	32431		CWP	N	107852
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	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer

Friends Life Limited

Original insurer

NM

Date of surrender value

01 March 2014

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	29745	14947		UWP	Y	40922
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 business : With-profits payouts on maturity (normal retirement)**

Name of insurer **Friends Life Limited**  
Original insurer **Friends Life Company Limited (formerly AXA Sun Life Limited)**  
Date of maturity value / open market option **01 March 2014**

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	13709	4570	n/a	UWP	N	25695
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	41503	14727	n/a	UWP	N	41503
Regular premium pension	15	61486	21867	n/a	UWP	N	61486
Regular premium pension	20	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	19237	6826	n/a	UWP	n/a	19237
Single premium pension	15	24992	8868	n/a	UWP	n/a	24992
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer

Original insurer

Date of surrender value

Friends Life Limited

Friends Life Company Limited (formerly AXA Sun Life Limited)

01 March 2014

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	10981	2534	n/a	UWP	Y	38000
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
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	16349	3773	n/a	UWP	Y	16349
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	16051	3640	n/a	UWP	Y	16051

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

Name of insurer **Friends Life Limited**  
Original insurer **AXA Equity & Law**  
Date of maturity value / open market option **01 March 2014**

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	21282	7094	n/a	UWP	N	25695
Endowment assurance	25	31885	11314	n/a	UWP	N	40417
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	100942	42001	n/a	UWP	N	100942
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	37153	15459	n/a	UWP	N	37153

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

Name of insurer

Original insurer

Date of surrender value

Friends Life Limited

AXA Equity & Law

01 March 2014

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	18471	5277	n/a	UWP	N	38400
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 business : With-profits payouts on maturity (normal retirement)**Name of insurer **Friends Life Limited**Original insurer **Friends Life Assurance Society Limited (formerly Sun Life Assurance Society Limited)**Date of maturity value / open market option **01 March 2014**

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	15166	4953	n/a	UWP	N	15166
Endowment assurance	20	23061	6534	n/a	CWP	N	23061
Endowment assurance	25	39221	13837	n/a	CWP	N	39221
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	53352	9995	n/a	UWP	n/a	53352
Regular premium pension	20	99760	32978	n/a	UWP	n/a	99760
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	27050	10742	n/a	UWP	n/a	27050
Single premium pension	20	46482	22590	n/a	UWP	n/a	46482

**Long-term insurance business : With-profits payouts on surrender**Name of insurer **Friends Life Limited**Original insurer **Friends Life Assurance Society Limited (formerly Sun Life Assurance Society Limited)**Date of surrender value **01 March 2014**

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	10620	2185	n/a	UWP	Y	35200
Endowment assurance	20	17336	3260	n/a	CWP	N	22739
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	13834	1047	n/a	UWP	Y	13834

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

Name of insurer Friends Life Limited  
Original insurer Winterthur Life UK Limited  
Date of maturity value / open market option 01 March 2014

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	15781	4452	n/a	UWP	N	15781
Endowment assurance	25	24158	8053	n/a	UWP	N	24158
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	76626	25678	n/a	UWP	N	76626
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	30413	12202	n/a	UWP	N	30413

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

Name of insurer

Original insurer

Date of surrender value

Friends Life Limited

Winterthur Life UK Limited

01 March 2014

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	15166	4216	n/a	UWP	Y	15166
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 business : With-profits payouts on maturity (normal retirement)

Name of insurer

Original insurer

Date of maturity value / open market option

Friends Life Limited

Colonial Life (UK) Limited

01 March 2014

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	9543	1847	n/a	UWP	N	9543
Endowment assurance	20	15306	3532	n/a	CWP	N	15306
Endowment assurance	25	23673	4269	n/a	CWP	N	23673
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	42440	9284	n/a	UWP	N	42440
Regular premium pension	20	59947	11603	n/a	UWP	N	59947
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	12315	2052	n/a	UWP	N	12315
Single premium pension	20	23922	8781	n/a	UWP	N	23922

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

Name of insurer

Original insurer

Date of surrender value

Friends Life Limited

Colonial Life (UK) Limited

01 March 2014

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	9298	1800	n/a	UWP	Y	9298
Endowment assurance	20	15095	4612	n/a	CWP	N	19359
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

**Long-term insurance capital requirement**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2013**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%	826543	826543			
Classes I (other), II and IX	12	0.1%	55243582	30030820	0.50	27622	26544
Classes I (other), II and IX	13	0.15%	1973302	198468		1480	1756
Classes I (other), II and IX	14	0.3%	109961865	37230335		164943	187134
Classes III, VII and VIII	15	0.3%	11997167	11914585	0.99	35744	38997
<b>Total</b>	<b>16</b>		180002458	80200751		229788	254431

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					26788	21899
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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%	24847668	22379128	0.90	223791	249091
Classes III, VII and VIII (investment risk)	33	1%	2669162	2472990	0.93	24730	28309
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	3316336	3098781	0.93	30988	28822
Classes III, VII and VIII (other)	35	25%				38947	59482
Class IV (other)	36	1%	752362	483692	0.85	6395	6876
Class V	37	1%					
Class VI	38	1%	10147	10147	1.00	101	450
<b>Total</b>	<b>39</b>					324953	373030

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	15088	15088			
Classes I (other), II and IX	42	3%	24847668	22379128	0.90	671374	747274
Classes III, VII and VIII (investment risk)	43	3%	2669162	2472990	0.93	74190	84928
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	3316336	3098781			
Classes III, VII and VIII (other)	45	0%	33342216	27059027			
Class IV (other)	46	3%	752362	483692	0.85	19185	20628
Class V	47	0%					
Class VI	48	3%	10147	10147	1.00	304	1349
<b>Total</b>	<b>49</b>		64952980	55518854		765053	854179

<b>Long term insurance capital requirement</b>	<b>51</b>					1346582	1503539
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## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2013

#### **\*0201\* Waivers**

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2009. 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. Details are provided in note 5702.

The Financial Services Authority, on the application of the firm, made a direction in December 2011, under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to allow the Company to include the 6.875% Step up Tier 1 Insurance Capital Securities, as innovative tier one resources for the purposes of INSPRU 6.1.

The 6.875% Step up Tier 1 Insurance Capital Securities, issued by Friends Provident Plc on 18 November 2003, in respect of which the rights and obligations of Friends Provident plc, were novated to Friends Life Group plc (formerly Friends Provident Holdings (UK) plc) on 15 December 2010.

The Financial Services Authority, on the application of the firm, made a direction in December 2012, under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to allow the firm to:

- (i) take full credit when calculating its mathematical reserves in accordance with INSPRU 1.2 for its reinsurance with the intra-group ISPV, Friends Annuities Limited, in respect of the In-Force Intra-Group Reassurance Agreement dated 18 December 2007 (as amended), the New Business Intra-Group Reassurance Agreement dated 18 December 2007 (as amended) and, from the date on which it takes effect, the further In-Force Intra-Group Reassurance Agreement; and
- (ii) to allow the reinsurance debts owed to the firm by the ISPV to be admissible.

The Financial Services Authority issued to the firm in December 2012 a direction under section 148 of the Act. The effect of this direction is explained in notes 1323, 1801 and 1901.

Under the statutory instrument governing the transition to the Prudential Regulation Authority regime waivers previously issued under section 148 of the Financial Services and Markets Act 2000 are now treated as being made under section 138A of the Financial Services and Market Act 2000.

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

	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>£000</b>	<b>£000</b>
Total admissible assets (long-term) – Form 13 line 89	61,581,483	61,312,195
Total admissible assets (other than long-term) – Form 13 line 89	1,823,925	1,736,138
Less:		
Mathematical reserves, after distribution of surplus (long-term) – Form 14 line 11	(51,769,980)	(52,271,347)
Cash bonuses – Form 14 Line 12	(9)	-
Total other insurance and non-insurance liabilities (long-term) - Form 14 line 49	(4,010,014)	(4,091,473)
Total liabilities (other than long-term) - Form 15 line 69	(1,495,964)	(1,173,005)
Net admissible assets	6,129,441	5,512,508
Add:		
Capital requirements of regulated related undertakings	254,546	361,516
Preference shares	300,000	300,000
Subordinated debt	856,136	856,136
Total capital resources after deductions – Form 3 line 79	7,540,123	7,030,160

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2013

#### **\*0306\* Financial reinsurance ceded**

The Company has entered into financial reinsurance agreements with Munich Reinsurance Company.

As at the valuation date:

- Mathematical reserves in relation to this arrangement increased by £13.1m, the increase in the sterling reserve arising from the reinsurance payments, allowing for the elimination of negative amounts. Therefore the overall impact of the treaty is to increase available capital resources by £4.1m.
- The amount of the Company's contingent liability under this arrangement at the valuation date was £17.2m.
- There is no formal provision to terminate these agreements for existing business, so there is no commutation value.

#### **\*0310\* Valuation differences**

Positive valuation differences included within line 14 on form 3 are as follows:

	<b><u>2013</u></b> <b><u>£000</u></b>	<b><u>2012</u></b> <b><u>£000</u></b>
Difference between mathematical and realistic reserves	4,871,217	4,046,081
Additional prefunding liability	39,083	48,442
Differences arising on the valuation of provisions, deferred income and reserves arising from the implementation of FRS 26	45,967	123,224
Other actuarial reserve differences	4,834	(19,398)
Munich Re contingent loan	17,240	36,541
Tax valuation differences	(20,917)	(2,655)
Valuation differences on long term fund liabilities (Note 1405)	4,957,424	4,232,235
Mirroring of exchange difference on group debt	8,949	-
Foreseeable dividend	(273,000)	-
Asset valuation differences	(105,000)	35,332
Total equalling Form 3 Line 14	4,588,373	4,267,567

#### **\*0313\* Reconciliation of profit and loss account and other reserves**

	<b><u>2013</u></b> <b><u>£000</u></b>	<b><u>2012</u></b> <b><u>£000</u></b>
Profit and loss account reserves b/fwd	3,181,194	912,278
Profit and loss account reserves c/fwd	3,226,366	3,181,194
Movement	45,172	2,268,916
Remove PRA transfer from technical account to non technical account	419,238	13,917
Remove impact of capital reduction not included in form 16	-	(3,118,642)
Difference between statutory accounts and form 16 exceptional shareholder fund gain on Part VII transfer	-	(167,398)
Remove impact of prior year adjustment in long term funds on opening 2011 profit and loss reserves	-	(12,125)
Foreseeable dividend recognised in form 16	(273,000)	-
Surplus arising on the long-term business technical account	(455,410)	(854,585)
Payment of 2005 STICS interest	24,184	31,510
Total equalling Form 16 line 59	(239,816)	(1,838,407)

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2013

#### **\*1102\* Restatement of Prior Year Comparatives**

The prior year comparative has not been restated to reflect the Part VII transfer of FLWL business into FLL. This is because the business is not significant enough to require a restatement for comparative purposes.

#### **\*1104\* - Description of any amounts that are discounted**

Provisions held in line 51 for Ex-FLC and Ex-FLAS are discounted where they are in respect of claims in payment that are calculated using annuity factors.

#### **\*1111\* Restatement of Prior Year Comparatives**

The prior year comparative has not been restated as explained in Note 1102 above.

#### **\*1202\* Restatement of Prior Year Comparatives**

The prior year comparative has not been restated to reflect the Part VII transfer of FLWL business into FLL. This is because the business is not significant enough to require a restatement for comparative purposes.

#### **\*1211\* Restatement of Prior Year Comparatives**

The prior year comparative has not been restated as explained in Note 1202 above.

#### **\*1301\* & \*1308\* Aggregate value of investments**

Within the long-term funds:

- i) The company held unlisted investments valued at £1,432.3m (2012: £1,038.1m).
- ii) Lines 41, 42, 46 & 48 include assets to the value of £269.9m (2012: £82.5m) where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were £14.2m (2012: £25.1m) of beneficial interests in collective schemes, which were not UCITS or authorised schemes.
- iv) There were no reversionary interests or remainders in property other than land or buildings.

The other than long-term fund held £6.1m (2012: £7.5m) of unlisted investments.

#### **\*1302\* & \*1309\* Hybrid securities**

The Company held hybrid securities valued at £244.6m (2012: £661.7m) in the long-term fund and £19.9m (2012: £13.9m) in the shareholder fund.

#### **\*1304\* & \*1310\* Amounts receivable and payable**

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

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2013

#### **\*1305\* & \*1319\* Maximum permitted counterparty limits**

This note includes information in relation to the Part VII Transfer of assets from FLC and FLWL to FLL.

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 bond is defined as the 2nd best/2nd highest 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.

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  $4.5\% + 1\% = 5.5\%$

In addition, 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.

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).

Counterparty and concentration limits applicable to cash managed within the AXA IM Cash Sterling Liquidity Fund are authorised by the Friends Life Group Investments 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 Fund and approved by the Clients.

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

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2013

Investments in corporate institutions are permitted, subject to the following criteria:

Minimum credit rating:

- A -1 applies only to short-term money market instruments such as commercial paper, certificates of deposit and other related short-term money market instruments.
- AA- only applies to floating rate notes
- Floating rate notes are based on the rating of the instrument. For all other purchases and holdings the rating of the issuer is to be used.
- S&P ratings are the sole ratings agency to be used. Instruments with no S&P ratings are prohibited and no other ratings agency can be used.
- Maximum exposure to individual corporate institutions: 2%
- Maximum overall exposure to corporate institutions: nil

### Fixed income breaches in the year

#### • **FLL FP- With Profit (NP)**

The rating breaches (A+ and below and sub investment grade) have arisen mainly in the FLL Annuity Fund (FPAN). Opportunities are being explored to switch out of lower rated issues and a review of the bond holdings in FPAN will be undertaken as part of an Asset Liability Management study.

The breach for sinking bonds in FLL WP (NP) is a legacy issue in FPAN. It will be proposed that the limit on sinking bonds is removed as issues surrounding the modelling have been resolved.

#### • **FLL – Shareholder, annuity and non profit funds**

The reason for the very high AA exposure and investment grade corporate bond exposure is due to a single reinsurance related investment which we have with HSBC described in note 1306. As part of this collateralised agreement, we record a £1.6bn asset, however, we do not have a look-through on the assets backing the re-insured liabilities. The Investment Accounting team ensures that the collateral is in compliance with the agreement.

### \*1306\* & \*1312\* Exposure to large counterparties

During 2011 a reinsurance agreement was transferred to the Company as part of the Part VII Scheme transfer that was originally entered into by Friends Life and Pensions (“FLP”).

During April 2007 FLP entered into a reinsurance treaty with Windsor Life Assurance Company Limited, a subsidiary of Swiss Re. The agreement, which took effect from 1 January 2007, reinsures the mortality and investment risk, but not expense risk, of 100% of FLP’s in-force annuity book as at 31 December 2006. Business written after 31 December 2006 was not reinsured under the treaty. The treaty was novated on 31 December 2013 from Windsor Life Assurance Company Limited to Swiss Reinsurance Company Limited.

As a result of this treaty the Company transferred assets backing the annuity book in exchange for a LIBOR note from HSBC plc. The value of the LIBOR note at 31 December 2013 was £1,579.6m (2012: £1,767.3m).

A creditor to the value of the LIBOR note was set up and the amount due to Swiss Reinsurance Company Limited at 31 December 2013 was £1,579.6m (2012: £1,767m due to Windsor Life Assurance Company Limited).

### \*1307\* & \*1313\* Fully secured rights

The aggregate amount of fully secured rights in the long-term funds is £44.1m (2012: £480.0m). There were no such amounts in the other than long-term fund.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2013

#### **\*1318\* Other asset adjustments**

	<b><u>2013</u></b> <b><u>£000</u></b>	<b><u>2012</u></b> <b><u>£000</u></b>
<b>Long-term fund</b>		
Gross ups	(438,899)	(749,744)
Tax valuation differences	105,000	-
	<hr/> (333,899)	<hr/> (749,744)
<b>Other than long-term fund</b>		
Gross ups	(90,698)	31,207

#### **\*1322\* Total long-term fund**

The inter fund transactions between the various long-term funds have been eliminated for the total long-term fund on Forms 13 and 14.

#### **\*1323\* Capital support account assets**

The FSA issued to the firm in December 2012 a direction under section 148 of the Act. The effect of this direction is to allow the firm to include in its realistic balance sheet (at line 27 of Form 19 for the With Profit Fund) the Capital Support Account assets (as defined in the firm's Scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 that became effective on 28 December 2012, by which the long term business of Friends Life Assurance Society and parts of the long term business of Friends Life Company and F&C Managed Pension Funds was transferred to Friends Life Limited.) This additional amount corresponds to the support which the Capital Support Account assets which have not been transferred to the FP With Profits Fund and FLC New With Profits Fund give to the policies transferred under the scheme. These assets are also included in line 89 of Form 13 for the Non Profit Fund.

#### **\*1401\* & \*1501\* Provision for reasonably foreseeable adverse variations**

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

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

#### **\*1402\* & \*1502\* Contingent liabilities, guarantees and contractual commitments**

##### **a) Charges on assets**

No charge has been made on the assets of the Company (other than liabilities under an insurance contract).

##### **b) Provision for capital gains tax**

A capital gains tax liability of £162.6m (2012: £98.3m) would arise if the insurer was to dispose of all its non unit linked assets. This liability has been included within Form 14 Line 21 & Form 13 Line 93.

Current tax of £367.4m (2012: £209.7m) would arise if the insurer disposed of its unit linked assets. Provision for this amount is included in mathematical reserves because it will be borne by the unit linked funds.

A charge of £2.6m (2012: £2.0m) has been made in unit pricing for the change in the value of tax losses carried within the unit linked funds; the value of these losses is included within Form 13 Line 59.

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#### c) Contingent liabilities

The Company has made provision for the estimated cost of settling complaints in respect of past sales. Although the provisions are regularly reviewed, the final outcome could be different from the provisions established as these costs cannot be calculated with certainty and are influenced by external factors beyond the control of management. Such uncertainties include future regulatory actions, media attention and investment performance. The majority of the uncertainty relates to endowment mortgages although a number of other products are being reviewed as an ongoing process. It is expected that the majority of endowment cases requiring compensation will be settled in the near future.

The PRA and other regulatory bodies may wish, in future, to examine the suitability of past sales and associated administration of products that could affect the Company and the industry in general. The directors of the Company also conduct ongoing reviews of such products. As a result, it is possible that additional unprovided liabilities could arise.

#### d) Guarantees, indemnities or other contractual commitments

The majority of the long-term business of Friends Life WL Limited ("FLWL") was transferred to the Company on 28 December 2013. Under the terms of the transfer any existing contingent liabilities, future contingent liabilities that may arise and contractual commitments relating to the business transferred were also transferred to the Company.

All of the long term business of FLAS and the majority of the long term business of FLC were transferred into the Company on 28 December 2012. Under the terms of this transfer, all of the contingent liabilities of FLAS and FLC relating to the business transferred were also transferred to the Company.

FLAS and FLC provided an indemnity to a fellow subsidiary FLS, which acts as a distributor and third party administrator for their products and services. This indemnity is provided in the event of FLS becoming insolvent, to meet and deal with any civil liability which FLS has incurred to investors in the course of its relevant business, for as long as FLS remains in its role. Under the Part VII transaction the indemnity in relation to the business transferred has transferred to the Company.

The Company has also made the following guarantees:

- (i) 6.875% Step-up Tier one Insurance Capital Securities (STICS) issued by Friends Life Group plc (2003 STICS)

On 21 November 2003, Friends Life FPL Limited issued £300m of STICS, which bear interest from 21 November 2003 to 20 November 2019 at a rate of 6.875%. The 2003 STICS have no maturity date but are redeemable at the option of the issuer on 21 November 2019 and thereafter on the coupon payment date falling on or nearest successive fifth anniversaries of this date. The 2003 STICS are perpetual securities and are not redeemable at the option of the holder at any time. The 2003 STICS are irrevocably guaranteed on a subordinated basis by the Company.

On 6 July 2009, as part of its reorganisation of the Group, Friends Life FPG Limited was substituted for Friends Life FPL Limited as the issuer of the 2003 STICS. On 14 December 2010, as part of its restructuring of the Group, Friends Life Group plc was substituted for Friends Life FPG Limited as the issuer of the 2003 STICS.

The guarantee is intended to provide the holder with rights against the Company in respect of the guaranteed payments which are as nearly as possible equivalent to those which they would have had if the 2003 STICS had been directly issued preference shares of the Company.

This guarantee does not meet the definition of a financial guarantee under FRS 26 Financial instruments – recognition and measurement, as the Company is able to defer its obligation to make payments under

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the guarantee to holders of STICS for an unlimited period, and the holders have no right to enforce the obligation on the Company.

- (ii) 6.292% Step-up Tier one Insurance Capital Securities (STICS) issued by Friends Life Group plc (2005 STICS)

On 27 June 2005, Friends Life FPL Limited issued £500m of STICS, which bear interest from 30 June 2005 to 30 June 2015 at a rate of 6.292%. The 2005 STICS have no maturity date but are redeemable at the option of the issuer on 1 July 2015 and thereafter on every fifth anniversary of this date. The 2005 STICS are perpetual securities and are not redeemable at the option of the holder at any time. The 2005 STICS are guaranteed on a limited and subordinated basis by the Company.

On 6 July 2009, as part of its reorganisation of the Group, Friends Life FPG Limited was substituted for Friends Life FPL Limited as the issuer of the 2005 STICS. On 14 December 2010, as part of its restructuring of the Group, Friends Life Group plc was substituted for Friends Life FPG Limited as the issuer of the 2005 STICS.

The guarantee is intended to provide the holder with rights against the Company in respect of the guaranteed payments which are as nearly as possible equivalent to those which they would have had if the 2005 STICS had been directly issued preference shares of the Company.

This guarantee does not meet the definition of a financial guarantee under FRS 26 Financial instruments – recognition and measurement, as the Company is able to defer its obligation to make payments under the guarantee to holders of STICS for an unlimited period, and the holders have no right to enforce the obligation on the Company.

On 21 May 2009, Friends Life FPL Limited carried out a financial restructuring by exchanging £90m of its £300m 6.875% Step-Up Tier one Insurance Capital Securities issued on 21 November 2003 (the 2003 STICS) and £232m of its £500m 6.292% Step-Up Tier one Insurance Capital Securities issued on 30 June.

On 6 July 2009, as part of its reorganisation of the Group, Friends Life FPG Limited was substituted for Friends Life FPL Limited as the issuer of the Notes. On 14 December 2010, as part of its restructuring of the Group, Friends Life Group plc was substituted for Friends Life FPG Limited as the issuer of the Notes.

(1) Friends Life FPL Limited changed its name from Friends Provident Limited on 1 July 2011.

(2) Friends Life FPG Limited changed its name from Friends Provident Group Limited on 1 July 2011.

(3) Friends Life Group plc changed its name from Friends Provident Holdings (UK) plc on 1 July 2011.

- (iii) Other guarantees in respect of Friends Life Group plc debt

The Company has guaranteed the £162 million subordinated debt issued by Friends Life FPG Limited in May 2009 but now transferred to the Friends Life Group plc.

On 21 April 2011, Friends Life Group plc issued a £500 million external Lower Tier 2 (“LT2”) debt instrument with a coupon of 8.25% and a maturity of 2022. The £500 million external LT2 debt is guaranteed on a subordinated basis by the Company.

On 8 November 2012, Friends Life Group plc issued a US\$575 million Upper Tier 2 (“UT2”) reset perpetual subordinated debt instrument with a coupon of 7.875%, which is irrevocably guaranteed on a subordinated basis by the Company.

The Company has issued back to back debt instruments in respect of the debt instruments issued by Friends Life Group plc which are recognised as financial liabilities of the Company (see note 20 of these financial statements). As such these financial guarantees of the Friends Life Group plc

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instruments made by the Company do not require the Company to recognise further liabilities under FRS 26.

The Company has potential commitments of £212.5m (2012: £218.2m) to venture capital vehicles (partnerships and similar vehicles) that allow exposure to private equity investments in UK, US and European markets. All investments are held under agreements between the private equity managers and the Company which have committed the Company to providing an agreed maximum level of funding to the managers to invest. As at 31 December 2013 there are still funds that have yet to be utilised that, under the agreements, are still available to the private equity managers and hence are classified as potential commitments.

#### e) Other uncertainties

The Company is not aware of any other fundamental uncertainties.

#### \*1405\* Other adjustments to liabilities

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Liability valuation differences (note 0310)	4,957,424	4,232,235
Gross ups	(438,899)	(749,744)
Other liability adjustments	-	61,743
	<u>4,518,525</u>	<u>3,544,234</u>

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

The value of non-linked assets in the With Profits funds changed as follows:

	<u>2013</u> <u>Increase/(decrease)</u> <u>£000</u>	<u>2012</u> <u>Increase/(decrease)</u> <u>£000</u>
FP With Profit	273,570	253,237
FPLAL With Profit	(13,135)	1,845
FLC New With Profit	(184,313)	(655)
FLC Old With Profit	(28,098)	(1,691)
FLAS With Profit	(430,896)	(14,856)
FLWL With Profit	(2,020)	-

#### \*1507\* Other adjustments

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Gross ups	(90,697)	31,207
Foreseeable dividend	(273,000)	-
	<u>(363,697)</u>	<u>31,207</u>

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#### **\*1601\* & \*4005\* Foreign currency translation**

Rates of exchange prevailing at the time of the transaction have been used to translate amounts of income and expenditure in overseas currencies relating. Other amounts are included in the return at the rates of exchange ruling at the end of the year.

#### **\*1603\* - Other income**

The amount included at Line 21 relates to:

	<b><u>2013</u></b> <b><u>£000</u></b>	<b><u>2012</u></b> <b><u>£000</u></b>
Exceptional item – 2013 FLWL	87,759	-
Exceptional item – 2013 FLAS	8,000	-
Exceptional item – 2012	-	1,057,213
	<hr/> 95,759	<hr/> 1,057,213

On 28 December 2013 Other Business Fund assets of FLWL were transferred into the Company's shareholder fund in accordance with the Part VII scheme as described in note 4004. This transfer resulted in exceptional income of £87.8m within the shareholder fund.

During 2013 the retained capital within FLAS shareholder fund was transferred to the Company upon FLAS's deauthorisation. This transfer resulted in exceptional income of £8.0m within the shareholder fund.

On 28 December 2012 Other Business Fund assets of FLC and FLAS were transferred into the Company's shareholder fund in accordance with the Part VII scheme described in note 4004. This transfer resulted in exceptional income of £1,057.2m within the shareholder fund.

#### **\*1700\* Forms omitted from the return**

Form 17 for other than long-term insurance business has been omitted because all entries would be blank.

#### **\*1701\* Variation margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £nil (2012: £4.0m). Variation margin of £1.8m (2012: £0.9m) has been included in Form 13 line 44.

#### **\*1702\* Quasi-derivatives**

a) The aggregate value of rights in respect of assets which have the effect of derivative contracts at the end of the financial year was £5,942.1m. The amounts contributed to each line in Form 13 in respect of quasi derivatives is as follows:

	<b>£m</b>
Line 45 Fixed Interest Approved	3,138.2
Line 46 Fixed Interest Other	2,743.5
Line 47 Variable Interest Approved	-
Line 48 Variable Interest Other	<hr/> 60.4
	5,942.1

b) The aggregate amount of liabilities under contracts or in respect of assets, either of which have the effect of derivative contracts did not exceed 2.5% of the aggregate amounts shown at with lines 15 to 39 of Form 14 or lines 31 to 51 of Form 15.

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#### **\*1801\* Capital support account assets**

The FSA issued to the firm in December 2012 a direction under section 148 of the Act. The effect of the direction is to allow the firm to include in line 65, the value, in the most adverse scenario, of future repayments from the FL FP With Profits Fund of the Company to the Shareholder Fund or Non Profit Fund in respect of any amounts outstanding under any Temporary Transfer from the FL FP With Profits Support Account: (as defined in the Scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 which became effective on 28 December 2012, by which the long term business of FLAS and parts of the long term business of FLC and F&C Managed Pension Funds were being transferred to FLL) made by the Non Profit Fund or Shareholder Fund to the FP With Profits Fund.

#### **\*1901\* Capital support account assets**

The FSA issued to the firm in December 2012 a direction under section 148 of the Act. The effect of this direction is to allow the firm to include in its realistic balance sheet (at line 27) the Capital Support Account assets (as defined in the Scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 which became effective on 28 December 2012, by which the long term business of FLAS and parts of the long term business of FLC and F&C Managed Pension Funds were being transferred to Friends Life Limited). This additional amount corresponds to the support which the Support Account assets which have not been transferred to the FP With Profits Fund and FLC New With Profits Fund give to the policies transferred under the scheme. These assets are also included in line 89 of Form 13 for the Non Profit Fund.

#### **\*1902\* Financing costs**

For FLL FLAS WPF which was transferred into FLL with effect from 28 December 2012 by means of a Part VII Transfer, the entry at line 45 of Form 19 includes the impact of the reinsurance arrangements with FLL NPF. This reinsurance arrangement ended in 2013, with FLL NPF repaying the full amount of the outstanding loan.

#### **\*1903\* Other assets potentially available**

Lines 81 and 82 represent the total resources potentially available within FLL. These have not been apportioned to the individual With Profits Funds, but the total figure has been shown in Form 19 for each With Profits Fund.

#### **\*4002\* Other income and expenditure**

Other income in the FP With Profits Fund comprises of:

	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
FLP management charges	22,118	22,145
FLL management and other charges	12,608	12,209
Policy loan income	40	60
Total other income	34,766	34,414

Other income in the FPLAL With Profit Fund comprises of:

	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
Policy loan income	115	133
Total other income	115	133

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Other income in the FLC New With Profit Fund comprises of:

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Rebated unit trust charges	1,574	-
Total other income	1,574	-

Other income in the FLC Old With Profit Fund comprises of:

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Rebated unit trust charges	285	-
Total other income	285	-

Other income in the Non Profit Fund comprises of:

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
FLL management and other charges	8,520	9,610
Financial Reinsurance received	-	18,630
Total other income	8,520	28,240

Other expenditure in the Non Profit Fund relates to:

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
FLL management and other charges	43,760	38,170
Total other expenditure	43,760	38,170

### **\*4004\* Business transfers-in**

On 28 December 2013 the majority of the long-term business of Friends Life WL Limited ("FLWL"), a direct subsidiary of the Company, was transferred to the Company via a business transfer scheme (the "2013 Scheme") under Part VII of the Financial Services and Markets Act 2000. The total amounts transferred were:

- £3,041.3m from FLWL into the FLL Non-Profit Fund, which equaled the value of the mathematical reserves and form 14 line 13 surplus transferred;
- £613.3m from FLWL into the WL WPF, which equaled the value of the mathematical reserves and form 14 line 13 surplus transferred ;
- £87.8m of net assets transferred to the FLL Shareholder Fund.

The amount included in business transfers out for the FLAS With Profits Fund and the amount included in business transfers in for the Non Profit Fund relate to the inter-fund transfer of £1,959.0m of annuity liabilities and £1,959.0m of invested assets backing these liabilities from the FLAS With Profits Fund to the Non Profit Fund. As this was an inter-fund transaction which did not change the total long term fund position the total long term fund form 40 does not show the business transfer in and out.

On 28 December 2012, all of the long-term business of FLAS and the majority of the long-term business of FLC were transferred to the Company via a business transfer scheme (the "2012 Scheme") under Part VII of the Financial Services and Markets Act 2000 ("FSMA"). The total amounts transferred were:

- £25,814.5m from FLC into the FLL Non-Profit Fund, which equaled the value of the mathematical reserves and the long-term fund assets transferred;

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- £1,090.8m from FLC into the FLL OWPF, which represented the complete value of the FLC OWPF;
- £4,661.7m from FLC into the FLL NWPF, which represented the complete value of the FLC NWPF;
- £6,811.8m from FLAS into the FLL ex-FLAS WPF, which represented the complete value of the FLAS WPF;
- £1,057.2m of net assets transferred to the FLL Shareholder Fund.

### **\*4006\* Principles and methods of apportioning between long-term funds**

Investment income and expenses:

There are separate pools of assets for the With Profits and Non Profit Funds for the existing FLL, ex-FLAS and ex-FLWL business. Income earned and other expenses incurred are borne directly by each of these funds with no apportionment taking place. For the ex-FLC business, assets are managed in a single pool and hence allocation bases are used to assign assets to sub-funds with the related income and expenses similarly apportioned to those sub-funds.

Expenses:

(i) Directly attributable expenses are charged to the individual fund.

(ii) For the existing FLL business an expense agreement was set up in 2001 allowing the Non Profit Fund to charge the With Profits Fund management expenses in connection with the administration of With Profits policies. This agreement is formalised in Schedule 2 of the Scheme, which sets out the specific charging arrangements which define the expenses that the With Profits Fund can suffer.

(iii) For the business transferred from FLC expenses were directly allocated to the relevant sub-fund according to the nature of individual contracts.

iv) For the business transferred from FLWL, expenses are initially borne by the Non Profit Fund. An explicit expense arrangement is in force between the Non Profit Fund and the FLWL With Profit Fund. A fixed amount increasing with inflation is payable for each premium paying policy and at half rate for non premium paying policy for each master policy within the FLWL With Profit Fund.

Increase or decrease in the value of non-linked assets brought into account:

The amounts brought into account in each fund have regard to the nature of the changes in the Long Term liabilities of that fund including liabilities in respect of the current bonus declaration.

Taxation:

Taxation is computed separately for the With Profits Funds on a stand-alone basis, and for the Non Profit Fund on the basis of the balance between the tax calculated for the Company and for the aggregate of the With Profit Funds.

### **\*4008\* Management services**

Management services were provided during the year by Friends Life Management Services Limited and Friends Life Services Limited, both wholly owned subsidiaries of Friends Life Group plc.

Investment management and advisory services were provided during the year by Friends Life Investment Limited, F&C Asset Management Limited and F&C REIT, both wholly owned subsidiaries of F&C Asset Management plc, AXA Real Estate Investment Managers and by AXA Investment Managers UK Limited.

### **\*4009\* Material connected party transactions**

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There were no connected party transactions in excess of the disclosure limit other than the transfers described in note 4004.

#### **\*4010\* Investment income relating to linked assets**

The amount of investment income relating to linked assets in Line 12 of Form 40 for the With Profits funds is as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
	<b>£000</b>	<b>£000</b>
FP With Profit	625	684
FPLAL With Profit	7	27
FLC New With Profit	1,455	10
FLC Old With Profit	295	2
FLAS With Profit	14,192	235
FLWL With Profit	-	-

#### **\*4012\* Total long-term fund**

The inter fund transactions between the various long-term funds have been eliminated for the total long-term fund on Forms 40, 41 and 42.

#### **\*4401\* Basis of asset valuation within internal linked funds**

Assets within this form have been valued as follows:

- (a) Land and buildings have been valued at open market value.
- (b) Listed investments have been valued at market prices consistent with the pricing basis within those funds.
- (c) OEICs are carried at the market value at the balance sheet date.

All other investments have been valued on a prudent basis having regard to their likely realisable value.

#### **\*4402\* Rights and liabilities under derivative contracts**

The internal linked funds held rights of £7.9m (2012:£4.5m) and liabilities of £9.6m (2012: £2.7m) under derivative contracts.

#### **\*4403\* Variation margin**

There is a liability to repay variation margin of £0.4m (2012: £1.1m) at the year end.

#### **\*4412\* Deferred taxation on unit linked funds**

The provision for tax on unrealised capital gains on assets held within the unit linked funds is reflected in the amount reported as net unit liability and not therefore reported on line 15 of Form 44 as a separate reduction in the value of assets that cover those liabilities.

#### **\*4502\* Other income and expenditure – Linked funds**

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Other income and expenditure consists of

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Part VII transfer in	608,415	25,066,535
Rebated unit trust charges	20,934	503
Other	341	34
Total other income	<u>692,690</u>	<u>25,067,072</u>

	<u>2013</u> <u>£000</u>	<u>2012</u> <u>£000</u>
Investment related expenditure	<u>5,031</u>	<u>3,006</u>
Total other expenditure	5,031	3,006

### **\*4801\* - Investment mix assumed in asset share calculations**

For certain with-profit policies in FLL FLC NWPF and FLL FLC OWPF

(a) The following are the bonus series that have an asset share philosophy which assumes a variation of asset mix by duration of policy:

Low-Cost Homebuyers' Plan  
Homebuyers' Investment Plan  
Multivestor  
Multipension Series 2  
Multipension Series 3  
Flexible Pensions  
Pensions 1997 Series  
Pensions 1999 Series  
Pensions 2000 and 2002 Series  
Retirement Investment and Income Plan

(b) For conventional with profits business the asset mix used as at 31 December 2013 was as follows:

UK Equities	31.8%
Overseas Equities	15.7%
Properties	11.5%
Fixed Interest	38.3%
Other	2.7%

This applies to the following bonus series:

Conventional Life Series 1  
Conventional Life Series 2  
Conventional Pensions  
Top Flight, Moneysaver and Postal Staff Scheme

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For unitised with profits policies with either no maturity date or more than one third of the term remaining the asset mix used as at 31st December 2013 was as follows:

UK Equities	42.8%
Overseas Equities	20.5%
Properties	15.3%
Fixed Interest	19.9%
Other	1.5%

This applies to the following bonus series:

Investment Bond and Flexible Bond

With Profits Income Bond

Individual Savings Account

Low-Cost Homebuyers' Plan

Homebuyers' Investment Plan

Multivestor

Multiplan

Multipension Series 2

Multipension Series 3

Flexible Pensions

Trustee Plan

Pensions 1997 Series

Pensions 1999 Series

Pensions 2000 & 2002 Series

Retirement Investment and Income Plan

Amulet

AXA Isle of Man Bond (Sterling)

For Retirement Savings Schemes, the asset mix used as at 31st December 2013 was as follows:

UK Equities	21.4%
Overseas Equities	10.2%
Properties	7.6%
Fixed Interest	56.7%
Other	4.1%

Other parts of the unitised with profits business have different asset mixes; such parts each represent less than 10% of total with profits mathematical reserves.

### **\*4802\* Interest in default**

Where the payment of income is in default, the expected income in Form 48 is nil.

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

In the case of a fixed interest security that may be redeemed at different dates at the option of the issuer, the yield is determined with reference to both the final redemption date and the first call date. The yield is taken to be the lower of the two. The total value included in Form 49 line 61 in respect of securities that may be redeemed at different dates at the option of the issuer is £1,253m.

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#### **\*4804\* Derivative yields**

Lines 28.1 and 25.2 for the With Profits Fund contain put options with a value of £45m. These combine with equity having a value of £785.6m with yield 5.32% to give a combined value of £830.6m with yield 3.88%.

#### **\*4806\* Assets used to calculate investment returns**

The investment returns in lines 21-29 column 5 for the FP With-Profits Fund and FPLAL With-Profits Fund have been based upon a specific portfolio of assets identified to back asset shares and on which the return credited to asset shares is based. The main exclusions from the assets in Form 48 backing with profits liabilities are derivatives and other assets earmarked to back guarantees.

The investment returns in lines 21-29 column 5 for FLL FLAS With-Profit Fund, FLL NWPF and FLL OWPF have been based upon a specific portfolio of assets identified to back asset shares and on which the return credited to asset shares is based. The asset categories used for asset share return calculations are not in all cases the same as the categories in lines 21-29 of column 2, and have been defined as follows:

Line	Assets included
21	Properties including investments in property through collective investment schemes and limited partnerships.
22-23	Non-index-linked gilts and corporate bonds. An approximate basis has been used to split the return between the two lines.
24	Index-linked gilts and bonds and floating rate bonds.
25-27	Equities, equity futures and collective investment schemes in equities. An approximate method has been used to split the return on all equities (used in asset share calculations) between these three lines.
28	All assets included in the calculation of asset shares but not included in lines 21-27, the majority of which is cash.

#### **\*4901\* Rating agencies**

The majority of ratings used in Form 49 were provided by either Standard & Poor's, Moody's or Fitch where available. It was not possible to separately identify "CCC" rated bonds from those of non-investment grade. All "CCC" rated bonds have, therefore, been included in L38.

#### **\*5010\* Inter-Fund Reinsurance**

The figures given make allowance for any inter-fund reinsurance arrangements within FLL. The gross and the reinsurance internal is not the same as the sum of the sub funds F50. The overall F50 is then representative of the actual company position whilst keeping the sub fund positions representative as well.

The amounts removed from the gross and reinsurance internal within FLL at the end of December 2013 was:

Form 51 – With Profit:	£
UK Life	40.0m
Form 51 – Non Profit:	£
UK Life	53.4m
UK Pension	67.4m

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Form 52:	£
UK Life	81.5m
UK Pension	229.6m
Overseas	56.5m

Form 53 - Linked:	£
UK Life	4,889.2m
UK Pension	4,036.3m
Overseas	106.9m

Form 53 – Non-Linked:	£
UK Life	(1.7)m
UK Pension	3.8m

Form 54 - Linked:	£
UK Life	76.4m
UK Pension	8.7m

Form 54 – Non-Linked:	£
UK Life	0.3m

#### **\*5101\* - Number of group schemes with no member records**

The number of group schemes where records of benefits are not held at member level are:

415	Collective Life	5 schemes
420	Group Income protection	2 schemes

#### **\*5103\* - Products classified as miscellaneous**

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

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

The following product with reserves not in excess of £10m has been classified under miscellaneous product code 435:

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

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

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

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

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

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#### **\*5201\* - Number of group schemes with no member records**

The numbers of group schemes where records of benefits are not held at member level are:

- 555 Group Deposit Administration with-profits 81 schemes
- 575 Ex FLWL Group Retirement Benefit Schemes 4 schemes

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

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

- Unitised with profits ISA (single premium)
- Unitised with profits partly-insured Flexible Suntrust Plans (pensions policies issued in conjunction with small self-administered schemes)
- Ex FLWL Group Retirement benefit Schemes

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

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

#### **\*5301\* – Number of group scheme with no member records.**

The following product codes contain large group schemes where the member details are not known.

765 Group Managed Fund	57 schemes
------------------------	------------

#### **\*5303\* - Details of policies included in the miscellaneous product code.**

The following product with gross mathematical reserves in excess of £10m has been classified under miscellaneous product code 795:

- Health Care Income Plan (unit-linked income protection)
- Lifetime Care Bond

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

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

#### **\*5403\* - Products classified as miscellaneous**

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

- Index-linked Individual Lifetime Care Plans
- Index-linked deferred annuity

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

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#### **\*5601\* Rating agencies**

The majority of ratings used in Form 56 were provided by Standard & Poor's, Moody's or Fitch where available. It was not possible to separately identify "CCC" rated bonds from those of non-investment grade. All "CCC" rated bonds have, therefore, been included in L38.

#### **\*5701\* Negative reserves**

The interest rate shown in Form 57 is that in respect of positive liabilities. The interest rate for policies with negative liabilities is shown in the response to question 4(2) of Appendix 9.4.

Where positive mathematical reserves have been entirely offset by negative reserves, the yield on backing assets is shown as the INSPRU 3.1.45 yield on which the valuation interest rate is based.

#### **\*5702\* Risk adjusted yield**

The FSA, on application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2009. 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.

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

Product Group	FLL With Profit		FPLAL With-Profit		FLL Non Profit	
	Yield	Risk Adjusted Yield	Yield	Risk Adjusted Yield	Yield	Risk Adjusted Yield
UK F51 L&GA WP	4.10%	3.75%	3.29%	3.28%		
UK F51 L&GA NP	3.28%	3.28%	4.02%	3.93%	3.92%	3.52%
UK F51 L&GA NP - Ex BHA					3.70%	3.44%
UK F51 L&GA NP - PHI					3.68%	3.25%
UK F51 L&GA NP - Additional Reserves					0.18%	0.18%
UK F51 L&GA NP					3.30%	3.30%
UK F52 L&GA	4.10%	3.75%			3.30%	3.30%
UK F53 L&GA NL	3.28%	3.28%			3.30%	3.30%
UK F51 Pensions WP	3.48%	3.39%	3.76%	3.72%		
UK F51 Pensions WP			4.02%	3.93%		
UK F51 Pensions NP - Additional Reserves					0.18%	0.18%
UK F51 Pensions NP	3.34%	3.34%			3.30%	3.30%
UK F51 Pensions NP	4.62%	4.04%	3.79%	3.71%	3.89%	3.42%
UK F52 Pensions	3.48%	3.39%			3.38%	3.38%
UK F53 Pensions NL	3.34%	3.34%			3.24%	3.29%
OS F51 NP	3.34%	3.34%			3.30%	3.30%
OS F52	3.48%	3.39%			3.38%	3.38%
OS F53 NL	3.34%	3.34%			3.84%	3.41%
OS F53 NL					3.49%	3.49%
UK F51 L&GA NP – ex FLWL					4.24%	3.85%
UK F51 Pensions NP – ex FLWL					2.78%	2.60%

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### Supplementary notes to the Return

Friends Life Limited

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#### **\*5802\* Transfer to and from other funds**

The amount in line 33 represents surplus transferred into the FLL non-profit fund from FLWL as a result of the Part VII transfer.

#### **\*5803\* Distribution of Surplus**

Since December 2010, for the FLL FP WPF, 100% of the surplus arising has been distributed to policyholders in respect of unitised with profit policies and 90% of surplus has been distributed to policyholders in respect of conventional with profits policies.

For FLL FLWL WPF distribution of surplus occurred before the Part VII on the 27th December 2013. The percentage distributed to policyholder at this date was 90% in all cases.

#### **\*5901\* With Profits Reserves for UK Provident**

The with-profits mathematical reserves relating to the business of UK Provident exceed £100m. However all of these policies are over 25 years old so the form is omitted.

#### **\*6002\* - Reconciliation with Form 50 and Form 58**

The net reserves included in line 49 of Form 60 do not reconcile with the sum of Form 50 Line 48, Form 58 Line 43 and Form 14 Line 11. This is due to the reinsurance of annuity reserves to FAL (the intra-group ISPV). The net reserves in FAL (£3,748.9) are recaptured in Form 60 for the purpose of calculating the reinsurance ratio in accordance with INSPRU 1.1.92A.

#### **\*6011\* Restatement of Prior Year Comparatives**

The Part VII transfer of FLWL into FLL has resulted in a significant change in the business of FLL. As such the column 6 numbers have been restated as below to allow an appropriate comparison to be made.

		Factor	2013 Column 6	2012 Column 6
<b>Insurance death risk capital component</b>				
Life protection reinsurance	11	0.0%		
Classes I, II and IX	12	0.1%	26,544	26,544
Classes I, II and IX	13	0.15%	1,756	1,756
Classes I, II and IX	14	0.3%	187,134	185,828
Classes III, VII and VIII	15	0.3%	38,997	36,446
Total	16		254,431	250,574
<b>Insurance health risk capital component</b>				
Class IV and supplementary classes 1 and 2	21		21,899	21,899
<b>Insurance expense risk capital component</b>				
Life protection and permanent health reinsurance	31	0%		
Classes I, II and IX	32	1%	249,091	236,619

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### Supplementary notes to the Return

Friends Life Limited

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Classes III, VII and VIII	33	1%	28,309	28,256
Classes III, VII and VIII	34	1%	28,822	15,909
Classes III, VII and VIII	35	25%	59,482	58,599
Class IV	36	1%	6,876	6,635
Class V	37	1%		
Class VI	38	1%	450	450
Total	39		373,030	346,468
<b>Insurance market risk capital component</b>				
Life protection and permanent health reinsurance	41	0%		
Classes I, II and IX	42	3%	747,274	709,858
Classes III, VII and VIII	43	3%	84,928	84,767
Classes III, VII and VIII	44	0%		
Classes III, VII and VIII	45	0%		
Class IV	46	3%	20,628	19,904
Class V	47	0%		
Class VI	48	3%	1,349	1,349
Total	49		854,179	815,878
<b>Long term insurance capital requirement</b>	51		1,503,539	1,434,820



**Additional information on derivative and quasi-derivative contracts  
(IPRU (INS) rule 9.29)  
Friends Life Limited  
Financial year ended 31 December 2013**

**Derivative Contracts**

The following information is included pursuant to IPRU (INS) 9.29.

a) Investment Guidelines.

Investment guidelines operated by the Company during 2013 were to use derivative contracts only for the purpose of efficient portfolio management or a reduction in investment risk. Derivatives can only be used to the extent that they are replicating a similar economic effect which would otherwise be achieved by selling existing assets or using cash in the portfolio to fund the purchase of permitted assets.

The guidelines restrict the investment in derivative contracts to specified exchange traded derivatives on a limited number of markets, forward foreign exchange contracts (with an approved institution), interest rate swaps, credit derivatives, contracts for differences, over the counter equity options, swaptions, asset swaps and inflation rate swaps. Derivatives instruments which are not listed above may be entered into on a case by case basis with prior approval from the Company. Derivatives may only be used when the Investment Manager, in consultation with the Company, 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. All obligations arising out of derivative contracts are required to be covered. All over the counter derivatives are collateralised to minimise counterparty default risk. Derivatives must not be used to gear the portfolio.

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 when the contract is entered into, reasonably likely to be exercised. Therefore, providing such derivatives meet the over arching investment guidelines stated above, that they are held for efficient portfolio management or a reduction in investment risks, they are permitted.

c) Use of derivatives not likely to be exercised.

The long-term fund held derivatives during the year, which at the time when acquired were not likely to be exercised. These were held for purpose of protecting the fund from falling equity markets, default risk & interest rate sensitivity. No other contracts were entered into during the financial year that were not, at the time of entry, reasonably likely to be exercised.

d) The Company held no derivative contracts or instruments of a similar nature during the financial year other than permitted derivative contracts under permitted links rules, and nor did any contracts require a significant provision to be made under INSPRU 3.2.17R.

e) The Company did not grant rights under derivative contracts during the financial year.



Name of Insurer                **Friends Life Limited**

**IPRU (INS) RULE 9.30 - STATEMENT OF CONTROLLERS OF FRIENDS LIFE LIMITED**

**As at 31 December 2013**

<b>Controller</b>	<b>Shareholding/Voting Rights</b>
<b>Friends Life FPL Limited</b> 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.
<b>Friends Life FPG Limited</b> Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06861305	100% shareholding in Friends Life FPL Limited
<b>Friends Life Group plc</b> Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Friends Life FPG plc
<b>Resolution Holdings (Guernsey) Limited</b> Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Life Group plc
<b>Resolution Holdco No.1 LP</b> Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No:1118	100% shareholding in Resolution Holdings (Guernsey) Limited
<b>Resolution Limited</b> Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 49558	99.99% 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 Limited**

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

**VALUATION REPORT**

Throughout this report the following notation is used:

the Company	denotes	Friends Life Limited (FLL) (formerly Friends Provident Life and Pensions Limited)
BHA	denotes	Bupa Health Assurance Limited
FAL	denotes	Friends Annuities Limited (formerly AXA Annuity Company Limited)
F&CMPF	denotes	F & C Managed Pension Funds Limited
FLAS	denotes	Friends Life Assurance Society Limited (formerly Sun Life Assurance Society Plc)
FLC	denotes	Friends Life Company Limited (formerly AXA Sun Life Plc)
FLP	denotes	Friends Life and Pensions Limited (formerly Friends Provident Pensions Limited)
FLWL	denotes	Friends Life WL Limited (formerly Winterthur Life UK Limited)
FLS	denotes	Friends Life Services Limited (formerly AXA Sun Life Services Plc)
FPLAL	denotes	Friends Provident Life Assurance Limited
FPLMA	denotes	Friends Provident London and Manchester Assurance
FPLP	denotes	Friends Provident Life and Pensions Limited
FPPL	denotes	Friends Provident Pensions Limited

Reference to ex-FPLP business includes business originally written by Friends Provident (FP), UK Provident (UKP), and FPLMA.

Reference to ex-FPLAL business includes business originally written by FP and NM Life Assurance.

**Part VII transfers into the Company on 28 December 2013**

Business formerly written by or reinsured to FLWL was subject to a Part VII transfer into the Company as follows:

- FLWL business in the Non Profit Fund, other than business administered on the Embassy platform, was transferred to FLL NPF in accordance with a Scheme under Part VII of the Financial Services and Markets Act 2000.
- Business formerly written in FLWL WPF Fund was transferred into the FLL FLWL WPF Fund.

The relevant assets and liabilities from the FLWL Balance Sheet will be transferred to FLL.

### Internal reinsurance arrangements as at 31 December 2013

Four new internal reinsurance arrangements are required due to FLWL transferring to FLL and FLP (the remaining FLWL business administered on the Embassy platform was transferred to FLP).

Two reinsurance arrangements are required to provide new unit linked access between FLL NPF and FLP NPF. And two reinsurance arrangements are required to provide unitised with-profits contracts access to unit-linked funds and vice versa, between FLP NPF and FLL FLWL WPF.

## **1. Valuation date**

- (1) The actuarial investigation relates to a valuation date of 31 December 2013.
- (2) The valuation date of the previous investigation was 31 December 2012.
- (3) There have been no interim valuations (for the purpose of IPRU(INS) rule 9.4) since the previous valuation date.

## **2. Product Range**

All business written on the LIFE platform, formerly written by or reinsured to FLWL was subject to a Part VII transfer into the Company on 28 December 2013.

From 01 January 2013, all new individual protection business has been written into FLP, any business written before this date will remain in FLL however.

### New products

No new products have been launched during 2013.

### Changes to existing products

There have been no significant changes to existing products.

### Products Withdrawn

- The rider benefit, Accident, Sickness, Hospitalisation and Unemployment on the Axa Protection Pensions account was withdrawn at the end of March 2013.
- Wealth Solutions Bond (Standard) – full closure to new business on Dec 6<sup>th</sup> 2013 – increment facility will continue.
- Wealth Solutions Bond (Loan Trust) – full closure to new business on Dec 6<sup>th</sup> 2013 - increments not available.
- Closure of Flexible Trustee Plan and removal of With Profits fund to new Small Self Administered Schemes and Flexible Retirement Income Plans members
- Ultimasave was withdrawn in March 2013 and all German Pension products were closed to new business in September 2013.

#### Status of with profits funds

The FP With Profits Fund is open to new with-profits business reinsured from the Non Profit Fund of Friends Life Limited and FLP. All the other with profits funds are closed to new business, except by increment.

### **3. Discretionary Charges and Benefits**

#### **(1) Application of Market value Reduction**

During 2013, a Market Value Reduction (MVR) was applied on discontinuance (where permitted, and subject to relevant minima) in respect of the following unitised with profits products effected in the policy years set out below.

Product Description	Period That MVR Applied		Policy Dates of Entry
	From	To	
Ex-FLC Dollar offshore bonds	01/01/2013	28/04/2013	2005
	01/01/2013	31/12/2013	2006
Ex-FLC Euro offshore bonds	01/01/2013	28/04/2013	2001
	01/01/2013	13/01/2013	2002
	01/01/2013	28/04/2013	2005

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

Changes to premiums on reviewable products are set out in the table below:

	Number of reviewable policies during 2013	Minimum Premium Increase	Maximum Premium Increase	Proportion of reviewed policies unchanged
Ex-BHA Accelerated Critical Illness	8124	0.5%	9.9%	99.96%
Ex-BHA Income Protection	1462	-9.2%	145.2%	95.49%
Ex-FLC Long term Care	3932	-37%	159%	43.00%

#### **(3) Non-profit deposit administration benefits**

For ex-FLC deposit administration benefits, the average annualised rate of interest added to non-profit deposit administration benefits during 2013 was 0.87%.

#### **(4) Service charges on linked policies**

The following table shows the changes to service charges for linked policies and the index on which the increases have been based. Index increases for the same index vary as they are not all measured between the same dates. Policy charges are applied from 1 January 2013.

<b>Product</b>	<b>Increase</b>	<b>Index</b>
Ex-FPLP Series 1 Pensions	2.3%	AWE
Ex-FPLP Series 2 Pensions directly sold	2.3%	AWE
Ex-FPLP Series 2 Pensions sold through IFAs	3.2%	RPI
All ex-FPLMA unit linked products	3.2%	RPI
Ex-FPLAL Optimum Life Plan	3.2%	RPI
Ex-FPLAL Income Replacement Plan	3.2%	RPI
Ex-FPLAL Universal Pension Account	3.2%	RPI
Ex-FPLAL Personal Pension Scheme	2.3%	AWE
Ex-FPLP Retirement Investment Bond	2.3%	AWE
Ex-FLC Flexible Pensions (excluding paid up pensions)	3.1%	RPI
Ex-FLC Health Care Income Plan	3.1%	RPI
Ex-FLC Multiplan	3.1%	RPI
Ex-FLC Flexible Cover Plan	3.2%	RPI
Ex-FLC Flexible Mortgage Plan	3.2%	RPI
Ex-FLC Individual Lifetime Care Bond	2.6%	RPI
Ex-FLC Homebuyers' Investment Plan	Note 1	RPI
Ex-FLC private pension funds	0.8%	AWE
Ex-FLAS Flexible Pensions (except paid up pensions)	3.1%	RPI
Ex-FLAS Flexible Cover Plan	3.2%	RPI
Ex-FLAS Flexible Mortgage Plan	3.2%	RPI
Ex-FLAS private pension funds	0.8%	AWE

Note 1: increases in line with RPI, but actual increase depends on renewal date.

The policy fees on ex-FLWL linked policies changed in 2013 as follows:

<b>Product</b>	<b>Change in 2013</b>
Colonial Rainbow and Unity Pensions	3.3%
Winterthur Pensions (excluding CSIPS)	2.0%
Winterthur Pensions (CSIPS)	23.6%

CSIPS is the Self Invested Pension administered by Capita SIP Services. Increases may be affected by rounding.

#### **(5) Benefit charges on linked policies**

In 2013, no product charges were reviewed.

#### **(6) Fund management charges**

During 2013, the net annual management charge (the fund charge after rebate) was changed for the following funds:

Fund	Net Annual Management Charge (p.a.)		Fund size at 31/12/2013 £m
	Old	New	
Old Mutual Corporate Bond Fund	1.1%	1.0%	0.3

There are no changes to notional charges to accumulating with profits policies.

## (7) Unit Pricing

- a) Assets within linked funds are valued using generally accepted methods according to the category of asset being valued.

Each internal linked fund is normally priced on each working day, although there are some funds which are priced less frequently.

The valuation of assets can be on a 'creation basis' (i.e. based on the price at which assets could be bought) or a 'cancellation basis' (i.e. based on the price at which assets could be sold) depending on the short or medium term expectation of whether a fund is expanding or contracting.

If a fund is expected to be in a net inflow position (fund is expanding), then a creation basis is used to value the fund. If a fund is expected to be in a net outflow position (fund is contracting), then a cancellation basis is used to value the fund. In each case allowance is made for dealing costs, accrued income and any tax implications.

The bare price is calculated by taking the net asset value, using a creation or cancellation basis as appropriate, adjusted for any fund management charges and dividing by the number of units. The bid and offer price of a fund are calculated from the bare price taking account of initial charges and rounding on a neutral basis by no more than 0.1p. Some funds have no initial costs so the offer and bid price are the same and a single price is published. For funds with a bid/offer spread the offer price is the bare or bid price multiplied by an offer price factor (100/95 if the bid/offer spread is 5%). The bid price is either the bare price, or the offer price multiplied by the reciprocal of the offer price factor.

The price used for policy transactions is as specified in policy terms and conditions and depends on the type of transaction being carried out, the product the customer is invested in and how the request is received.

Premium payments, claims and maturity transactions are generally processed using the price determined as a result of the valuation on the day before or the day when the transaction is received. For some funds the request has to be received by a cut off point to use the price as a result of the valuation on the day when the transaction is received, otherwise the price as a result of the valuation for the following working day is used.

Switches received (other than by post) before a cut off point, are generally processed using the price determined as a result of the valuation on the next working day following receipt, with switches received after the cut off point receiving the price as a result of the valuation on the next but one working day (or later in exceptional cases).

In certain circumstances the policies give the right to defer transactions for a limited period.

- b) Unit pricing bases are determined at fund level. Within a fund there are no variations between the pricing bases used for different policies other than through the use of different initial and annual management charges.
- c) Where assets are units in collective investment schemes (CIS) or similar assets, the assets used would be based on the market valuation as at close of business the previous working day or current day's pricing point depending on the individual fund. Policyholders will receive a unit price appropriate for the timing of receipt and method of instruction and in accordance with their policy terms and conditions.

## **(8) Tax deductions from unit-linked funds**

### **a) Life Funds**

- i) 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.
- ii) 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%. No money is removed from the funds in respect of these provisions.
- iii) Both realised and unrealised capital gains include an allowance for indexation. Tax is provided for in the unit prices on a daily basis.
- iv) 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.

### **b) Other Funds**

- i) 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**

### Ex-FLC Funds

The arrangements in place with the fund managers allow for unit purchases and sales to be transacted at their creation or cancellation prices respectively. The Company receives no commission payments for unit trust purchases.

An arrangement is in place with certain fund managers whereby Friends Life receives a rebate on the annual management charge levied by the underlying unit trust. Where this is the case, part of the discount received from the fund manager may be retained by the Company. In most other instances, discounts and rebates accrue to the benefit of the policyholders.

### Ex-FLWL Funds

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.

#### Other Funds

Where internal linked funds invest in permitted scheme interests that are exclusively authorised OEICs managed by F&C Asset Management Limited, the internal linked fund receives a management charge rebate up to 1.1% to ensure that the overall annual management charge to the policyholders is maintained.

#### All Funds:

Please see the following table for further information on where rebates are allocated:

<b>Fund Manager</b>	<b>Discount on Management Charge for benefit of policyholders %</b>	<b>Discount on Management Charge for benefit of the Company %</b>
Aberdeen Asset Managers Ltd	0.5 - 1	-0.5 - 0.005
Allianz Global Investors	0.1 - 0.9	0 - 0.025
Architas Multi-Manager Limited	0.38 - 1.3	-0.65 - 0.03
Artemis	0.75 - 1	0 - 0.1
Artemis Investment Management Ltd	0.5 - 0.85	0 - 0.05
Aviva	0.57 - 0.625	0 - 0.125
Aviva Investment	0.625 - 0.75	0 - 0
AXA Investment Managers	0 - 1.35	0 - 0
Baillie Gifford	0 - 0.15	-0.1 - 0.15
Barclays Capital	0.5 - 0.7	0 - 0
Barclays Wealth Funds Limited	0.5 - 0.5	0 - 0
BlackRock Investment Management UK Ltd	0 - 1.05	0 - 0.18
Cazenove	0.5 - 0.75	0 - 0
Clarion	0.5 - 0.5	0 - 0
Close	0.65 - 0.65	0 - 0
Deutsche Bank	0 - 0	-0.03 - -0.03
F&C	0 - 0.85	0 - 0.06
Fidelity International	0 - 0.75	0 - 0.4
First State	0.75 - 0.75	0 - 0.25
Franklin Templeton	0.75 - 0.8	0 - 0.05
GLG Partners / MAN plc	0.75 - 0.75	0 - 0

Goldman Sachs	1 - 1	0 - 0
Hargreaves Lansdown	0.5 - 0.5	0 - 0
Henderson Global Investors Limited	0 - 0.8	0 - 0.05
HSBC	0 - 0.625	0 - 0
IFDS Managers Limited	0.8 - 1	0.05 - 0.13
Ignis Asset Management	0.55 - 0.55	0 - 0
Impax Asset Management Ltd	0.65 - 0.65	0 - 0
Invesco Perpetual	0 - 0.75	0 - 0
Investec Asset Management	0.45 - 1	-0.12 - 0.15
JO Hambro	0.5 - 0.5	0 - 0
JPMorgan Asset Management	0 - 0.75	0 - 0
Jupiter Unit Trust Managers Ltd	0.5 - 0.75	0 - 0.005
Kames Capital	0.5 - 1	-0.05 - 0.1
Lazard Asset Management	0.125 - 1.05	0 - 0.1
Legal & General Investment Management	0 - 0	0 - 0
Legg Mason	0.75 - 0.75	0 - 0
Liontrust	0.75 - 0.75	0 - 0
M&G	0.15 - 0.8	-0.7125 - 0.025
MAM C F Midas and Miton (Midas Capital)	0.75 - 0.8	0 - 0
Margetts	0.6 - 0.75	0 - 0
Martin Currie	0 - 0.75	0 - 0
Mellon Global Investments/ Newton	0.25 - 0.25	0 - 0
MFS	0.25 - 0.25	0 - 0
Neptune	0.85 - 0.95	0 - 0.08
Newton (BNYMellon)	0 - 1.2	-0.15 - 0.3
Old Mutual	0 - 0.8	0 - 0.5
Premier Asset Management	0.7 - 0.9	0 - 0
Rathbone	0.75 - 0.75	0 - 0
River & Mercantile	0.6 - 0.6	0 - 0
Sarasin	0 - 0.75	0 - 0
Schroders Investments Ltd	0 - 1	0 - 0
Sinfonia Asset Management	0.75 - 0.75	0 - 0
Standard Life Investments	0.475 - 0.8	0 - 0
Threadneedle Investments	0.075 - 0.85	0 - 0.075
UBS	0.55 - 0.9	0 - 0

Where more than one rate of discount is shown, the rate varies either by the individual fund selected or by product type.

## **4. Valuation Basis (Other Than for Special Reserves)**

Except as noted below, all policies have been valued using prospective methods.

### **(1) Valuation Methods Used**

#### **(a) General Method**

- i) For conventional with-profit and non-profit business a gross premium valuation has been adopted, in accordance with INSPRU 1.2.35G, given FLL is a realistic basis life company.
- ii) For ex-FPLAL conventional with-profit business a net premium valuation method has been used. The liabilities are calculated as the differences between the present value of the sums assured and bonuses and of the future net premiums. The net premiums are based on the rates of interest and mortality used in the valuation, and are limited to a maximum of the office premium.
- iii) The valuation liabilities for unit-linked contracts shown in Form 53 are equal to the value of units allocated together with mortality and sterling reserves where appropriate. The method for calculating sterling reserves is that described in JIA Vol. 105 Part III (except that a prudent allowance is made for policies becoming paid-up). Sterling reserves are calculated allowing for any surrender penalties. If a negative sterling reserve is calculated then the amount is limited to the size of the surrender penalty.
- iv) The reserve for accumulating with-profits contracts is determined by calculating:
  - the face value of the contract (allowing for guaranteed bonus rates where applicable) and
  - the amount that would reasonably be expected to be paid in the event of a significant level of policy discontinuances. This amount is calculated taking into account any circumstances in which an MVR is guaranteed not to apply and allowing for future reversionary bonus implicit in treating customers fairly in the event that experience were to follow the valuation basis.

The lower of these two is compared with the result of a bonus reserve valuation and the reserve is taken to be the higher.

- v) For Lifetime Care Plans, the reserves have been calculated using a discounted cash flow method. The cash flows are derived using a multiple state model allowing for the various possible states of the contract. In addition, a provision has been made in respect of potential claims based on the estimated claims outstanding and probability of payment.

#### **(b) General Principles**

- a) All policies are individually valued and, with certain exceptions, any negative reserves arising on individual contracts as the result of the valuation method adopted have been eliminated. As a result these contracts are not treated as an asset. The exceptions where negative reserves are permitted are ex-FPLP and BHA non-profit protection products, and Friends Life Protection Account products.
- b) For most classes of business, a prudent allowance is made for regular withdrawals on products where this increases the liability. The main exceptions are ex-FLAS and ex-FLC conventional WP pensions with GAOs, ex-FLC products with guaranteed interest rates or an

attaching guaranteed annuity rate and ex-FPLP and ex-FPLAL policies other than non profit protection. For these policies, an allowance for future lapses would reduce the liability.

- c) For ex-FLC and ex-FLAS business, it is assumed that discontinuance values are payable only in circumstances where the policyholder might reasonably expect a discontinuance value to be paid. The assumed amount of discontinuance value is determined using bases currently in force, excluding amounts arising from future bonus distributions.
- d) The reserves have a lower limit of any guaranteed surrender values, and in respect of ex-FLC and ex-FLAS business, the current surrender value.
- e) A provision has been made to cover the possibility of default by external reinsurers, and in respect of ex FLC and FLAS business, by internal reinsurers as well.
- f) For Multiplans, net cash flows are considered for each year up to and including that of the next expected policy review date. For qualifying policies, consideration is also given to the years beyond this date.
- g) For Individual Lifetime Care Bonds, a traditional cash flow approach to calculating the non-unit reserve was not required due to the close matching of income and expenditure, and the ability to review the risk charging basis for morbidity experience and associated costs. The non-unit liability was calculated as six months risk charges, reduced for the effects of reinsurance. A separate reserve is held for claims in payment.
- h) For ex-FLC and ex-FLAS business where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve.
- i) For Healthcare Income Plans an additional reserve is held for unexpired morbidity charges, for claims assumed to be incurred but not yet reported and for current claims in payment.
- j) For all deferred annuity business where there is either a return of fund or a return of premiums with interest on death, mortality is ignored in the valuation.

(c) Non Standard Methods

Exceptions where a non standard method has been used are as follows:

- For late retirements where the benefit is equal to the cash option at retirement plus interest, the reserves have been calculated by accumulating the cash option with interest at a rate not less than the average rate earned by existing policyholders.
- FPLMA individual income protection and waiver of premium reserves are taken as a proportion of total premiums paid. Reserves for FPLMA group income protection have been taken as one year's annual premium. Other annual premium income protection business is valued using a gross premium method. In all cases claims in payment are valued in addition to the above. Hospitalisation benefit claims are assumed to be 0.006% of the annual policy benefit, although, in practice, the amount of hospitalisation benefit is not related to policy benefit.
- For Ex-FLC Individual Permanent Health Insurance contracts, the reserve is set equal to the accumulation of a proportion of the premiums received from inception to the valuation date

for all active policies. Reserves are also held for claims in payment and notified claims that have not been admitted.

- For single premium income protection business, other than FPLMA, the liability in respect of benefits secured by premiums paid during the preceding three years is 90% of those premiums. Where claims are in course of payment after three years, they are valued individually as life annuities ceasing on the earlier of recovery, death or ceasing age. For FPLMA business the liability is equal to one year's premium plus the value of all claims in payment.
- Where an extra premium is payable on a life assurance policy to cover additional mortality risk, a reserve of three times the extra premium is held. Except for income protection business, where an extra premium is payable, the assumed inception rates are increased by a proportion equal to twice the extra premium divided by the total premium.
- A reserve equal to a multiple of premium is held for some minor ancillary benefits relating to ex-FPLAL products.
- For ex-FPLP and ex-FPLAL individual income protection policy reserving, claims are restricted such that the claim amount for policies currently in claim is 75% of the last recorded claim amount and 25% of the sum assured, and for future claims the modelled claim amount is the sum assured multiplied by 90%. Income protection contracts may pay less than the full sum assured when a claimant is able to work part time or where benefits exceed a specified proportion of current earnings. Hence, it is assumed that the claims are, on average, 10% less than the full sum assured where there is currently no claim in force. Where there is currently a claim in force, the sum assured is assumed to be reduced by 75% of the difference between the current amount of the claim and the full sum insured.
- For ex-BHA Group Risk contracts, the reserves are calculated as the unexpired period to the next premium due, times the annual premium plus an amount to cover claims incurred but not reported. This is calculated as a factor derived from run-off triangles and applied to the annualised in force premium. The factor varies by product.
- For reassured policies, the net reserve was calculated by modelling the premiums assuming that the current reinsurance premium rates continue.
- Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest in respect of ex FLC and FLAS conventional contracts.

## (2) Valuation Interest Rates

Ex FPLP, FPLAL, BHA and F&C MPF

Interest rates assumed for policies where negative reserves are not permitted:

	31/12/2013				31/12/2012			
	L & GA		Pensions % p.a.	Income Protection % p.a.	L & GA		Pensions % p.a.	Income Protection % p.a.
	UK % p.a.	OS % p.a.			UK % p.a.	OS % p.a.		
Annuities in possession (Pre-July 2001)	2.50	3.76	3.76		1.80	3.25	3.27	
Annuities in possession (Post-July 2001)	2.50	3.76	3.76		1.80	3.25	3.25	
Other non-profit business	2.50	3.20	3.20	3.10	1.80	2.20	2.20	2.20
With-profits deferred annuities								
in deferment	2.60		3.30		2.30		2.80	
in possession	2.60		Variable*		2.30		Variable*	
With-profits deferred annuities (ex-FPLAL pre-2003)								
in deferment			3.00				2.00	
in possession			3.20				2.20	
With-profits assurances (ex-FPLAL pre-2003, With-Profit Fund)	2.50		3.20		2.30		3.00	
With-profits assurances (ex-FPLAL pre-2003, Other)	2.30		3.00		1.60		2.00	
Other conventional with-profits business	2.60		3.30		2.30		2.80	
Unitised with-profits	2.60	3.30	3.30		2.30	2.80	2.80	

In possession assumes a reinvestment rate. This is equal to 97.5% of the rates derived from the forward gilt yield curve.

Interest rates assumed for policies where negative reserves are permitted:

	31/12/2013				31/12/2012			
	L & GA		Pensions % p.a.	Income Protection % p.a.	L & GA		Pensions % p.a.	Income Protection % p.a.
	UK % p.a.	OS % p.a.			UK % p.a.	OS % p.a.		
Low rate	2.00	2.70	2.70	2.70	1.30	1.70	1.70	1.70
High rate	4.40	4.40	4.40	4.40	3.30	3.30	3.30	3.30

The low rate is applied to product types with an overall positive liability and the high rate is applied to product types with an overall negative liability.

The valuation interest rate for each ex-BHA product type is set out in the table below. For regular premium policies appearing on Form 54, the nominal valuation rate has been reduced by 3.3% to obtain a real yield. In the following table, TP stands for Trading Profits tax basis and I – E stands for I – E tax basis.

	31/12/2013		31/12/2012	
	Policy as a Liability % p.a.	Policy as an Asset % p.a.	Policy as a Liability % p.a.	Policy as an Asset % p.a.
Accelerated Critical Illness (pre 31/01/2011)	2.70	4.20	1.70	3.30
Accelerated Critical Illness (post 31/01/2011)	2.70 (TP) 2.10 (I – E)	4.20 (TP) 4.20 (I – E)	1.70 (TP) 1.30 (I – E)	3.30 (TP) 3.30 (I – E)
Stand-alone Critical Illness (pre 31/01/2011)	2.70	4.20	1.70	3.30
Stand-alone Critical Illness (post 31/01/2011)	2.70	4.20	1.70	3.30
Life	2.70 (TP) 2.10 (I – E)	4.20 (TP) 4.20 (I – E)	1.70 (TP) 1.30 (I – E)	3.30 (TP) 3.30 (I – E)
Income Protection	2.70	4.20	1.70	3.30
Immediate Needs (Level)	2.70	n/a	1.70	n/a
Long Term Care	2.70	n/a	1.70	n/a
Claims in Payment	3.20	n/a	2.30	n/a

Ex-FLC

	31/12/2013 % p.a.	31/12/2012 % p.a.
<b><i>With Profit Business</i></b>		
Unitised With Profits (except Multipension Series 2) and Retirement Savings Scheme	2.75	2.25
Multipension Series 2	4.00	4.00
Conventional With Profits Life	3.00	2.50
Conventional With Profits Pensions	3.75	3.25
Annuity guarantees in payment (except where valued using stochastic methods)	3.05	2.05
<b><i>Non Profit Business written in WP funds</i></b>		
Over 50 Plan	2.35	1.40
NP Life (other than Over 50 Plan)	1.95	1.40
NP Pensions	3.40	1.80
<b><i>Non Profit Business written in NP funds</i></b>		
Over 50 Plan	1.95	1.45
Additional Life reserves	1.95	1.45
Other NP Life [see note below]	1.95	1.45
PHI business [see note below]	2.40	1.80
Pension Annuities in Payment reinsured to FAL (2007 reinsurance)	3.45	2.90
Pension Annuities in Payment (RPI-linked) reinsured to FAL (2007 reinsurance)	0.15	(0.60)
Pension Annuities in Payment reinsured to FAL (2009 reinsurance)	3.55	2.95
Pensions Annuities in Payment (RPI-linked) reinsured to FAL (2009 reinsurance)	0.10	(0.85)
Life Annuity business reinsured from FLAS	2.85	1.80
Unclassified Pension reserves	2.40	1.80
Other NP Pensions	2.40	1.80
RPI-linked benefits	(0.05)	(0.45)
Unit-linked life	1.95	1.45
Unit-linked pensions	2.40	1.80

Note: Negative reserves are allowed on Friends Life Protection Account policies and additional margins are assumed to the rates shown above to reflect whether a higher or lower investment return is prudent. Hence, if the life cover is level term assurance, the rate shown above is reduced by 0.5%; and if the life cover is decreasing term assurance, the rate is increased by 0.5%.

Ex-FLAS

The valuation interest rate for non-profit pension and other annuity business has been derived using a Portfolio Internal Rate of Return (PIRR) calculation.

	<b>31/12/2013</b> <b>% p.a.</b>	<b>31/12/2012</b> <b>% p.a.</b>
Unitised with profits and deposit administration	3.00	1.75
Conventional with profits life	3.00	2.00
Conventional with profits pensions and with profits annuities	4.00	2.75
Non-profit life	3.00	1.95
The proportion of non-profit pensions annuities in payment reinsured to FLC	3.55	2.95
The proportion of non-profit pensions annuities in payment (RPI-linked) reinsured to FLC	0.10	(0.85)
The proportion of non-profit pensions annuities in payment not reinsured to FLC	3.80	2.70
The proportion of non-profit pensions annuities in payment (RPI-linked) not reinsured to FLC	0.10	(0.50)
Non-profit deferred pensions and other annuities (in payment and deferred)	3.80	2.70
Life Annuity business reinsured to FLC	2.85	1.80
RPI-linked benefits	0.10	(0.50)
Unit-linked life	3.00	1.95
Unit-linked pensions	3.80	2.45
Annuity guarantees in payment (except where valued using stochastic methods)	3.05	2.05

Ex-FLWL

The valuation interest rate for non-profit business in the Non-Profit fund has been derived using a Portfolio Internal Rate of Return calculation.

<b>Product</b>	<b>31/12/2013 % p.a.</b>	<b>31/12/2012 % p.a.</b>
<b>Conventional WP Life:</b>		
Whole Life & Endowment	3.10	2.65
<b>Conventional WP Pensions:</b>		
Deferred Annuities	2.60	1.80
Pure Endowment	3.10	2.65
Other	3.10	2.65
<b>Conventional NP Life:</b>		
Annuities in Payment (WP Fund)	2.70	1.60
Annuities in Payment (NP Fund)	2.50	1.35
Other (WP Fund)	2.70	1.60
Other (NP Fund)	2.50	1.35
<b>Conventional NP Pensions and PHI:</b>		
Annuities in Payment (WP Fund)	2.70	2.00
Annuities in Payment (NP Fund)	3.65	3.05
Other (WP Fund)	2.70	2.00
Other (NP Fund)	2.50	1.70
<b>Unit Linked:</b>		
Life (WP Fund)	2.70	1.60
Life (NP Fund)	2.50	1.35
Pensions (WP Fund)	2.70	2.00
Pensions (NP Fund)	2.50	1.70
<b>Unitised With-Profits:</b>		
Life	3.10	1.65
Pensions	3.10	2.05
Irish Life	0.20	0.55
<b>Index Linked Annuities</b>		
WPF	-1.40	-1.55
NPF	-0.05	-0.35

### (3) Adjustment to Yields for Risk

#### Fixed Interest

Yields on British Government fixed-interest and index-linked securities are assumed to be free of default risk and therefore no adjustments are made to their yields. Yields on Network Rail and LCR finance bonds are also assumed to be free of default risk.

The following transition/default table plus 26 percent of spread over gilt for non-gilt assets have been deducted from gross redemption yields for credit default risk:

Rating	Term to redemption (years)		
	<10 % p.a.	10-20 % p.a.	>20 % p.a.
AAA	0.01	0.04	0.08
AA	0.06	0.12	0.17
A	0.11	0.22	0.29
BBB	0.31	0.51	0.59
BB	1.13	1.34	1.36
B	2.91	2.85	2.67
CCC	7.42	5.76	5.07

Subordinated bonds (non callable) will have a 30% uplift applied to table above while subordinated bonds (callable) will have a 70% uplift applied.

An appropriate adjustment is also made on covered bonds to reflect higher expected recovery experience.

For assets that have callable redemption dates, the yields are calculated both on first call date and redemption date and the lowest yield is chosen. This is prudent when bond coupons are fixed throughout the term of the asset.

The risk adjusted yields on individual bonds are subject to a cap of 30%.

The following adjustments apply to ex-FLC and FLAS business only:

- For fixed interest stocks with a lower rating than CCC, these are assumed to be CCC for credit default purposes. On 31 December 2013 the company held 3 such bonds.
- For CDO assets within the non-profit fund, coupon payments are linked to the level of LIBOR at the payment dates. For these assets, a 5 year swap rate is used as an estimate of the asset yield, less a 25bp deduction for credit risk.(ex-FLC only)
- The deduction for individual bonds may be restricted such that the risk-adjusted yield is not less than that on a government security of equivalent duration.

#### Equities

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 overall yield is subjected to an upper limit of long-term gilt yield plus 4% p.a. (7.45% at 31st December 2013).

#### Property

Ex-FLC - A deduction of 5% of the yield applies.

Ex- FLAS – A deduction of 2.5% of the yield applies.

Ex- FLWL - Expected income assessed on an individual property basis with full allowance made for expected rental income voids and subjected to an upper limit of long term gilt yield plus 4% p.a.

#### Currency Risk

Ex-FLC & FLAS - For any asset not denominated in sterling, a 5bps deduction is made to allow for the currency risk.

#### **(4) Mortality**

Product group	31/12/2013		31/12/2012	
	Males	Females	Males	Females
<b>Conventional Non Profits business- Ex FPLP and FPLAL</b>				
Accelerated Critical Illness- Non-smoker	45% CIBT02 mort	51% CIBT02 mort	45% CIBT02 mort	51% CIBT02 mort
Accelerated Critical Illness- Smoker	89% CIBT02 mort	111% CIBT02 mort	89% CIBT02 mort	111% CIBT02 mort
Term Assurances paying death benefits only- Non-smoker	82.5% TMN00 sel	71.5% TFN00 sel	88% TMN00 sel	72% TFN00 sel
Term Assurances paying death benefits only- Smoker	82.5% TMS00 sel	71.5% TFS00 sel	83% TMS00 sel	77% TFS00 sel
Term Assurances paying death benefits only- Non-differentiated <sup>(1)</sup>	110% TMN00 sel	110% TFN00 sel	110% TMN00 sel	110% TFN00 sel
Whole Life and Endowment- Over 50's Plans	170% AMC00 ult	170% AFC00 ult	170% AMC00 ult	170% AFC00 ult
Whole Life and Endowment- Other	120% AMC00 ult	120% AFC00 ult	120% AMC00 ult	120% AFC00 ult
<b>Conventional Non Profits business- Ex BHA</b>				
Stand-alone Critical Illness- Non-smoker	37.5% TM92 ult	37.5 TF92 ult	37.5% TM92 ult	37.5 TF92 ult
Stand-alone Critical Illness- Smoker	75% TM92 ult	75% TF92 ult	75% TM92 ult	75% TF92 ult
Life- Non-smoker	82.5% TMN00 sel	71.5% TFN00 sel	88% TMN00 sel	71.5% TFN00 sel
Life- Smoker	82.5% TMS00 sel	71.5% TFS00 sel	82.5% TMS00 sel	77% TFS00 sel
Life- Non-differentiated <sup>(1)</sup>	110% TMN00 sel	110% TFN00 sel	88% TMN00 sel	71.5% TFN00 sel

Product group	31/12/2013		31/12/2012	
	Males	Females	Males	Females
Income Protection	100% AM80 sel	100% AF80 sel	100% AM80 sel	100% AF80 sel
Long Term Care	80% PMA80 ult	80% PFA80 ult	80% PMA80 ult	80% PFA80 ult
<b>Conventional Non Profits business- Ex FLC and FLAS</b>				
Non-Guaranteed Over 50 Plan	105% AM92 ult	135% AF92 ult	105% AM92 ult	135% AF92 ult
Guaranteed Over 50 Plan	modified ELT16M	modified ELT16F	modified ELT16M	modified ELT16F
Term assurance (Friends Life Protection Account)- Non-smoker	82.5% TMN00 sel	71.5% TFN00 sel	96% TMN00 sel	78% TFN00 sel
Term assurance (Friends Life Protection Account)- Smoker	82.5% TMN00 sel	71.5% TFN00 sel	90% TMS00 sel	84% TFS00 sel
Endowment assurance	65% AM92 ult	65% AF92 ult	65% AM92 ult	65% AF92 ult
<b>Conventional With Profits business- Ex FPLP and FPLAL</b>				
With Profits Whole Life and Endowment	120% AMC00 ult	120% AFC00 ult	120% AMC00 ult	120% AFC00 ult
With Profits Ex-FPLAL	80% AM80 ult	80% AF80 ult	80% AM80 ult	80% AF80 ult
<b>Conventional With Profits business- Ex FLC and FLAS</b>				
With profits endowment assurance (Moneysaver)	155% AMC00 ult	130% AFC00 ult	155% AMC00 ult	130% AFC00 ult
With profits endowment assurance (Top Flight)	140% AMC00 ult	125% AFC00 ult	140% AMC00 ult	125% AFC00 ult
With profits endowment assurance	90% AMC00 ult	95% AFC00 ult	90% AMC00 ult	95% AFC00 ult
With profits whole life	95% AMC00 ult	95% AFC00 ult	95% AMC00 ult	95% AFC00 ult
With profits pensions	75% AM92 ult	75% AF92 ult	75% AM92 ult	75% AF92 ult
<b>Conventional With Profits business- Ex-FLWL</b>				
Whole Life and Life Endowments	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Pure Endowments	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
<b>Unitised Life regular premium business- Ex FPLP and FPLAL</b>				
Ex-FPLP and Post-2003 ex-FPLAL Business	130% AMC00 ult	130% AFC00 ult	130% AMC00 ult	130% AFC00 ult
Ex-FPLAL Pre-2003 Business	80% A67/70	80% A67/70	80% A67/70	80% A67/70
<b>Unitised Life regular premium business- Ex FLC and FLAS</b>				
Multiplan & Maximum Cover Plan	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Flexible Cover Plan & Comprehensive Life Plan	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Whole Life Investment Plan	modified A67/70 sel	modified A67/70 sel	modified A67/70 sel	modified A67/70 sel

Product group	31/12/2013		31/12/2012	
	Males	Females	Males	Females
Low-Cost Homebuyers' Plan & Homebuyers' Investment Plan	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Flexible Mortgage Plan & Comprehensive Savings Plan	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AM80 sel
Other unit-linked life	100% AM80 ult	100% AF80 ult	100% AM80 ult	100% AF80 ult
Multivestor	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Other unit-linked savings products	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Flexible Investment Plan	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Healthcare Income Plan-Non-smoker and Non-differentiated	80% AM80 ult	80% AF80 ult	80% AM80 ult	80% AF80 ult
Healthcare Income Plan-Smoker	96% AM80 ult	96% AF80 ult	96% AM80 ult	96% AF80 ult
<b>Unitised Life regular premium business- Ex-FLWL</b>				
Unit Linked Life	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
<b>Unitised Bond business- Ex FPLP and FPLAL</b>				
Bonds and ISA	110% AMC00 ult	110% AFC00 ult	110% AMC00 ult	110% AFC00 ult
<b>Unitised Bond business- Ex FLC and FLAS</b>				
Bonds & Individual Savings Accounts	102.5% AMC00 ult	100% AFC00 ult	102.5% AMC00 ult	100% AFC00 ult
<b>Unitised Bond business- Ex-FLWL</b>				
Unitised With Profit Bonds	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
<b>Unitised Pensions business- Ex FPLP and FPLAL</b>				
Pensions	110% AMC00 ult	110% AFC00 ult	110% AMC00 ult	110% AFC00 ult
<b>Unitised Pensions business- Ex FLC and FLAS</b>				
Multipension (series 2)	modified A67/70 ult	modified AF80 ult	modified A67/70 ult	modified AF80 ult
Executive Pensions	modified A67/70	modified AF80 ult	modified A67/70	modified AF80 ult
<b>Annuity business- Ex FPLP and FPLAL</b>				
In Payment, individual contracts, life business				
And	95% IM92 U2005 ult	95% IF92 U2005 ult	95% IM92 U2005 ult	95% IF92 U2005 ult
Deferred, individual contracts, life business, post vesting				
In Payment, group contracts, pension business (pre-July 2001) <sup>(2)</sup>	modified PCMA00	modified PCFA00	modified PCMA00	modified PCFA00

Product group	31/12/2013		31/12/2012	
	Males	Females	Males	Females
In Payment, group contracts, pension business (post-July 2001) <sup>(2)</sup> And Deferred, group contracts, pension business, post vesting <sup>(2)</sup>	modified PCMA00	modified PCFA00	modified PCMA00	modified PCFA00
In Payment, individual contracts, pension business (pre-July 2001) <sup>(2)</sup>	modified PCMA00	modified PCFA00	modified PCMA00	modified PCFA00
In Payment, individual contracts, pension business (post-July 2001) <sup>(2)</sup> And Deferred, individual contracts, pension business, post vesting <sup>(2)</sup>	modified PCMA00	modified PCFA00	modified PCMA00	modified PCFA00
Deferred, group contracts, life business, pre vesting	65% AMC00 ult	55% AFC00 ult	65% AMC00 ult	55% AFC00 ult
Deferred, group contracts, life business, post vesting <sup>(2)</sup>	95% PMA92 C2025	95% PFA92 C2025	95% PMA92 C2025	95% PFA92 C2025
Deferred, individual contracts, life business, pre vesting	65% AMC00 ult	55% AFC00 ult	65% AMC00 ult	55% AFC00 ult
Deferred, group contracts, pension business, pre vesting	65% AMC00 ult	55% AFC00 ult	65% AMC00 ult	55% AFC00 ult
Deferred, individual contracts, pension business, pre vesting	65% AMC00 ult	55% AFC00 ult	65% AMC00 ult	55% AFC00 ult
<b>Annuity business- Ex FLC and FLAS</b>				
Ex-FLC, in payment, pensions business <sup>(2)</sup> And Ex-FLC, Guarantees, post vesting <sup>(2)</sup> And Ex-FLC, deferred, pensions business, post vesting <sup>(2)</sup>	96.6% PCMA00	98.9% PCFA00	92% PCMA00	87.4% PCFA00

Product group	31/12/2013		31/12/2012	
	Males	Females	Males	Females
Ex-FLAS, in payment, pensions business <sup>(2)</sup> And Ex-FLAS, Guarantees, post vesting <sup>(2)</sup> And Ex-FLAS, deferred, pensions business, post vesting <sup>(2)</sup>	89.7% PCMA00	92% PCFA00	89.7% PCMA00	92% PCFA00
In payment, life business And Deferred, life business, post vesting	75% IM80 C=2010	75% IF80 C=2010	75% IM80 C=2010	75% IF80 C=2010
Deferred, pensions business, pre vesting	75% AM92 ult	75% AF92 ult	75% AM92 ult	75% AF92 ult
<b>Annuity business- Ex-FLWL</b>				
In Payment, life and pensions business <sup>(2)</sup>	98.9% PCMA00	98.9% PCFA00	98.9% PCMA00	98.9% PCFA00
Deferred, pre vesting	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Deferred, post vesting <sup>(2)</sup>	98.9% PCMA00	98.9% PCFA00	98.9% PCMA00	98.9% PCFA00
<b>PHI business- Ex FPLP and FPLAL</b>				
Lives claiming	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives	58.5% CMI12 for sick lives
Lives not claiming	60% AM80 ult	60% AF80 ult	60% AM80	60% AF80

(1) Non-differentiated produces higher rates as this refers to a separate block of business where smoker status was not disclosed. This business is assumed to have a different mortality experience to business sold where smoker status was required to be disclosed and hence uses a different percentage of the mortality table.

(2) In 2013 the core CMI 2011 model was used with the long term improvement factor set to 2% pa.

Where assurance mortality tables are described above as modified, the following are specimen mortality rates used at 31 December 2013 (the same rates were used at 31 December 2012):

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Guaranteed Over 50 Plan</u>						
25	n/a	n/a	0.00163	n/a	n/a	0.00072
35	n/a	n/a	0.00235	n/a	n/a	0.00146
45	n/a	n/a	0.00485	n/a	n/a	0.00372
55	n/a	n/a	0.01201	n/a	n/a	0.00850

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Low Cost Homebuyers' Plan &amp; Homebuyers' Investment Plan – with Lifecare</u>						
25	0.00042	0.00066	0.00049	0.00021	0.00029	0.00023
35	0.00044	0.00080	0.00055	0.00038	0.00057	0.00044
45	0.00133	0.00242	0.00167	0.00096	0.00153	0.00113
55	0.00435	0.00788	0.00543	0.00272	0.00404	0.00311
<u>Low-Cost Homebuyers' Plan &amp; Homebuyers' Investment Plan – without Lifecare</u>						
25	0.00031	0.00049	0.00037	0.00015	0.00021	0.00017
35	0.00033	0.00060	0.00042	0.00029	0.00043	0.00033
45	0.00100	0.00181	0.00125	0.00072	0.00115	0.00085
55	0.00326	0.00591	0.00407	0.00204	0.00303	0.00233
<u>Multiplan &amp; Maximum Cover Plan – with Lifecare</u>						
25	0.00042	0.00066	0.00049	0.00021	0.00029	0.00023
35	0.00044	0.00080	0.00055	0.00038	0.00057	0.00044
45	0.00133	0.00242	0.00167	0.00096	0.00153	0.00113
55	0.00435	0.00788	0.00543	0.00272	0.00404	0.00311
<u>Multiplan &amp; Maximum Cover Plan – without Lifecare</u>						
25	0.00034	0.00054	0.00040	0.00017	0.00023	0.00019
35	0.00036	0.00065	0.00045	0.00031	0.00046	0.00035
45	0.00108	0.00196	0.00135	0.00078	0.00124	0.00092
55	0.00353	0.00640	0.00441	0.00221	0.00328	0.00253
<u>Multivestor - with Lifetime care</u>						
25	0.00050	0.00077	0.00058	0.00020	0.00028	0.00022
35	0.00051	0.00090	0.00063	0.00035	0.00052	0.00040
45	0.00149	0.00271	0.00187	0.00087	0.00138	0.00102
55	0.00484	0.00876	0.00604	0.00244	0.00368	0.00281
<u>Multivestor- without Lifetime care</u>						
25	0.00037	0.00058	0.00043	0.00015	0.00021	0.00017
35	0.00038	0.00068	0.00047	0.00026	0.00039	0.00030
45	0.00112	0.00203	0.00140	0.00065	0.00104	0.00077
55	0.00363	0.00657	0.00453	0.00183	0.00276	0.00211
<u>Whole Life Investment Plan</u>						
25	0.00059	0.00094	0.00069	0.00063	0.00087	0.00069
35	0.00068	0.00124	0.00086	0.00075	0.00111	0.00086
45	0.00211	0.00382	0.00264	0.00224	0.00356	0.00264
55	0.00675	0.01224	0.00844	0.00739	0.01097	0.00844
<u>Flexible Mortgage Plan &amp; Comprehensive Savings Plan</u>						
25	0.00049	0.00072	n/a	0.00024	0.00034	n/a
35	0.00056	0.00082	n/a	0.00046	0.00066	n/a
45	0.00169	0.00246	n/a	0.00118	0.00171	n/a
55	0.00549	0.00802	n/a	0.00325	0.00470	n/a
<u>Flexible Cover Plan &amp; Comprehensive Life Plan</u>						

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
25	0.00049	0.00072	n/a	0.00024	0.00034	n/a
35	0.00056	0.00082	n/a	0.00046	0.00066	n/a
45	0.00169	0.00246	n/a	0.00118	0.00171	n/a
55	0.00549	0.00802	n/a	0.00325	0.00470	n/a
<u>Flexible Investment Plan</u>						
25	0.00032	0.00049	0.00037	0.00015	0.00049	0.00037
35	0.00036	0.00055	0.00042	0.00028	0.00055	0.00042
45	0.00108	0.00167	0.00125	0.00074	0.00167	0.00125
55	0.00353	0.00543	0.00407	0.00202	0.00543	0.00407
<u>Other unit-linked savings products</u>						
25	0.00037	0.00057	0.00043	0.00017	0.00027	0.0002
35	0.00042	0.00064	0.00048	0.00033	0.00051	0.00038
45	0.00126	0.00194	0.00145	0.00086	0.00132	0.00099
55	0.00411	0.00631	0.00474	0.00235	0.00361	0.00271
<u>Executive Pensions</u>						
25	0.00057	0.00087	0.00066	0.00023	0.00032	0.00026
35	0.00058	0.00103	0.00072	0.00040	0.00059	0.00045
45	0.00170	0.00308	0.00212	0.00099	0.00157	0.00116
55	0.00550	0.00996	0.00687	0.00278	0.00418	0.00319
<u>Multipension (series 2)</u>						
25	0.00027	0.00042	0.00032	0.00011	0.00015	0.00012
35	0.00028	0.00050	0.00035	0.00019	0.00028	0.00022
45	0.00082	0.00149	0.00103	0.00048	0.00076	0.00056
55	0.00266	0.00482	0.00332	0.00134	0.00202	0.00154

For annuities in payment and annuities in deferment, the complete expectation of life assumed by the above mortality tables, having applied the percentages given, is shown below:

Product group	Current age	Age at which expectation is determined	31/12/2013		31/12/2012	
			Males years	Females years	Males years	Females years
Ex FPLP and FPLAL						
Annuities in payment-individual contracts- pension business (Pre-July 2001)	65	65	25.93	28.36	25.63	28.05
	75	75	16.23	18.17	15.93	17.86
Deferred annuities- group contracts – pension business (Post-July 2001)	45	65	28.88	30.68	28.56	30.39
	55	65	27.31	29.16	26.98	28.84
Annuities in payment– group contracts- pension business (Post-July 2001)	65	65	25.82	27.61	25.53	27.29
	75	75	15.93	17.51	15.64	17.20
Annuities in payment-Individual contract- life business	65	65	21.25	24.19	21.11	24.08
	75	75	12.95	14.88	12.85	14.79

Annuities in payment- group contracts- pension business (pre-July 2001)	65	65	24.92	27.30	24.62	26.97
	75	75	15.42	17.31	15.11	17.00
Deferred annuities- individual contracts- pension business (Post-July 2001)	45	65	29.33	31.18	29.01	30.89
	55	65	27.75	29.67	27.42	29.35
Annuities in payment- individual contracts- pension business (Post-July 2001)	65	65	26.25	28.12	25.96	27.80
	75	75	16.42	18.01	16.12	17.71
<b>Ex FLC and FLAS</b>						
Ex-FLC Pensions annuities in payment	65	65	24.92	26.67	25.24	27.59
	75	75	15.42	16.76	15.65	17.55
Ex-FLAS Pensions annuities in payment	65	65	25.61	27.30	25.47	27.14
	75	75	16.00	17.31	15.85	17.16
Non-pensions annuities in payment	65	65*	19.97	23.06	19.97	23.06
	75	75	12.86	14.92	12.86	14.92
Ex-FLC Deferred pensions annuities and annuity guarantees valued using a stochastic model	45	65	28.11	29.81	28.41	30.73
	55	65	26.47	28.26	26.76	29.17
Ex-FLAS Deferred pensions annuities and annuity guarantees valued using a stochastic model	45	65	28.81	30.44	28.65	30.29
	55	65	27.17	28.89	27.00	28.72
Ex-FLC Annuity guarantees valued using a deterministic method	45	65	24.44	27.19	24.70	28.04
	55	65	24.44	27.19	24.70	28.04
Ex-FLAS Annuity guarantees valued using a deterministic method	45	65	25.29	27.90	25.05	27.47
	55	65	25.29	27.90	25.05	27.47
<b>Ex-FLWL</b>						
Annuities in payment	65	65	24.71	26.67	24.57	26.51
	75	75	15.23	16.76	15.09	16.61
Deferred annuities	45	65	27.89	29.81	27.72	29.66
	55	65	26.25	28.26	26.08	28.09

\*There is little ex FLC and ex FLAS non-pensions annuity business at this age; the average age of annuitants exceeds 80. No additional reserves are held in respect of the possible detrimental impact of other changes in the incidence of disease or developments in medical science.

*Individual Lifetime Care Plan:*

This product provides long-term care benefits to the policyholder. The tables for both healthy and claim mortality used in the multi-state model to value these contracts have been constructed based on the previous experience of the office. There is an adjustment to the base tables of 1% p.a. and 0.5% p.a. for mortality improvement of healthy and claim mortality respectively. In addition to the allowances for mortality improvement, there are also prudent margins of 5% and 12% on healthy and claim mortality respectively.

*Immediate Lifetime Care Plan:*

This contract is essentially an impaired life annuity. The mortality table for each life is uniquely determined by applying a flat percentage to the base mortality table (IxL00), using an individually assessed best estimate of life expectancy. An allowance for future mortality improvement is built into the best estimate of life expectancy, depending on the health conditions of each life. There is also a

prudent margin of 10% on the mortality rates. It is not appropriate to indicate example mortality rates as they are unique to each policy.

*Individual Lifetime Care Bond:*

This contract provides long term care benefits to the policyholder. The mortality assumption is built into the charging annuity factors used in the calculation of the non-unit reserves. The charging annuity factors vary by age, gender, cover type and deferred period. The deferred period is defined as the number of months for which the unit fund value is estimated to last in the event of a long term care benefit claim.

**(5) Morbidity**

Ex FPLP & FPLAL business

- a) For Income Protection business, except as noted below, the inception and recovery rates used are those published in CMI Report No. 12. The inception rates for occupation class 1 have been adjusted by the following proportions, for business with a deferred period of 13 weeks, which is the most common deferred period:

	31/12/2013	31/12/2012
Males Smokers	41%	48%
Males Non-smokers	36%	42%
Males Unclassified	37%	44%
Females Smokers	96%	87%
Females Non-smokers	83%	75%
Females Unclassified	87%	79%

The recovery rates have been adjusted by the following proportions:

Policy Year	31/12/2013	31/12/2012
1	32%	32%
2	72%	59%
3-5	68%	68%
6+	41%	41%

- b) The valuation of single premium Income Protection claims in payment, for both the 2013 and 2012 valuations, are assumed to have 40% of the ultimate recovery and mortality rates for sick lives published in the CMI Report No. 12.
- c) The mortality and morbidity tables for critical illness used in the 2013 valuation are as follows:

	31/12/2013		31/12/2012	
	Male	Female	Male	Female
<b>Accelerated Critical Illness Mortality</b>				
- Smokers	89% CIBT02 (2) mort	111% CIBT02 (2) mort	89% CIBT02 (2) mort	111% CIBT02 (2) mort
- Non-Smokers	45% CIBT02 (2) mort	51% CIBT02 (2) mort	45% CIBT02 (2) mort	51% CIBT02 (2) mort
<b>Standalone Critical Illness Morbidity</b>				
- Smokers	87% CIBT02 (2)	89% CIBT02 (2)	87% CIBT02 (2)	89% CIBT02 (2)
- Non-Smokers	51% CIBT02 (2)	64% CIBT02 (2)	51% CIBT02 (2)	64% CIBT02 (2)

In policy year one and two, the rates shown above are reduced by 20% and 5% respectively.

Future deterioration is allowed for by applying the factors below to the basic critical illness morbidity rates:

	<b>Per annum Deterioration Factors (no Maximum Values)</b>	
	31/12/2013	31/12/2012
Males	1.25%	1.25%
Females	1.50%	1.50%

d) For valuing FPLMA group Income Protection the following termination rates have been used

<b>Term from Commencement of Disability to Retirement</b>	31/12/2013			31/12/2012		
	<b>Under 2</b>	<b>2-5</b>	<b>Over 5</b>	<b>Under 2</b>	<b>2-5</b>	<b>Over 5</b>
Up to 10 years	7%	3%	1%	7%	3%	1%
Over 10 years	12%	5%	2%	12%	5%	2%

#### Ex BHA business

Tables showing the morbidity inception and termination assumptions used for each of the main ex-BHA product groups and tranche, where relevant, are set out below. These rates apply to guaranteed policies. There is a reduction of 5% in the provision for adverse deviation on reviewable accelerated CIC policies and 3.75% on reviewable stand-alone policies.

a) Inceptions

<b>Product Type</b>	<b>Table</b>	<b>Inception Rates as Percentage of table CIBT02 at 31/12/2013</b>				<b>Inception Rates as Percentage of table CIBT02 at 31/12/2012</b>			
<b>Sex Smoker</b>		<b>M NS</b>	<b>M S</b>	<b>F NS</b>	<b>F S</b>	<b>M NS</b>	<b>M S</b>	<b>F NS</b>	<b>F S</b>
Accelerated Critical Illness – Apr 2007	CIBT02	46.7	72.0	60.6	106.1	46.7	72.0	60.6	106.1
Accelerated Critical Illness – Nov 2001	CIBT02	46.7	72.0	60.6	106.1	46.7	72.0	60.6	106.1
Accelerated Critical Illness – Old series	See sample rates below <sup>1</sup>	140	140	140	140	140	140	140	140
Stand-alone Critical Illness – Apr 2007	CIBT02	53.3	93.6	58.5	74.1	53.3	93.6	58.5	74.1
Stand-alone Critical Illness – Nov 2001	CIBT02	53.3	93.6	58.5	74.1	53.3	93.6	58.5	74.1
Stand-alone Critical Illness – Old series	See sample rates below <sup>2</sup>	140	140	140	140	140	140	140	140
Income Protection (pre 2006)	CMIR 12 Inceptions*	120	159.6	180	239.4	120	159.6	180	239.4
Income Protection – Jan 2006	CMIR 12 Inceptions*	118.2	165.5	224.6	314.4	118.2	165.5	224.6	314.4
Income Protection – Jul 2010	CMIR 12 Inceptions*	132.4	185.4	251.5	352.1	132.4	185.4	251.5	352.1

The following adjustments are made to Income Protection (IP) inception rates according to product series and occupational class.

<b>Occupational Class</b>	<b>IP Loading % (pre 2006 start date)</b>		<b>IP Loading % (start date 2006 onwards)</b>	
<b>Valuation Date</b>	<b>31/12/2013</b>	<b>31/12/2012</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
1	90	90	90	90
2	120	120	95	95
3	190	190	125	125
4	290	290	180	180
5	390	390	250	250

Further adjustments are made to income protection incidence rates according to deferred period

Deferred Period (weeks)	Factor (pre 2006 start date)		Factor (start date 2006 onwards)	
Valuation Date	31/12/2013	31/12/2012	31/12/2013	31/12/2012
4	100	100	25	25
13	100	100	40	40
26	100	100	70	70
52	100	100	195	195

b) Termination/Recovery rates

Product Type	Table	Recovery Rates as Percentage of table at 31/12/2013				Recovery Rates as Percentage of table at 31/12/2012			
Sex Smoker		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Income Protection – pre July 2010	CMIR 12 Recovery Rates	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+	72.25 y1 76.5 y2 76.5 y3+
Income Protection – post July 2010	CMIR 12 Recovery Rates	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+	68 y1 72.25 y2 76.5 y3+
Long Term Care	See sample rates below	116.4	128.4	116.4	128.4	116.4	128.4	116.4	128.4
Group Risk Claims in Payment (IP)	CMIR 12 Termination Rates	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+	77 y1 135 y2- y3 108 y4- 5 81 y5+

- c) An allowance for future deterioration in morbidity experience is made on guaranteed and reviewable policies by applying factors to the morbidity rates shown in this section. Morbidity deterioration factors are calculated by compound increases to the underlying table rates according to the percentages below. The same factors applied at 2013 and 2012.

Product Type and launch date where appropriate	Annual Percentage	
	Guaranteed	Reviewable
Future Care (Security)	2	1
Accelerated Critical Illness – Apr 2007	0.5	0.25
Accelerated Critical Illness – Nov 2001	1	0.5
Accelerated Critical Illness – Old series	1	0.5
Stand-alone Critical Illness – Apr 2007	1	0.5
Stand-alone Critical Illness – Nov 2001	2	1
Stand-alone Critical Illness – Old series	2	1
Income Protection (pre 2006)	0	0
Income Protection (2006 onwards)	0	0

- d) The table below shows the sample morbidity rates for the old series of Accelerated Critical Illness (CI) policies, (written before November 2001).

Accelerated CI Rates per £10,000 Sum Assured	31/12/2013				31/12/2012				
	Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
	25	10.00	16.67	7.43	11.97	10.00	16.67	7.43	11.97
	35	14.78	25.30	14.32	24.44	14.78	25.30	14.32	24.44
	45	44.14	77.25	32.62	56.07	44.14	77.25	32.62	56.07
55	120.58	210.66	81.51	138.87	120.58	210.66	81.51	138.87	

- e) The table below shows the sample morbidity rates for the old series of Stand Alone Critical Illness policies, (written before November 2001).

Stand Alone CI per £10,000 Sum Assured	31/12/2013				31/12/2012			
Sex Smoker	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25	4.62	6.72	5.88	8.82	4.62	6.72	5.88	8.82
35	10.22	18.76	13.72	24.92	10.22	18.76	13.72	24.92
45	31.22	65.24	29.26	62.72	31.22	65.24	29.26	62.72
55	77.28	166.04	58.38	133.42	77.28	166.04	58.38	133.42

#### Ex-FLC

##### *Friends Life Protection Account (IFA sales channel):*

Specimen critical illness inception rates for term assurance with accelerated critical illness, which are the same for 2013 and 2012, are set out in the following table. The rates are based on reinsurers' risk premium rates. The corresponding mortality rates are set out in 4.(4).

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
25	0.00079	0.00091	n/a	0.00054	0.00062	n/a
35	0.00122	0.00165	n/a	0.00125	0.00167	n/a
45	0.00313	0.00538	n/a	0.00302	0.00373	n/a
55	0.00940	0.01570	n/a	0.00685	0.00961	n/a

##### *Term assurance with accelerated critical illness benefit (other than Friends Life Protection Account):*

Specimen combined mortality and critical illness inception rates, which are the same for 2013 and 2012, are set out in the following table. The rates are based on reinsurers' risk premium rates.

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
25	0.00090	0.00115	n/a	0.00064	0.00081	n/a
35	0.00131	0.00203	n/a	0.00139	0.00164	n/a
45	0.00307	0.00614	n/a	0.00257	0.00399	n/a
55	0.00870	0.01546	n/a	0.00622	0.00933	n/a

##### *Unitised policies with additional Lifecare (critical illness) benefit:*

Specimen critical illness inception rates used in both 2013 and 2012 are set out in the following table. The rates are based on reinsurers' risk premium rates.

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Low Cost Homebuyers' Plan &amp; Homebuyers' Investment Plan (pre-1998)</u>						
25	0.00038	0.00060	0.00044	0.00043	0.00059	0.00048
35	0.00080	0.00144	0.00099	0.00107	0.00159	0.00122
45	0.00289	0.00525	0.00362	0.00252	0.00400	0.00296
55	0.00829	0.01503	0.01037	0.00643	0.00955	0.00734
<u>Low Cost Homebuyers' Plan &amp; Homebuyers' Investment Plan (1998 and after)</u>						
25	0.00035	0.00055	0.00041	0.00040	0.00055	0.00044
35	0.00074	0.00133	0.00092	0.00099	0.00147	0.00113
45	0.00268	0.00486	0.00335	0.00233	0.00370	0.00274
55	0.00768	0.01392	0.00960	0.00595	0.00884	0.00680
<u>Multiplan (pre-1998)</u>						
25	0.00041	0.00063	0.00048	0.00046	0.00063	0.00051
35	0.00083	0.00147	0.00103	0.00110	0.00162	0.00125
45	0.00293	0.00528	0.00365	0.00255	0.00403	0.00299
55	0.00833	0.01507	0.01040	0.00646	0.00958	0.00738
<u>Multiplan (1998 and after)</u>						
25	0.00038	0.00059	0.00044	0.00043	0.00058	0.00047
35	0.00077	0.00137	0.00095	0.00102	0.00150	0.00116
45	0.00271	0.00489	0.00338	0.00236	0.00373	0.00277
55	0.00771	0.01395	0.00963	0.00598	0.00887	0.00683

*Individual Lifetime Care Plan:*

The tables for claim inception rates used in the multi-state model to value the long term care benefit under these contracts have been constructed based on the experience of the office for all years up to and including 2008. There is an adjustment to the base tables of 10% of the morbidity rates to act as a prudent margin. The model assumes no recoveries.

There are three claim states used within the model, defined by the state of health of each policy in claim. The state of health is assessed through the failure of a number of Activities of Daily Living (ADLs), such as washing or dressing. In addition, a life can become a claim through a cognitive impairment.

Specimen independent base morbidity rates to the three claim states for females are as follows:

Age	2ADL 2013	3ADL+ 2013	Cognitive 2013	2ADL 2012	3ADL+ 2012	Cognitive 2012
25	0.00015	0.00016	0.00025	0.00015	0.00016	0.00025
35	0.00015	0.00016	0.00025	0.00015	0.00016	0.00025
45	0.00015	0.00016	0.00025	0.00015	0.00016	0.00025
55	0.00045	0.00047	0.00073	0.00045	0.00047	0.00073

Specimen independent base morbidity rates to the three claim states for males are as follows:

Age	2ADL 2013	3ADL+ 2013	Cognitive 2013	2ADL 2012	3ADL+ 2012	Cognitive 2012
25	0.00014	0.00030	0.00019	0.00014	0.00030	0.00019
35	0.00014	0.00030	0.00019	0.00014	0.00030	0.00019
45	0.00014	0.00030	0.00019	0.00014	0.00030	0.00019
55	0.00040	0.00083	0.00053	0.00040	0.00083	0.00053

Note:- very little business is covered by the specimen rates required by IPRU(INS) Rule 9.31(a). The average age for this product is around 79. Specimen independent base morbidity rates for the average age are as follows:

Age 79	2ADL 2013	3ADL+ 2013	Cognitive 2013	2ADL 2012	3ADL+ 2012	Cognitive 2012
Female	0.00421	0.00605	0.00824	0.00421	0.00605	0.00824
Male	0.00349	0.00632	0.00682	0.00349	0.00632	0.00682

*Individual Lifetime Care Bond:*

The valuation model assumes there are no recoveries once in claim. This is prudent as reserves are released on recoveries. Specimen inception rates for the provision of long term care benefits, which are the same for 2013 and 2012, are shown below split by gender and cover type.

Age	Male Diamond Cover	Male Premier Cover	Male Select Cover	Female Diamond Cover	Female Premier Cover	Female Select Cover
25	0.00045	0.00045	0.00045	0.00045	0.00045	0.00045
35	0.00045	0.00045	0.00045	0.00045	0.00045	0.00045
45	0.00045	0.00045	0.00045	0.00045	0.00045	0.00045
55	0.00139	0.00139	0.00087	0.00100	0.00100	0.00075

Note:- very little business is covered by the specimen rates required by IPRU(INS) Rule 9.31(a). The average age for this product is around 77. Specimen inception rates for the average age are as follows:

Age	Male Diamond Cover	Male Premier Cover	Male Select Cover	Female Diamond Cover	Female Premier Cover	Female Select Cover
77	0.01455	0.01455	0.01048	0.01343	0.01343	0.01032

Ex-FLWL

The morbidity bases used at end 2013 and end 2012 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 2013	End 2012
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 2013	End 2012
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 2013	End 2012
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 2012.

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) Expense Basis**

### FP With Profits Fund

Renewal commission is allowed for at the actual rate payable for each business type.

Tax relief in the life fund is assumed to be:

- 20% for maintenance expenses
- 16% for acquisition expenses

The expenses shown below are in respect of all maintenance expenses for conventional business and attributable expenses for unitised business.

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	37.09	0.105	0	N/a	34.53	0.125	0
	Otherwise	N/a	25.96	0.105	0	N/a	24.17	0.125	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	37.09	0.105	0	N/a	34.53	0.125	0
	Otherwise	N/a	25.96	0.105	0	N/a	24.17	0.125	0
CWP Pensions (155 / 165)	Premium Paying	N/a	44.50	0.105	0	N/a	41.43	0.125	0
	Otherwise	N/a	33.38	0.105	0	N/a	31.07	0.125	0
Term Assurance (325 / 330)	Premium Paying	N/a	26.62	0.125	0	N/a	22.91	0.125	0
	Otherwise	N/a	19.86	0.125	0	N/a	20.72	0.125	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	26.62	0.125	0	N/a	22.91	0.125	0
	Otherwise	N/a	19.86	0.125	0	N/a	20.72	0.125	0
Annuity pre demutualisation (400)	All	N/a	17.16	0.105	0	N/a	13.32	0.055	0
Annuity post demutualisation (400)	All	N/a	17.16	0.105	0	N/a	13.32	0.105	0
UWP Bond (500)	All	N/a	11.04	0.105	0	N/a	19.56	0.125	0

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
UWP Savings Endowment (510)	Premium Paying	N/a	48.33	0.105	0	N/a	44.99	0.125	0
	Otherwise	N/a	11.04	0.105	0	N/a	19.56	0.125	0
UWP target Cash Endowment (515)	Premium Paying	N/a	48.33	0.105	0	N/a	44.99	0.125	0
	Otherwise	N/a	11.04	0.105	0	N/a	19.56	0.125	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	60.80	0.105	0	N/a	56.60	0.125	0
	Otherwise	N/a	48.64	0.105	0	N/a	45.28	0.125	0
UWP Single Premium Pension (525 / 545)	All	N/a	46.48	0.105	0	N/a	43.27	0.125	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	95.09	0.105	0	N/a	88.52	0.125	0
	Otherwise	N/a	75.18	0.105	0	N/a	69.99	0.125	0
UWP Group Single Premium Pension (535)	All	N/a	67.80	0.105	0	N/a	63.12	0.125	0
UL Bond (700)	All	N/a	28.80	0.137	0	N/a	27.76	0.137	0
UL Savings Endowment (715)	Premium Paying	N/a	39.92	0.137	0	N/a	38.48	0.137	0
	Otherwise	N/a	28.80	0.137	0	N/a	27.76	0.137	0

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
UL Target Cash Endowment (720)	Premium Paying	N/a	39.92	0.137	0	N/a	38.48	0.137	0
	Otherwise	N/a	28.80	0.137	0	N/a	27.76	0.137	0
UL Regular Premium Pension (725)	Premium Paying	N/a	45.44	0.137	0	N/a	43.80	0.137	0
	Otherwise	N/a	36.23	0.137	0	N/a	34.93	0.137	0
UL Single Premium Pension (725)	All	N/a	33.90	0.137	0	N/a	32.68	0.137	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	24.31	0.137	0	N/a	23.43	0.137	0
	Otherwise	N/a	18.17	0.137	0	N/a	17.52	0.137	0
UL Group Single Premium Pension (735)	All	N/a	16.58	0.137	0	N/a	15.98	0.137	0

#### FLC With Profit Fund

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

At 31 December 2013, expenses for FLC With Profit Fund were those specified in the h-AXA With Profits Fees Agreement. The Non Profit Fund holds an overrun reserve for the difference between the With Profits Fees basis and the unit costs basis.

During 2013 additional fees were charged to the Life Company where Friends Life Services Limited had incurred costs in respect of exceptional projects. Allowance is made in the reserves for future additional fees in respect of the transition of policies off the Embassy system and future Solvency II implementation costs.

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	14.16	0.34	0	N/a	5.95	0.34	0
	Otherwise	N/a	12.83	0.34	0	N/a	N/a	0.34	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	36.94	0.34	0	N/a	42.48	0.34	0
	Otherwise	N/a	34.38	0.34	0	N/a	42.48	0.34	0
CWP Pensions (155 / 165)	Premium Paying	N/a	36.94	0.34	0	N/a	42.48	0.34	0
	Otherwise	N/a	34.38	0.34	0	N/a	42.48	0.34	0
UWP Bond (500)	All	N/a	31.27	0.34	0	N/a	47.74	0.34	0
UWP Savings Endowment (510)	Premium Paying	N/a	36.94	0.34	0	N/a	42.48	0.34	0
	Otherwise	N/a	34.38	0.34	0	N/a	42.48	0.34	0
UWP target Cash Endowment (515)	Premium Paying	N/a	36.94	0.34	0	N/a	42.48	0.34	0
	Otherwise	N/a	34.38	0.34	0	N/a	42.48	0.34	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	39.55	0.34	0	N/a	85.52	0.34	0
	Otherwise	N/a	35.45	0.34	0	N/a	51.31	0.34	0

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
UWP Single Premium Pension (525 / 545)	All	N/a	35.45	0.34	0	N/a	51.31	0.34	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	56.50	0.34	0	N/a	90.85	0.34	0
	Otherwise	N/a	53.72	0.34	0	N/a	45.42	0.34	0
UWP Group Single Premium Pension (535)	All	N/a	53.72	0.34	0	N/a	45.42	0.34	0

Where different expense assumptions apply to groups of policies within the above product types, the assumption shown is that relating to the largest group by number of policies at 31 December 2013. In the case of individual and group pensions, paid-up policies have been treated as single premium, as the expense assumptions are the same for these groups.

Due to the With Profit Fee Agreement, different expenses are charged for Unitised With Profit policies and Unit Linked policies in the same product group.

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

#### FLAS With Profit Fund

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

At 31 December 2013, expenses for FLAS With Profit Fund were those specified in the h-AXA With Profits Fees Agreement. The Non Profit Fund holds an overrun reserve for the difference between the With Profits Fees basis and the unit costs basis.

During 2013 additional fees were charged to the Life Company where Friends Life Services Limited had incurred costs in respect of exceptional projects. Allowance is made in the reserves for future additional fees in respect of the transition of policies off the Embassy system and future Solvency II implementation costs.

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	14.16	0.21	0	N/a	5.95	0.21	0
	Otherwise	N/a	12.83	0.21	0	N/a	N/a	0.21	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	36.94	0.21	0	N/a	42.48	0.21	0
	Otherwise	N/a	34.38	0.21	0	N/a	42.48	0.21	0
CWP Pensions (155 / 165)	Premium Paying	N/a	36.94	0.21	0	N/a	42.48	0.21	0
	Otherwise	N/a	34.38	0.21	0	N/a	42.48	0.21	0
Annuity (400)	All	N/a	32.37	0.14	0	N/a	33.41	0.14	0
UWP Bond (500)	All	N/a	31.27	0.21	0	N/a	47.74	0.21	0
UWP Savings Endowme nt (510)	Premium	N/a	36.94	0.21	0	N/a	42.48	0.21	0
	Otherwise	N/a	34.38	0.21	0	N/a	42.48	0.21	0
UWP target Cash Endowment (515)	Premium Paying	N/a	36.94	0.21	0	N/a	42.48	0.21	0
	Otherwise	N/a	34.38	0.21	0	N/a	42.48	0.21	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	39.55	0.21	0	N/a	85.52	0.21	0
	Otherwise	N/a	35.45	0.21	0	N/a	51.31	0.21	0

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
UWP Single Premium Pension (525 / 545)	All	N/a	35.45	0.21	0	N/a	51.31	0.21	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	56.50	0.21	0	N/a	90.85	0.21	0
	Otherwise	N/a	53.72	0.21	0	N/a	45.42	0.21	0
UWP Group Single Premium Pension (535)	All	N/a	53.72	0.21	0	N/a	45.42	0.21	0
UL Bond (700)	All	N/a	31.27	0.19	0	N/a	134.74	0.19	0
UL Savings Endowment (715)	Premium Paying	N/a	36.94	0.19	0	N/a	42.48	0.19	0
	Otherwise	N/a	34.38	0.19	0	N/a	42.48	0.19	0
UL Target Cash Endowment (720)	Premium Paying	N/a	36.94	0.19	0	N/a	42.48	0.19	0
	Otherwise	N/a	34.38	0.19	0	N/a	42.48	0.19	0
UL Regular Premium Pension (725)	Premium Paying	N/a	39.55	0.19	0	N/a	85.52	0.19	0
	Otherwise	N/a	35.45	0.19	0	N/a	51.31	0.19	0
UL Single Premium Pension (725)	All	N/a	35.45	0.19	0	N/a	51.31	0.19	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	39.55	0.19	0	N/a	130.43	0.19	0
	Otherwise	N/a	35.45	0.19	0	N/a	65.22	0.19	0
UL Group Single Premium Pension (735)	All	N/a	35.45	0.19	0	N/a	65.22	0.19	0

Where different expense assumptions apply to groups of policies within the above product types, the assumption shown is that relating to the largest group by number of policies at 31 December 2013. In the case of individual and group pensions, paid-up policies have been treated as single premium, as the expense assumptions are the same for these groups.

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

### FLWL With Profit Fund

For the With-Profits Fund the expenses are determined by the 2001 Scheme. The following table shows the gross annual 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.

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	23.09	0.24	0	N/a	22.42	0.24	0
	Otherwise	N/a	11.94	0.24	0	N/a	11.59	0.24	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	23.09	0.24	0	N/a	22.42	0.24	0
	Otherwise	N/a	11.94	0.24	0	N/a	11.59	0.24	0
CWP Pensions (155 / 165)	Premium Paying	N/a	29.70	0.24	0	N/a	28.83	0.24	0
	Otherwise	N/a	15.24	0.24	0	N/a	14.80	0.24	0
Term Assurance (325 / 330)	All	N/a	15.75	0.24	0	N/a	15.30	0.24	0
Income Protection (360 / 365)	All	N/a	16.70	0.24	0	N/a	16.21	0.24	0
Income Protection Claims in Payment (385)	All	N/a	30.31	0.24	0	N/a	29.43	0.24	0
Annuity (400)	All	N/a	30.31	0.24	0	N/a	29.43	0.24	0

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
UWP target Cash Endowment (515)	Premium Paying	N/a	50.11	0.24	0	N/a	48.65	0.24	0
	Otherwise	N/a	37.58	0.24	0	N/a	36.49	0.24	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	58.95	0.24	0	N/a	57.24	0.24	0
	Otherwise	N/a	44.21	0.24	0	N/a	42.93	0.24	0
UWP Single Premium Pension (525 / 545)	All	N/a	44.21	0.24	0	N/a	42.93	0.24	0
UL Savings Endowment (715)	Premium Paying	N/a	50.11	0.24	0	N/a	48.65	0.24	0
	Otherwise	N/a	37.58	0.24	0	N/a	36.49	0.24	0
UL Target Cash Endowment (720)	Premium Paying	N/a	50.11	0.24	0	N/a	48.65	0.24	0
	Otherwise	N/a	37.58	0.24	0	N/a	36.49	0.24	0
UL Regular Premium Pension (725)	Premium Paying	N/a	58.95	0.24	0	N/a	57.24	0.24	0
	Otherwise	N/a	44.21	0.24	0	N/a	42.93	0.24	0
UL Single Premium Pension (725)	All	N/a	44.21	0.24	0	N/a	42.93	0.24	0

The investment assumptions for FLWL reflect the 2009 fee agreement

In addition to the per policy expenses, an assumption of 0.20% pa pre VAT is made for investment expenses.

# Non Profit Fund

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
Term Assurance (325 / 330)	Premium Paying	N/a	16.29	0.108	0	N/a	17.33	0.108	0
	Otherwise	N/a	19.86	0.125	0	N/a	20.72	0.125	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	16.29	0.108	0	N/a	17.33	0.108	0
	Otherwise	N/a	19.86	0.125	0	N/a	20.72	0.125	0
Income Protection (360 / 365)	All	N/a	16.29	0.108	2.5	N/a	17.33	0.108	2.5
Income Protection Claims in Payment (385)	All	N/a	N/a	N/a	8% of claims	N/a	N/a	N/a	8% of claims
Annuity (400)	All	N/a	35.10	0.095	0	N/a	33.41	0.095	0
UWP Bond (500)	All	N/a	11.04	0.105	0	N/a	19.56	0.125	0
UWP Savings Endowment (510)	Premium Paying	N/a	48.33	0.105	0	N/a	44.99	0.125	0
	Otherwise	N/a	11.04	0.105	0	N/a	19.56	0.125	0
UWP Target Cash Endowment (515)	Premium Paying	N/a	48.33	0.105	0	N/a	44.99	0.125	0
	Otherwise	N/a	11.04	0.105	0	N/a	19.56	0.125	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	60.80	0.105	0	N/a	56.60	0.125	0
	Otherwise	N/a	48.64	0.105	0	N/a	45.28	0.125	0
UWP Single Premium Pension (525 / 545)	All	N/a	46.48	0.105	0	N/a	43.27	0.125	0
UWP Group Regular	Premium Paying	N/a	33.50	0.105	0	N/a	29.91	0.125	0

		31/12/2013				31/12/2012			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund p.a.	% of Premium
Premium Pension (535)	Otherwise	N/a	16.80	0.105	0	N/a	18.71	0.125	0
UWP Group Single Premium Pension (535)	All	N/a	16.06	0.105	0	N/a	15.40	0.125	0
UL Bond (700)	All	N/a	83.14	0.19	0	N/a	134.74	0.19	0
UL Savings Endowment (715)	Premium Paying	N/a	39.92	0.19	0	N/a	42.48	0.19	0
	Otherwise	N/a	28.80	0.19	0	N/a	42.48	0.19	0
UL Target Cash Endowment (720)	Premium Paying	N/a	52.36	N/a*	0	N/a	42.48	0.19	0
	Otherwise	N/a	26.18	N/a*	0	N/a	42.48	0.19	0
UL Regular Premium Pension (725)	Premium Paying	N/a	60.35	N/a*	0	N/a	85.52	0.19	0
	Otherwise	N/a	36.21	N/a*	0	N/a	51.31	0.19	0
UL Single Premium Pension (725)	All	N/a	60.35	N/a*	0	N/a	85.52	0.19	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	24.31	0.19	0	N/a	130.43	0.19	0
	Otherwise	N/a	18.17	0.19	0	N/a	65.22	0.19	0
UL Group Single Premium Pension (735)	All	N/a	16.58	0.19	0	N/a	N/a	0.19	0

Where different expense assumptions apply to groups of policies within the above product types, the assumption shown is that relating to the largest group by number of policies at 31 December 2013.

\*The investment assumptions for FLWL reflect the 2009 fee agreement

## (7) Inflation rate and unit growth rates

The unit growth rates for gross and net linked business (before management charges) and the inflation rates assumed for future expenses and future increases in policy charges are shown below:

	31/12/2013		
	Unit Growth % p.a.		Expense Inflation % p.a.
	Gross	Net	
Ex FLC & FLAS annuities	N/a	N/a	5.05/4.55 (note 1)
Other Conventional Ex-FLC & FLAS	N/a	N/a	4.8/4.3 (note 1)
Conventional Non Profit Ex-FPLMA	N/a	N/a	4.20
Conventional Non Profit Other	N/a	N/a	4.80
Conventional With Profit Ex-FPLMA	N/a	N/a	4.20
Conventional With Profit Other	N/a	N/a	4.80
Unitised Ex- FLC & FLAS	4.40	3.74	4.80/4.30 (note 1)
Unitised Other	4.40	3.50	4.80

Note: the lower rate applies to costs subject to an outsourcing arrangement where inflation is based on CPI rather than RPI, the higher rate applies to other costs.

Other inflation assumptions:

Ex FPLP & FPLAL charge increases – 3.3%p.a. where linked to RPI and 4.3%p.a. where linked to AWE

Ex FLC & FLAS charge increases- 3.8%p.a on non-annuity business and 4.05%p.a. on annuity business where linked to RPI.

#### Ex-FLWL

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

<b>Fund</b>	<b>Gross % p.a.</b>	<b>Net % p.a.</b>
Non-deposit investments	4.40%	3.74%
Deposit investments	0.50%	0.43%

The expense inflation assumptions are as follows.

- RPI inflation – annuity business : 4.05% p.a.
- RPI inflation – non-annuity business : 3.80% p.a.

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 £1.8m 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**

The future bonus rates used in valuing with-profits business are the minimum guaranteed bonus rates.

These are zero except as follows:

#### **Unitised With Profits Policies**

		<b>% p.a.</b>
<b>Life</b>	FP WPF: Series 1, 21	3.00
	FP WPF: FPLMA Life	1.00
	FLC WPFs: Low-Cost Homebuyers' Plan	3.00
	FLC WPFs: Multivestor	1.75
	WL WPF: Irish Life Bonds (with 2% amc)	2.00
	WL WPF: Irish Life Bonds (other)	1.65
	WL WPF: Bonds (post June 2002 premiums)	0.95
	WL WPF: Bonds (other)	0.95
<b>Pensions</b>	FP WPF: Series 1	4.00
	FP WPF: Series 7,11,27	0.95
	FP WPF: New Generation Pre-demut	0.92
	FP WPF: New Generation Post-demut	0.97
	FP WPF: FPLMA Pensions	1.00
	FP WPF: UKP Pensions	5.00
	FLC WPFs: Multipension Series 2	4.00
	FLAS WPF: Deposit Administration Plan	See note 1
	WL WPF: Pension Fund Link group	0.80

	business (post June 2002 single premiums) (with 0.8% amc)	See note 2
	WL WPF: Pension Fund Link group business (other)(with 0.8% amc)	0.80
	WL WPF: Pension Fund Link individual business (post June 2002 single premiums)	0.45
	WL WPF: Pension Fund Link individual business (other)	0.45

Note 1: For a few Deposit Administration plans, certain tranches are subject to a guaranteed minimum annual rate of return of 4.5% p.a. Where such a guarantee applies, the bonus rate is reduced by the guaranteed rate of return. The above bonus rates include the guaranteed return where relevant.

Note 2: For other minor groups within this category with a different AMC, the minimum is the AMC.

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

Product		Average lapse / surrender / paid-up rate for policy years			
		1-5	6-10	11-15	16-20
		% p.a.	% p.a.	% p.a.	% p.a.
Level term (incl. Critical Illness) – Low Rate	Lapse	8.1	5.0	3.6	3.4
Level term (incl. Critical Illness) – High Rate	Lapse	14.8	7.9	4.6	4.6
Decreasing Term (incl. Critical Illness) – Low Rate	Lapse	8.3	6.6	4.6	4.6
Decreasing Term (incl. Critical Illness) – High Rate	Lapse	15.3	12.2	8.5	8.5
Accelerated Critical Illness – Low Rate	Lapse	9.8	6.8	5.4	5.4
Accelerated Critical Illness – High Rate	Lapse	16.3	10.8	8.3	8.3
Income Protection – Low Rate	Lapse	6.7	6.1	4.6	4.6
Income Protection – High Rate	Lapse	12.5	11.3	8.5	8.5
CWP Savings Endowment	Surrender	8.2	5.6	2.9	1.7
CWP Target Cash Endowment	Surrender	7.5	2.9	2.2	1.7
UWP Savings Endowment	Surrender	0.0	0.0	0.0	0.0
UWP Target Cash Endowment	Surrender	4.4	4.4	4.0	2.7
UL Savings Endowment	Surrender	0.0	0.0	0.0	0.0
UL Target Cash Endowment	Surrender	0.0	0.0	0.0	0.0

Product		Average lapse / surrender / paid-up rate for policy years			
		1-5	6-10	11-15	16-20
		% p.a.	% p.a.	% p.a.	% p.a.
UWP Bond	Surrender	6.0	6.0	4.5	3.5
UWP Bond	Automatic Withdrawal	100% of current	100% of current	100% of current	100% of current
UL Bond	Surrender	4.0	4.0	4.0	4.0
UL Bond	Automatic Withdrawal	100% of current	100% of current	100% of current	100% of current
CWP Pension Regular Premium	PUP	0.0	0.0	0.0	0.0
CWP Pension Regular Premium	Surrender	0.0	0.0	0.0	0.0
CWP Pension Single Premium	Surrender	0.0	0.0	0.0	0.0
UWP Individual Pension Regular Premium	PUP	16.1	7.3	5.2	5.2
UWP Individual Pension Regular Premium	Surrender	See note 1			
UWP Individual Pension Single Premium	Surrender	See note 1			
UL Individual Pension Regular Premium	PUP	16.1	7.3	5.2	5.2
UL Individual Pension Regular Premium	Surrender	See note 1			
UL Group Pension Regular Premium	PUP	13.0	10.9	6.5	6.5
UL Group Pension Regular Premium	Surrender	3.4	3.8	3.7	3.7
UL Individual Pension Single Premium	Surrender	0.0	0.0	0.0	0.0

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

For protection products where negative reserves are permitted we use the combination of lapse rates shown above and interest rates in 4 (2) that produce the most prudent result.

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

For UL, UWP and CWP contracts, lapse rates shown represent the average for ex-FLC, ex-FLAS and ex-FLWL business. No lapses were assumed for those products for ex-FPLP and ex-FPLAL policies.

#### **(10) Other material assumptions**

The unearned premium reserve for ex-BHA group risk business is based on days remaining until next premium due date for payment frequency other than monthly. For monthly cases, the premium is assumed to be paid half way through the month on average and a reserve of one half of a month's premium is held.

The table below describes the methodology by product group.

<b>Product</b>	<b>Income Protection (individual)</b>	<b>Income Protection (group)</b>	<b>Critical Illness</b>	<b>Life</b>
Reserve	40% of the average premiums in force over the last 6 months	30% of the average premiums in force over the last 6 months	15% of the average premiums in force over the last 2 months	10% of the average premiums in force.

#### **(11) Derivative contracts**

Derivatives are shown at market value using quoted prices where exchange-traded and own-modelled prices agreed with counterparties otherwise. Combined yields are calculated for assets with covering derivatives, whether in-the-money or out-of-the-money, in accordance with INSPRU 3.1.30R. The interest rates used in the valuation of liabilities are consistent with the yields on backing assets, reflecting covering derivatives if appropriate.

An inflation rate swap formalises an expense agreement made with the FP with-profits policyholders at the time of demutualisation. This agreement is already reflected in the valuation assumptions so the swap has no impact on the determination of the liabilities.

The Company uses swaptions to hedge the Guaranteed Annuity Options on its FLC and FLAS WP deferred annuity business. For the purpose of interest rate setting the company holds equity futures within ex-FLC and FLAS, a cash yield has been assumed for the proportion of equities covered by the future contracts. Since the time value of the derivatives is significantly higher than that reflected in the valuation of the liabilities, an additional liability equal to the time value of the derivatives is held in the FLL New With Profits Fund (£17.0m), the FLL Old With Profits Fund (£2.5m), and the FLL FLAS With Profits Fund (£3.1m).

The company holds credit default swaps to hedge the credit risk on a holding of corporate bonds. In the calculation of valuation interest rates, these derivatives have been ignored and standard credit risk margins have been applied to the corporate bonds (as set out in section 4.(3)). A check has been performed to ensure that this approach gives a more prudent result than if the credit default swaps had been fully reflected.

#### **Ex-FLWL**

At 31 December 2013 the Company held swaptions with a net market value of £0.4m and interest rate swaps with a net market value of -£7.7m 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 £0.7m, and short futures contracts which represented a net liability of £0.8m. 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 £1.0m. 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 further changes have been made since the previous valuation.

## **5. Options and guarantees**

### **(1) Guaranteed Annuity Rate Options**

- a) When valuing policies that have the option of taking the maturity benefit as cash or annuity, it has been assumed in most cases that 95% of policyholders (100% for ex London & Manchester products) choose the option with greater actuarial value.

For many products a deterministic model was used to value the additional cost of the option since the annuity is so much 'in the money' that the difference in the value when calculating stochastically is not material. Ex-FLC and FLAS GAOs are valued both deterministically and stochastically and the higher of the two values is applied (100% GAO take up is assumed in the deterministic valuation).

- b) The table below shows details of the options. The outstanding duration of these options varies between 0 to 25 years.

<b>Product Name</b> <b>(i)</b>	<b>Basic Reserve</b> <b>(ii) £m</b>	<b>Guarantee Reserve</b> <b>(iv) £m</b>	<b>Guaranteed Rate</b> <b>(v)</b>	<b>Increments allowed</b> <b>(vi)</b>	<b>Annuity Form</b> <b>(vii)</b>	<b>Retirement Ages</b> <b>(viii)</b>
Ex-FLC endowment plans	109	129	11.0%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-FLC Multipension	244	147	9.4%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-FLAS Pension Builder	90	88	11.1%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	At specified NRD only
Ex-FLAS Retirement Annuity (1976 series)	28	28	11.1%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	At specified NRD only
Winterthur pure endowment	23	16	10.0%	No	Single life, monthly in advance, guaranteed 5 years	At specified NRD only

<b>Product Name</b> <b>(i)</b>	<b>Basic Reserve</b> <b>(ii) £m</b>	<b>Guarantee Reserve</b> <b>(iv) £m</b>	<b>Guaranteed Rate</b> <b>(v)</b>	<b>Increments allowed</b> <b>(vi)</b>	<b>Annuity Form</b> <b>(vii)</b>	<b>Retirement Ages</b> <b>(viii)</b>
Ex-FP Self Employed Deferred Annuities	234	177	11.6%	No	Single life, annual in arrears, no guarantee	60-70
Ex-UKP Self Employed Deferred Annuities	191	152	12.2%	No	Single life, annual in arrears, no guarantee	60-75
Ex-FP Group Deferred Annuities (other than EBP below)	234	137	10.0%	No	Single life, monthly in advance, guaranteed 5 years	55-75
Ex-FP Executive Benefit Plan (EBP)	111	55	10.0%	No	Single life, monthly in advance, guaranteed 5 years	at specified NRD only
Ex-UKP Executive Pensions	49	29	11.1%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-LMA Retirement Annuity Contracts	17	8	10.8%	No	Single life, annual in arrears, no guarantee	60-75
Ex-NM Conventional Deferred Annuities	35	29	10%	No	Single Life; monthly in advance, guaranteed 5 years	60-75
Ex-NM Personal Pension (pre Series D)	16	5	Varies depending on the consols yield	No	Single life, monthly in advance, guaranteed 5 years	60-75

Additionally there is an ex Colonial life retirement annuity contract with a value of £129m that is written as deferred annuity with a cash option (on the same rate as the Winterthur pure endowment above). No liability is held for this guarantee as it is so far out of the money.

## (2) Guaranteed surrender and unit-linked maturity values

a) The following table summarises material types of maturity and surrender guarantee. The valuation methodology is as follows:

- Monte-Carlo stochastic model for Friends Plan
- Black Scholes formula for ex-FP Pension Transfer Plans
- Deterministic for others on grounds of materiality (the FLAS Flexible Transfer Plan is heavily in the money so there is no material time value)

Product Name (b)(i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Amount (v)	MVA Free Conditions (vi)	In-force Premiums (vii) £m	Increments (viii)
Friends Flexible Savings Plan and Planned Investment	79	Up to 25 years	4	On surrender - Scheduled proportion of the maturity benefit (including declared bonuses).	n/a	2	No
Friends Plan German pension products	233	Up to 70 years	60	Return of the total premiums paid on the policy at the policyholder's normal retirement date.	n/a	95	Yes, providing they occur more than 12 years before the policyholder's normal retirement date
Ex-FLAS Flexible Mortgage Plans	12	Up to 5 years	4	Maturity value guaranteed at the review 5 years prior to maturity (note 1)	n/a	1	No
Ex-FLAS Flexible Transfer Plan	77	Up to 20 years	138	At maturity - GMP in respect of contracting out of SERPS	n/a	nil	No
Ex-FP Pension Transfer Plan	44	Up to 27 years	14	At maturity - GMP in respect of contracting out of SERPS	n/a	nil	No

### Note 1

The Flexible Mortgage Plan Guarantee requires the policyholder to invest in the With Profits Fund. Contractual terms. Although there is a contractual requirement to provide a maturity guarantee five years before maturity, the basis is at the discretion of the company. It has been assumed that future guarantees will be set at such a level that no additional liability will need to be set up.

## MVRs

In addition to the guarantees in the table above there are guarantees on unitised with profits contracts that MVRs will not be applied at certain dates or on certain events. For example:

- On death
- On maturity or a single date in future
- On early retirement in a period of 5 years up to normal retirement.
- On regular withdrawals

The base reserves are calculated by explicitly discounting the guaranteed benefits implied by the MVR free guarantees based on prudent assumptions regarding mortality, withdrawal and early retirement rates.

### **(3) Guaranteed Insurability Options**

#### Ex-FPLP and FPLAL business

For ex-FPLP and ex-FPLAL business, Guaranteed Insurability Options arise mainly in respect of older contracts. As a result, any additional mortality arising is embedded in the company's mortality experience and is already reflected within the mortality assumptions set out in 4(4) above. Consequently, no additional reserve is held in respect of Guaranteed Insurability Options. The total sum assured on contracts with these options is less than £1bn.

#### Ex-FLC, FLAS, and FLWL

The main guaranteed insurability options permit the increase or replacement of cover under unit-linked and unitised with profits policies, subject to specific conditions, for example when the maturity value of an endowment assurance is increased in respect of a mortgage advance, or on the birth of a child to the policyholder. There are no material guaranteed insurability options in respect of ex-FLWL business. No additional reserve is deemed necessary for such options for the following reasons:

- the conditions for the exercise of each option are limited to specified circumstances, which might normally imply good health
- mortality charges include a prudent margin which would cover a worsening of experience
- policy conditions permit future amendments to mortality charges based on experience

There are no conversion or renewal options where the total sum assured exceeds £1bn.

#### Ex-BHA business

For ex-BHA business, Guaranteed Insurability options are offered on a range of policies as follows:

##### *Life and Critical Illness:*

Policyholders have the right to increase the sum assured under their contract upon marriage, the birth of a legitimate child, mortgage increases or promotion. The sum assured may be increased by 25% on each event subject to a maximum of 100% or £100,000 in aggregate.

Children under the age of 18 are covered free and on their 18th birthday have the right to take out a contract in their own name.

Renewable term contracts have renewability guaranteed until age 70.

*Income Protection:*

Post March 2008: product enhanced to include GIOs from age 55 plus facility to increase benefit on adoption and mortgage increase.

2006 onwards: on marriage, birth of a legitimate child, mortgage increase, promotion or change of employment, policyholders may increase their benefit level by up to 50% of the pay rise subject to an annual limit of £9,000 and on overall limit of 50% of the original annual benefit.

Pre 2006: On promotion or change of employment, policyholders may increase their benefit level by up to 50% of the pay rise subject to an annual limit of £7,500 and a lifetime limit of 50% of the original annual benefit.

Renewable term contracts either have renewability guaranteed until age 70 or have renewability guaranteed until a selected retirement age.

Guaranteed Insurability options are not valued explicitly but are allowed for within the mortality and morbidity assumptions.

The in force premiums and basic sums assured for each product with the above guaranteed insurability options, can be found in the table below:

<b>Product Name (b)(i)</b>	<b>In-force Premiums (b)(ii) £m</b>	<b>Sum assured (b)(iii) £m</b>
Decreasing Accelerated Critical Illness	71.8	15,862.9
Level Accelerated Critical Illness	76.5	12,934.5
Level Income Protection	12.9	420.8
Decreasing Stand Alone Critical Illness	1.8	362.4
Level Stand Alone Critical Illness	26.4	2,706.5
Decreasing Term Assurance	7.8	3,588.0
Level Term Assurance	26.8	11,435.5

#### **(4) Other Guarantees and Options**

There are no other material guarantees or options

## **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 explicit reserves made in the valuation to meet expenses in fulfilling contracts in-force at the valuation date is £320.6m. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses and explicit allowances for other maintenance expenses are shown in the table below.

<b>Homogeneous Risk Group</b>	<b>Implicit Allowances £m</b>	<b>Explicit Allowance (investment) £m</b>	<b>Explicit Allowances (other) £m</b>	<b>Non-Attributable Expenses £m</b>	<b>Total £m</b>
Ex FPLP & FPLAL Unitised Life (Post July 2001)	0.0	1.7	0.3	0.3	2.3
Unitised Overseas (Post July 2001)	0.0	1.7	4.9	5.3	11.9
Ex FPLP Unitised Life (Pre July 2001)	0.0	1.9	3.0	0.0	4.9
Ex-FPLP Unitised Pensions (Pre July 2001)	0.0	3.3	6.1	0.0	9.4
All Expenses Attributable (excluding Ex-FLC and Ex-FLAS and Ex-FLWL)	2.6	15.9	72.7	0.0	91.2
Unit-linked business (Ex-FLC and Ex-FLAS)	0.0	34.5	49.3	26.5	110.3
Ex-FLC UWP business	11.2	-	7.4	-	18.6
Ex-FLAS UWP business	3.8	-	4.5	-	8.3
All Expenses Attributable (Ex-FLC and Ex-FLAS)	3.6	12.2	28.4	0.0	44.2
<b>Total (excluding Ex-FLWL)</b>	<b>21.2</b>	<b>71.2</b>	<b>176.6</b>	<b>32.1</b>	<b>301.1</b>
Unit-linked business (Ex-FLWL NPF)		4.8	4.5	3.6	12.9
All Expenses Attributable (Ex-FLWL NPF)		0.4	2.2	n/a	2.6
Unit-linked business ( Ex-FLWL WPF)		0.6	0.7	0.6	1.9
All Expenses Attributable (Ex-FLWL WPF)		0.9	1.2	n/a	2.1
<b>Total</b>	<b>21.2</b>	<b>77.9</b>	<b>185.2</b>	<b>36.3</b>	<b>320.6</b>

Renewal commission is not included in these amounts.

## **(2) Implicit Expense Allowances**

### All Expenses attributable

The implicit expense allowance relates to Group Income Protection business where a proportion of premium is held for the first three years and claims reserves thereafter. The allowances are covered from margins in the reserving basis.

### Ex-FLC & FLAS UWP business

The implicit allowances shown in 6.(1) above are in respect of investment expenses on With Profit business which were determined by multiplying the relevant amounts of reserves by the rates of deduction from yields.

There are no other implicit allowances for expenses.

## **(3) Comparison with Form 43**

Financial Reporting Standard 26 requires initial transaction costs on assets to be shown as investment expenses in the statutory accounts and, these expenses, amounting to £2.7m, have been included in line 14 of Form 43. The valuation implicitly assumes that there will be no future asset turnover, so no allowance is made for expenses of this nature.

The maintenance expenses in line 14 of Form 43 are £292.1m. However, these include £0.3m in respect of ex-FLWL business from 28/12/2013 to 31/12/2013. Excluding these expenses, the maintenance expenses would have been £291.8m.

After allowing for initial transaction costs on assets and project costs, the amount of maintenance expenses (excluding ex-FLWL maintenance expenses) (£289.1m) included in line 14 of Form 43 is lower than the expense loadings (£301.1m) disclosed in section 6.(1) above.

The reason that ex-FLWL expenses have been excluded is because Form 43 only includes ex-FLWL expenses that occurred in the period between 28/12/2013 and 31/12/2013, whereas the expenses in section 6.(1) above are for the whole year so they are not comparable.

## **(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**

Actual expenses and commission have been estimated for 2014 if the Company ceased to transact new business on 1st January 2014. Estimated expenses in 2014, on this basis, are less than the loadings expected from in-force business in 2014 and therefore no additional reserve is required.

## **(6) Non attributable expenses**

At 31 December 2013, valuation expenses for unit-linked 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. The non-attributable expenses were compared to future profits expected to emerge from the unit-linked business, and no additional reserve was deemed necessary.

Additional non attributable expenses in respect of ex-FLC business:

The expenses associated with a project to outsource the policy administration of traditional business have been treated as non-attributable expenses within the valuation. The total costs associated with the project have been split across the main policy types in scope, weighted by the volume of business within each group. The following reserves have been set up:

<b>Homogeneous Risk Group</b>	<b>Reserves (£m)</b>
Life Annuities	0.1
Long Term Care Plans	1.1
Immediate Care Plans	0.2

## **7. Mismatching reserves**

### **(1) Analysis of reserves by currency**

The value of mathematical reserves (other than liabilities for property-linked benefits), together with the value of assets matching those liabilities, are analysed below by reference to currency.

<b>Currency</b>	<b>Value of liabilities (£m)</b>	<b>Value of assets (£m)</b>
Sterling	21,223	30,993
Euro	139	112
US Dollar	30	88
Other	(10)	185
<b>Total</b>	<b>21,382</b>	<b>31,378</b>

### **(2) Other currency exposure**

In 7(1) above the liabilities are 100% matched by assets of the same currency.

### **(3) Currency mismatching reserve**

There are sufficient sterling assets to cover the sterling liabilities. Consequently, no reserve for currency mismatching is considered necessary.

### **(4) Most onerous scenario under INSPRU 3.1.16R**

Not a regulatory reporting company and therefore not applicable.

**(5) Most onerous scenario under INSPRU 3.1.23R**

Not a regulatory reporting company and therefore not applicable.

**(6) Amount of resilience capital requirement**

Not a regulatory reporting company and therefore not applicable.

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

The nature and term of the assets matching liabilities is regularly reviewed to ensure continued appropriateness and no additional provision was required at the valuation date to ensure that the company could meet its obligations as they arise.

## **8. Other special reserves**

Other special reserves in excess of £10m have been held as follows:

Lifespan Guarantee Reserve

A reserve of £35.3m is held in respect of premium rate guarantees on Lifespan unit-linked whole of life policies.

Investment Expenses

A reserve of £10m to cover investment expenses, amounting to c£1m p.a., that have not been attributed to policies.

FLC Reorganisation Bonus

The Company has an obligation to make payments of Reorganisation Bonus, as required by the Reorganisation Scheme governing the Company. The total reserves for this liability are £116.8m. These are included within the reserves for the relevant classes of with profits business on Forms 51 and 52.

The reserves are equal to the balance of the 'Reorganisation Bonus Memorandum Account', which under the Reorganisation Scheme records the value of the obligation to policyholders in the New With Profits Fund, together with further amounts representing:

- Reorganisation Bonuses payable in respect of policies in the Old With Profits Fund; and
- the value of future transfers made subject to rule INSPRU 1.5.27R in respect of the payment of Reorganisation Bonuses.

Reinsurance Default Provision

A global provision is held in respect of ex-FLC non-profit business to cover the risk of default on external reinsurance arrangements. This provision is calculated based on historic default rates by S&P rating, and adjusted to reflect any expected worsening of future conditions. The assumptions for expected future defaults is broadly in line with those used to calculate credit risk adjustments to yields in section 4.(3).

At 31 December 2013, a provision of £20.2m was held in respect of ex-FLC external reinsurance arrangements.

#### Diligenta TSI (Transition and Service Improvement) Expenses

At 31 December 2013, a provision of £16.3m was held to cover the short term costs of the outsourcing deal with Diligenta.

#### FLWL Data Provision

A reserve of £10m is held in relation to a data provision. As part of the purchase by Resolution, increased attention was paid to the accuracy of the valuation data and several issues were identified as a result. The position has now improved, though as the valuation and reporting processes have been undergoing a number of changes including as a result of the Part VII transfer, and are not fully embedded, a reserve continues to be held at 31 December 2013.

#### Solvency II Provision

At 31 December 2013, a reserve of £53.4m was held to cover future Solvency II costs.

## **9. Reinsurance**

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

No premiums for reinsurance ceded on a facultative basis were paid during 2013 to reinsurers who are not authorised to carry on insurance business in the United Kingdom.

### **(2) Reinsurance treaties**

(a), (b) & (c) Details of reinsurance treaties under which the Company is the cedant and either the premiums payable to the reinsurer during 2013 or the reduction in mathematical reserves in respect of the reinsurance exceed £10m are contained in the table below, except as detailed here:

- d) The name of the reinsurer is quoted in the table.
- e) The nature and extent of cover is quoted in the table.
- f) The premiums paid in 2013 are quoted in the table.
- g) There were no deposit back arrangements.
- h) Availability to new business is quoted in the table.
- i) The undischarged obligations are listed below:

<b>Reinsurer</b>	<b>Amount (£m)</b>
Swiss Reinsurance Co Ltd	1,579.6
Munich Reinsurance Co	0.2
SCOR Reinsurance Ireland Limited	0.2
RGA Global Reinsurance Limited	1.3
<b>Total</b>	<b>1,581.3</b>

- j) The mathematical reserves ceded under the treaty are quoted in the table.
- k) Retentions on new business are quoted in the table.

- l) General Reinsurance Life UK, RGA Reinsurance Company (Barbados) Ltd, RGA Re, Partner Re and Canada Life International Re Ltd are not authorised to carry out insurance business in the UK. All of other reinsurers below are authorised to carry out insurance business in the UK.
- m) Connections of any reinsurer to the Company are quoted in the table.
- n) An additional liability of £19.9m is held in respect of the mathematical reserves shown in the table below to allow for credit risk (excluding liabilities ceded internally).
- o) No provision has been made for the Company's liability to refund reinsurance commission in the event of lapse or surrender of the contracts reinsured. This is because the premiums recoverable will exceed any commission refundable.
- p) Historically ex-FLAS has provided new business financing in respect of regular premium business reassured to ex-FLC. As of November 2013 this financing loan was paid off and so the closing balance at 31<sup>st</sup> December 2013 is nil.

#### Munich Re Financing Treaty

- (i) The company has two financing arrangements with Munich Re. Munich Re advanced a loan of 28.5m EUR in respect of German Pension Plans (Friends Plan Basic, Friends Plan Private and Friends Plan Business) sold in 2011, and 23.7m EUR in respect of 2012 plans. The loan of 32.8m EUR in respect of 2010 plans was repaid in 2013. Repayment of the loan is equal to specified premium margins and commission clawback in respect of those policies. Premium margins represent that portion of each premium paid not allocated to policyholder units less cost of renewal commission. The amount outstanding on these loans at 31 December 2013 is 6.8m EUR in respect of the 2011 loan, and 13.9m EUR for the 2012 loan.
- (ii) The sterling reserve calculation takes into account the cashflows due to the Reinsurer as well as the liability to the policyholder. An additional sterling reserve was held at 31<sup>st</sup> December 2013 in respect of repayments due on the loan, this amounted to 15.8m EUR, this is less than the value of the contract as the sterling reserve is limited by the surrender penalty on the contract, both before and after taking the reinsurance premiums into account. The net impact is the regulatory excess capital at 31 December 2013 is increased by 4.9m EUR, the outstanding value of the loan from Munich Re at 31 December 2013, less the additional sterling reserve in respect of the loan repayments.

9. Reassurance Treaty Information (Sections a,b,c,g,i,l,n,o and p covered above)						
(d) Reinsurer	(e) Nature and extent of cover under the treaty	(f) Premiums payable £m	(h) New business	(j) Mathematical reserves £m	(k) Retention for new policies	(m) Connected Company
<b>ex-FPLP, FPLAL and BHA Business</b>						
Swiss Re Europe S.A., UK branch	2 <sup>nd</sup> surplus reinsurance for £1.5m for conventional life and pensions business and for all unitised business on risk premium or original terms.	52.7	Closed	119.9	N/A	Not Connected
	1 <sup>st</sup> surplus reinsurance for Individual PHI for £33,000 p.a.					
	1 <sup>st</sup> surplus reinsurance for Individual PHI for £300p.w. up to a maximum sum assured of £40,000 p.a.					
	Quota share reinsurance for non-linked life business for 65% up to a maximum retention of £50,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect July 2005 percentage reassured changed from 65% to 75%.					
	1 <sup>st</sup> surplus reinsurance for Group Income Protection in excess of the greater of £60,000 p.a. and the policy's free cover limit up to a limit of £300,000 p.a.					
	1 <sup>st</sup> surplus reinsurance for Individual PHI for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). Max retention £125,000 p.a. D4 included and benefit					

Swiss Re Europe S.A., UK branch continued	increased to £2,700 p.w. with effect 26/1/2007.					
	1 <sup>st</sup> surplus reinsurance for Executive PHI for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business). Max retention £125,000 p.a. plus £50,000 for NI and pension contributions.					
	Quota share reinsurance for Term Assurance Life and Critical Illness and Stand Alone Critical Illness for 80% up to £625,000, 100% above £625,000 to a maximum of £1m. (With effect from 9 <sup>th</sup> December 2002, 75% up to £500,000, 100% above £500,000 to a maximum of £1m.) Original terms and risk premium.					
	1 <sup>st</sup> surplus reinsurance for Group Life in excess of £1m up to £3m.					
	1 <sup>st</sup> surplus reinsurance for Individual IP for excess over £15,600 p.a. initial benefit up to £156,000 p.a.					
	Quota share reinsurance for non-linked life for 65% up to a maximum retention of £500,000 life (£125,000 critical illness) and 100% thereafter up to a maximum sum assured of £2.5m life (£500,000 critical illness). With effect July 2005 percentage changed from 65% to 75%. With effect August 2006 percentage for decreasing term assurance (life cover only) decreased					

Swiss Re Europe S.A., UK branch continued	from 75% to 50%. With effect August 2007 level and decreasing life cover no longer reinsured.					
	1 <sup>st</sup> surplus reinsurance for Individual Income Protection.					
	Quota Share reinsurance for whole of life for 50% (maximum policy sum insured £25,000) – net level premium.					
	1 <sup>st</sup> surplus reinsurance for Individual PHI for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). With effect from January 2007 benefit increased to £2,700 p.w. plus NI and pension fund contributions.					
	1 <sup>st</sup> surplus reinsurance for Executive PHI for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business). With effect from January 2007 benefit increased to £2,700 p.w. plus NI and pension fund contributions.					
	Quota share reinsurance for guaranteed premiumTerm Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium.					
	Quota share reinsurance for reviewable premium decreasing cover Term Assurance Life and Critical Illness and Stand-alone Critical Illness for 75% up					

	to £500,000, 100% above £500,000 to a maximum of £1m - Risk premium.					
	Quota Share Group Life, Group Critical Illness and Group Income Protection treaty.	51.0	Closed	40.6	N/A	Not Connected
Munich Re	1 <sup>st</sup> surplus reinsurance for £2m for Individual Life (excluding commodity term assurance and Milestones Term Assurance) and Group Life.	48.1	Closed	91.9	N/A	Not Connected
	1 <sup>st</sup> surplus reinsurance for £375,000 for critical illness and permanent disability benefits.					
	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £2m, 100% above £2m to a maximum sum reinsured of £2m.					
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.					
	1 <sup>st</sup> surplus reinsurance for Group Income Protection for £200,000 per annum.					
	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £500,000 per life, and 100% thereafter to a maximum sum assured of £10m per life.					
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.					
	1 <sup>st</sup> surplus reinsurance for Group Income Protection for £200,000 per					

Munich Re	annum Closed to new business with effect from November 2007.					
	The treaty covers Group Life, Group Critical Illness and Group Income Protection and provides cover on a quota share basis and for benefits in excess of the Company's retention limit.	2.7	Closed	37.1	N/A	Not Connected
	The treaty covers Critical Illness, Lifestyle and Income Protection, FutureCare, CompleteCare, ImmediateCare and Recovery Cash and provides cover on a quota share basis and for benefits in excess of the Company's retention limit.					
Scor Reinsurance Ireland Limited	Quota Share Life and Critical Illness reviewable premium treaty.	16.2	Closed	33.3	N/A	Not Connected
RGA Global Reinsurance Limited	Life cover treaty with retention of 50%.	16.7	Closed	25.4	N/A	Not Connected
Swiss Reinsurance Co Ltd	The majority of in-payment annuities written or ceded prior to 31 December 2006	117.6	Closed	1,591.9	N/A	Not Connected
Friends Life Pensions Ltd	All investment benefits under unit linked pension contracts, originally written by FPLO or UK Provident.	61.1	Closed	3,955.6	N/A	Wholly Owned Subsidiary
	All investment benefits under specific ex-London & Manchester pensions plans; Peace and Quiet, Secure Growth Personal Retirement Plan, Blueprint and Individual Retirement Plans for the Self Made Man and Executive Director.					

Friends Life Pensions Ltd	All pension business written in the Non-Profit Fund prior to 31 December 2001.	21.5	Closed	759.5	N/A	Wholly Owned Subsidiary
	Deferred and in–payment annuities under Investment Trust Retirement Annuity plans on original terms.	0	Closed	22.9	N/A	
	100% quota share of all immediate pension annuities written in the formerly FPLAL Other Business Fund together with some annuities written in the FPLP Non-Profit Fund since 1/12/2011.	0	Open	85.9	N/A	
ex-FLC Business						
Swiss Re Europe S.A., UK branch	<u>Regular Premium Individual Lifetime Care Plans</u>  Benefits on an original terms quota share basis for plans written prior to 1st April 1998. Benefits on a risk premium quota share basis for plans written on or after 1st April 1998 and prior to 1 January 2002, and increments to such plans. The cover is 70% of each benefit up to £60,000 p.a., 100% of the excess over £60,000 p.a.. The cover for original terms policies following a policy review has changed to 67% of each benefit.	3.9	Closed	79.4	N/A	Not Connected
	<u>Individual Permanent Health Insurance</u>  Benefits on an original terms, quota share and surplus basis. The cover is			8.8		

Swiss Re Europe S.A., UK branch continued	2/3rds of each benefit up to £18,000 p.a., and 100% of the surplus above £18,000 p.a. to a maximum of £50,000 p.a..					
	<u>Individual Level Term Assurance and Individual Critical Illness</u> Death and/or Critical illness risks on an original terms surplus basis in excess of the Company's retention of £15,000.			0.6		
	<u>Individual Permanent Health Insurance</u> Benefits on risk premium terms, 75% quota share and surplus basis.	1.5		27.2		
General Reinsurance Life UK	Single Premium Individual Lifetime Care Plans Benefits on an original terms quota share basis for plans written after 1st September 1994 and prior to 1st July 1997, and a risk premium quota share basis for plans written on or after 1st July 1997 and prior to 16th August 2004. The cover is 50% of each benefit up to £60,000 p.a., 100% of the excess over £60,000 p.a.. The cover for original terms policies following a policy review has changed to 50% of the benefit covered by the original premium.	1.5	Closed	32.7	N/A	Not Connected
SCOR Global Life Reinsurance	Regular Premium Term Assurance (mortality only) quota share for level	9.4	Closed	37.4	N/A	Not Connected

UK Ltd	and decreasing plans written from 1 <sup>st</sup> June 2006. Terms are to reinsure 50% of the first £10m.					
SCOR Global Life Reinsurance UK Ltd	Regular Premium Term Assurance (stand alone or accelerated critical illness only) quota share for level and decreasing plans written from 1 <sup>st</sup> June 2006. Terms are to reinsure 40% of the first £0.5m.	8.5	Closed	17.5	N/A	Not Connected
RGA Global Reinsurance Limited and RGA Reinsurance Company (Barbados) Ltd	Regular Premium Term Assurance (mortality only) quota share for level and decreasing plans written from 1 <sup>st</sup> June 2006. Terms are to reinsure 36% of the first £10m.	8.1	Closed	32.5	N/A	Not Connected
Partner Re	Regular Premium Term Assurance (stand alone or accelerated critical illness) quota share for level and decreasing plans written from 1 <sup>st</sup> June 2006. Terms are to reinsure 20% of the first £0.5m.	4.3	Closed	11.5	N/A	Not Connected
FAL (2007 reassurance)	Reinsurance of the non-profit pensions annuities in payment business originally directly written in FLC.	227.8	Open	1,958.2	N/A	Wholly Owned Subsidiary
FAL (2009 reassurance)	Reinsurance of the non-profit pensions annuities in payment business originally directly written in FLAS.	0	Closed	1,830.2	N/A	Wholly Owned Subsidiary
Unit Reassurance	Linked benefits where the member has chosen to invest in the funds of Baillie Gifford Life on a 100% quota share basis.	0.3	Open	38.0	N/A	Not Connected

Unit Reassurance	Linked benefits where the member has chosen to invest in the funds of Blackrock Pensions Management on a 100% quota share basis.	0	Open	23.8	N/A	Not Connected
<b>ex-FLAS Business</b>						
Partner Re RGA Re RGA Intl	Reassurance of 47.50% of most of the non-profit pensions annuities in payment. This is in respect of business moved from the FLL FLAS WPF to the FLL NPF.	88	Closed	41.0	N/A	Not Connected
Munich Re	Single premium structured settlement annuities on an original terms quota share basis for 50% of the benefits underwritten.	0	Closed	58.5	N/A	Not Connected
<b>ex-FLWL Business</b>						
Canada Life International Re Ltd	The treaty provides reinsurance cover for annuity business, the risks being 90% reinsured.	0	Closed	352.9	N/A	Not Connected
Friends Life Pensions Ltd	Treaty 201- provides Non Profit funds originally in ex-FLWL, continued access to the Pension Unit Funds now in FLP	1,800.7	Open	1,800.7	N/A	Wholly Owned Subsidiary
	Treaty 204- provides With Profit funds originally in ex-FLWL, continued access to the Pension Unit Funds now in FLP	0	Open	32.9	N/A	Wholly Owned Subsidiary

## 10. Reversionary bonus

Notes applying to all with-profits funds in FLL

- (1) The bonus series meeting the stated conditions are shown in the table below.
- (2) Reversionary bonuses apply to conventional policies and have been shown in the table as “rate applying to basic benefit” / “rate applying to bonus already declared”.

### FP With Profits Fund

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2013 %
		2013 %	2012 %	
Conventional With-Profits Life Policies				
Life Main Series (All except Series 9)	743	Nil / 0.25	Nil / 0.25	0.00/0.00
Life Main Series 9 (Homebuyer increments)		0.25 / 0.25	0.25 / 0.25	0.00/0.00
UKP Series – Life and General Annuity	90	1.00/1.00	0.10/0.10	0.00/0.00
LMA Series – Life Assurance	6	2.00/2.00	0.50/0.50	0.00/0.00
Conventional With-Profits Pension Policies				
Individual Plans	413	Nil/Nil	Nil/Nil	0.00/0.00
Group Cashable Annuities	434	2.25/2.25	2.25/2.25	0.00/0.00
Executive Benefit Scheme Cashable Annuities	170	Nil/Nil	Nil / Nil	0.00/0.00
UKP Series – Pension and Deferred Annuities	424	Nil/Nil	Nil / Nil	0.00/0.00
Unitised With-Profits Life Policies <small>(note 1)</small>				
Series 1,21	337	3.00	3.00	3.00
Series 2,3,6	470	1.00	0.75	0.00
Series 4		1.50	0.50	0.00
Series 9,10,24	16	1.00	0.75	0.00
Series 11, 22, 23, 26		1.75	1.00	0.00
Series 12		2.50	1.25	0.00
Series 5	4	0.25	0.25	0.00
Series 8, 25	3	0.25	0.25	0.00
Series 14	34	2.75	1.5	0.00
Unitised With-Profits Pension Policies				
Series 1	1,282	4.00	4.00	4.00
Series 2,4	323	2.00	1.00	0.00
Series 9,10,22,24	59	3.00	1.75	0.00
Series 21	235	3.00	1.75	0.00
Series C (FPLAL)	11	1.00	0.00	0.00
Demutualisation Terminal Bonus	32	3.75	2.5	0.00
Pre Demutualisation New Generation	200	3.75	2.5	Not less than amc
Post Demutualisation New Generation		3.75	2.5	Not less than amc
Unitised OLAB Policies				
Main Series 1,2	126	1.50	1.00	0.00
Main Series 3,4,21,22	1	3.00	1.75	0.00
Main Series 5	4	3.00	2.25	0.00
Unitised Ex-FPLMA Policies				
Life Assurance	47	2.50	1.25	0.00
Individual and Group Deferred Annuities	226	3.75	2.25	0.00

## Notes

- 1) For unitised with-profits, the regular bonus is applied as an increase in the value of units attached to the policy. The rate shown is the Regular bonus rate applying through the majority of the calendar year.

### FPLAL With Profits Fund

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2013 %
		2013 %	2012 %	
Conventional Life Policies	72	2.00/2.00	1.00/1.00	0.00/0.00
Conventional Pension Policies	63	0.25/0.25	0.25/0.25	0.00/0.00

### FLC With Profits Funds

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2013 %
		2013 %	2012 %	
Conventional With-Profits				
Conventional Life Series 1	16	1.00/0.00	1.21/0.00	(note 1)
Conventional Life Series 2	59	0.00	1.00	0.00
Top Flight and Moneysaver	599	2.00	2.00	0.00
Conventional Life IBM Series	7	0.25	1.25	0.00
Conventional Pensions	150	0.00	0.00	0.00
Unitised With-Profits (note 2)				
Investment Bond and Flexible Bond	882	2.75	2.75	0.00
With profits Income Bond (note 3)	8	2.75	2.75	0.00
Individual Savings Account (notes 4 and 8)	11	3.50	0.00	0.00
Low-Cost Homebuyers’ Plan	367	3.00	0.50	3.00
Multivestor	10	1.75	3.25	1.75
Multiplan	16	3.00	0.00	0.00
Multipension Series 2	963	4.00	1.50	4.00
Multipension Series 3	251	2.50	2.75	0.00
Flexible Pensions:				
Group WP fund (note 5)	7	3.50	3.50	0.00
with GMP guarantee	15	1.75	1.75	0.00
Other (note 6)	74	2.25	2.25	0.00
Other Trustee Plans	10	3.50	3.00	0.00
Pensions 1997 series (note 7)	90	3.00	2.00	0.00
Pensions 1999 series	29	2.00	2.00	0.00
Pensions 2000 & 2002 series (note 4)	61	3.00	3.00	0.00
Retirement Investment and Income Plan	9	3.50	3.50	0.00
Retirement Savings Schemes (note 9)	319	0.50	0.50	0.00
Amulet (other than Investment Plan) (note 4)	10	3.50	3.50	0.00
AXA Isle of Man Bonds: (note 3)				
Series 3 (Sterling)	81	4.00	3.00	0.00
Series 3 (Euro)	17	2.50	2.50	0.00
Series 3 (Dollar)	11	4.00	4.00	0.00

## Notes

- 1) For Conventional Life Series 1, the 1% is a minimum rate, but varies for individual policies up to a maximum of 2.25%.
- 2) Unitised with profits bonus rates (except for Flexible Pensions) correspond to the increase in unit price during the year. Where bonus rates have changed during the year, the rate stated therefore represents an average of bonus rates weighted by period in force.
- 3) For the With Profits Income Bond and the Isle of Man Bonds an Additional Regular Bonus Rate of 0.5% applies in 2013 (0.5% in 2012). This is in addition to the bonus rates in the table above.
- 4) The bonus rates for Individual Savings Account, Pensions 2000 and 2002 Series and Amulet (other than Investment Plan) are before deduction of management charges.
- 5) For Pensions in the Group WPF, an Additional Regular Bonus of 5% applies in 2013 (5% in 2012). This is in addition to the rates in the table above.
- 6) The rates stated above are for accumulation units. The corresponding rates for capital units were 0.00% for both 2013 and 2012.
- 7) For Pensions 1997 Series, where commission is payable as a defined percentage of the fund, the above bonus rate is reduced by the relevant percentage.
- 8) For Individual Savings Accounts and Pensions in the Group WPF, an Additional Regular Bonus of 5% applies in 2013 (5% in 2012). This is in addition to the bonus rates in the table above.
- 9) For RSS a guaranteed rate of 3% for 2013 (3% for 2012) applies to new premiums. The additional interest rate for 2013 is 0% (1% for 2012). These are in addition to the bonus rates in the table above.

## FLAS With Profits Funds

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2013 %
		2013 %	2012 %	
Conventional With-Profits				
Life Compound Series	65	0.25	1.25	0.00
Ten Plus Series 1	8	2.25	1.25	0.00
Ten Plus Series 2	34	0.75/1.00	1.25/1.75	0.00/0.00
Whole Life Simple Series	7	2.25	1.75	0.00
Pension Builder and Retirement Annuity (1976 Series)	255	0.00	0.00	0.00
With profits Annuity	65	6.00	0.33	0.00
Unitised With-Profits				
Life	358	1.25	2.25	0.00
Pensions:				
Group WP fund (note 5)	26	3.00	3.00	0.00
with GMP guarantee	200	2.50	2.50	0.00
Other (notes 1, 2)	879	3.00	3.00	0.00
AXA Isle of Man Bonds: (note 3)				
Series 1	36	3.00	2.00	0.00
Series 2 (Sterling)	17	3.75	2.75	0.00
Deposit Administration				
Deposit Administration Plan (note 4)	248	8.00	7.00	(note 4)

Notes:

- 1) The rates stated above are for accumulation units. The corresponding rates for capital units were 0.00% for 2013 and 2012.
- 2) For certain Personal Pension plans, bonus rates were 1.5% lower than the rates above.
- 3) For AXA Isle of Man Bonds, bonus rates correspond to the increase in unit price during the year. Where bonus rates have changed during the year, the rate stated therefore represents an average of bonus rates weighted by period in force.
- 4) For a few Deposit Administration plans, certain tranches are subject to a guaranteed minimum annual rate of return of 4.5% p.a. Where such a guarantee applies, the bonus rate is reduced by the guaranteed rate of return. The above bonus rates include the guaranteed return where relevant.
- 5) For Pensions in the Group WPF, an Additional Regular Bonus (ARB) of 5% applies in 2013 (5% in 2012). This is in addition to the above bonus rate of 3.00%.

WL With Profits Funds

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2013 %
		2013 %	2012 %	
Conventional With-Profits				
Ex-Winterthur Life Portfolio	5	0.00	0.00	0.00
Ex-Colonial Life Portfolio	203	0.00	0.00	0.00
Ex-Winterthur Pensions Portfolio	32	0.00	0.00	0.00
Ex-Colonial Pensions Portfolio	164	0.00	0.00	0.00
Unitised With-Profits				
Ex-Colonial Savings/Mortgage Plans	6	0.00	0.00	0.00
Ex-Colonial Investment Bond	1	0.00	0.00	0.00
Irish Life Bonds (with 2% amc)	3	3.00	2.00	2.00
Irish Life Bonds (other)	5	1.65	1.65	1.65
Bonds (pre June 2002 premiums)	3	1.95	0.95	0.95
Old style pensions	2	0.00	0.00	0.00
Ex-Colonial Pensions	79	0.00	0.00	0.00

Notes:

- 1) All bonus rate are shown net of annual management charges (AMC), apart from new style pensions groups, Irish Life Bonds and Bonds.
- 2) The AMC for group business varies by scheme.

## **Friends Life Limited With-Profits Funds**

NAME OF INSURER: FRIENDS LIFE LIMITED

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

### **ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION**

Throughout this report the following notation is used:

FLL	denotes	Friends Life Limited
WL	denotes	Winterthur Life Limited
FLAS WPF	denotes	Friends Life Limited FLAS With Profits Fund
FLC NWPF	denotes	Friends Life Limited FLC New With Profits Fund
FLC OWPF	denotes	Friends Life Limited FLC Old With Profits Fund
FP WPF	denotes	Friends Life Limited FP With Profits Fund
FPLAL WPF	denotes	Friends Life Limited FPLAL With Profits Fund.
WL WPF	denotes	Friends Life Limited WL With Profits Fund.

The FP WPF comprises business written in the Main Series and the UKP Series of Friends Provident Life Office (FPLO) together with business written in Friends Provident London and Manchester Assurance (FPLMA) prior to its transfer in 2000. It also includes investment benefits in respect of all the reassured with-profits business of Friends Life and Pensions Limited (FLP) and the post demutualisation business written in the Non Profit Fund, as well as the reassured UWP business from the Non Profit Fund transferred in from FPLAL.

The FPLAL WPF (formerly Friends Provident Life Assurance Limited Closed Fund) was transferred into FLL with effect from 1 December 2011 by means of a Part VII Transfer. The fund is a separately maintained fund within the long-term fund of FLL and comprises the Conventional with-profits business written by NM and its predecessor companies.

The FLC NWPF and FLC OWPF were transferred into FLL with effect from 28 December 2012 by means of a Part VII Transfer. These funds are separately maintained funds within the long-term fund of FLL and comprise business written by FLC (formerly AXA Sun Life Plc) and its predecessor companies. These funds were closed to new business in December 2012 at the time of the Part VII Transfer.

The FLAS WPF was transferred into FLL with effect from 28 December 2012 by means of a Part VII Transfer. The fund is a separately maintained fund within the long-term fund of FLL and comprises business written by FLAS (formerly Sun Life Assurance Society Plc). This fund was closed to new business in 2009.

The WL WPF was transferred into FLL with effect from 28 December 2013 by means of a Part VII Transfer. The fund is a separately maintained fund within the long-term fund of FLL and comprises business written by WL. This fund was closed to new business prior to 2004.

References to h-FP refer to the heritage Friends Provident funds, FP WPF and FPLAL WPF.

References to h-AXA refer to the heritage AXA funds, FLAS WPF, FLC NWPF, FLC OWPF and WL WPF.

## Friends Life Limited With-Profits Funds

### 1. Introduction

- (1) The actuarial investigation relates to a valuation date of 31 December 2013.
- (2) The valuation date of the previous valuation was 31 December 2012.
- (3) An interim valuation was carried out on 30 June 2013.

For WL WPF, an interim valuation was carried out on 27 December 2013 immediately prior to the Part VII Transfer to FLL

### 2. Assets

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

<b>31 December 2013</b> (% pa)	<b>FPLAL WPF &amp; FP WPF</b>	<b>FLAS WPF</b>	<b>FLC NWPF &amp; FLC OWPF</b>	<b>WL WPF</b>
Risk Discount Rate	Note 1			
Investment returns before tax (all assets)	3.4	Note 1		
Future expense inflation	4.3	RPI +1%*	RPI +1%*	RPI*
Corporation tax rate	23.25	21.00	21.00	21.00

Note 1: Risk-free rate calibrated to the gilt yield curve. For fixed interest assets matching annuities in payment, a liquidity premium has been added to the risk-free rate (55bps FLAS WPF, 35 bps FLC WPFs) A reduction to calculated PVFP will be applied as a risk margin. (For the FP and FPLAL WPFs, this is 10% for all business. For the other funds, this is 50% for annuities and 10% for non-annuities).

<b>31 December 2012</b> (% pa)	<b>FPLAL WPF &amp; FP WPF</b>	<b>FLAS WPF</b>	<b>FLC NWPF &amp; FLC OWPF</b>	<b>WL WPF</b>
Risk Discount Rate	2.3	Note 2		
Investment returns before tax (all assets)	2.3	Note 3		
Future expense inflation	3.7	RPI +1%*	RPI +1%*	RPI*
Corporation tax rate	24.5	24.5	24.5	24.5

Note 2: For profits emerging on non-profit business: risk-free rate calibrated to the gilt yield curve + an additional risk adjustment to reflect risk and uncertainty of 100 bps (FLAS WPF), 150 bps (FLC WPFs) or 75 bps (WL WPF) + (for annuity business only) a liquidity premium of 45 bps (FLAS WPF) or 50 bps (FLC WPFs). For the FP and FPLAL WPFs, a 10% reduction to calculated PVFP is applied as a risk margin.

For release of long-term insurance capital component: risk-free rate calibrated to the gilt yield curve + (for annuity business only) a liquidity premium (as above).

Note 3: Risk-free rate calibrated to the gilt yield curve. For fixed interest assets matching annuities in payment, a liquidity premium has been added to the risk-free rate (as above)

Note: 1 basis point (bps) = 0.01%

\* For benefits & expenses linked to future RPI, an inflation curve is applied, based on difference between the real & nominal yields.

- (2) No amounts have been included in the realistic value of assets under INSPRU 1.3.33R(2).

## **Friends Life Limited With-Profits Funds**

- (3) Not applicable because future profits from insurance contracts written outside the WPFs are not included for the purpose of INSPRU 1.3.43R.
- (4) Within each fund, the same set of economic assumptions is used for all future profit calculations.

## Friends Life Limited With-Profits Funds

### 3. With-Profits Benefits Reserve Liabilities

(1) (a) For FP WPF and FPLAL WPF, policies are valued using a retrospective method except:

- Conventional whole of life policies, where a retrospective method is inappropriate
- Conventional policies where the premium history is unavailable because the policy has been paid up or altered.

For FLC WPFs, FLAS WPF and WL WPF, the With-Profits Benefit Reserve is calculated using a retrospective methodology except:

- Some de minimis items which fall within 3(3) below.
- Some conventional whole of life policies, where a retrospective method is inappropriate.

(b) The tables below show the With Profits Benefits Reserve (WPBR) and the future policy related liabilities (FPRL) for each group of contracts with materially different guarantees and options:

	With-Profits Benefits Reserve (£m)		Future Policy Related Liabilities (£m)
	Prospective	Retrospective	
<b>FPLAL WPF</b>			
Conventional Whole of Life	40	0	1
Conventional Savings	9	14	0
Conventional Pension	14	10	18
<b>Total</b>	<b>63</b>	<b>24</b>	<b>19</b>
<b>FP WPF</b>			
Conventional Whole of Life pre demutualisation	187	0	8
Conventional Savings pre demutualisation	38	948	29
Conventional Pension pre demutualisation	194	710	569
UWP Savings pre demutualisation	0	712	23
UWP Bonds pre demutualisation	0	517	27
UWP Pensions pre demutualisation	0	2,525	114
UWP Bonds post demutualisation	0	119	0
UWP Savings post demutualisation	0	37	2
UWP Pensions post demutualisation	0	204	1
<b>Total</b>	<b>419</b>	<b>5,772</b>	<b>773</b>
<b>FLC OWPF</b>			
UWP Bonds (no MVR-free date)	0	149	48
UWP Regular Premium Life	0	80	38
UWP Pensions (no minimum bonuses or GARs)	0	156	53
UWP Pensions with minimum bonuses but no GARs	0	166	67
UWP Pensions with minimum bonuses and GARs	0	72	53
Conventional Life	0	222	94
Conventional Pensions	0	10	23
ISA	0	2	0
<b>Total</b>	<b>0</b>	<b>856</b>	<b>376</b>
<b>FLC NWPF</b>			
UWP Bonds (no MVR-free date)	0	856	317
UWP Regular Premium Life	0	360	173
UWP Pensions (no minimum bonuses or GARs)	0	579	180
UWP Pensions with minimum bonuses but no GARs	0	610	240

## Friends Life Limited With-Profits Funds

UWP Pensions with minimum bonuses and GARs	0	216	163
Conventional Life	0	693	267
Conventional Pensions	0	34	57
ISA	0	9	0
<b>Total</b>	<b>0</b>	<b>3,357</b>	<b>1,397</b>
<b>FLAS WPF</b>			
UWP Bonds (no MVR-free date)	0	454	179
UWP Regular Premium Life	0	194	77
UWP Pensions (no guarantees)	0	1,172	363
UWP Pensions with minimum guaranteed pensions (but no minimum bonuses or GARs)	0	138	90
Conventional Life	0	246	57
Conventional Pensions	0	131	145
DA77	0	273	72
With Profit Annuity	0	72	11
<b>Total</b>	<b>0</b>	<b>2,681</b>	<b>994</b>
<b>WL WPF</b>			
UWP Bonds (no MVR-free date)	0	14	1
UWP Regular Premium Life	0	11	0
UWP Pensions (no minimum bonuses or GARs)	0	132	0
Conventional Life	0	303	-1
Conventional Pensions	0	95	77
<b>Total</b>	<b>0</b>	<b>555</b>	<b>77</b>

- (2) The total of the amounts of the With-Profits Benefits Reserve in 3 (1) (b) correspond to the amounts shown in Form 19, Line 31.

Description	FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Total Prospective With-Profits Benefits Reserves from 3 (1) (b)	63	419	0	0	0	0
Total Retrospective With-Profits Benefits Reserves from 3 (1) (b)	24	5,772	2,681	3,357	856	555
<b>Total With-Profits Benefits Reserve</b>	<b>87</b>	<b>6,191</b>	<b>2,681</b>	<b>3,357</b>	<b>856</b>	<b>555</b>
L31 of Form 19: With-Profits Benefits Reserve	87	6,191	2,681	3,357	856	555

Reconciliation of the total future policy related liabilities in 3 (1) (b) back to Form 19 is shown below. The adjustments relate to liabilities that are not specific to individual policies.

Description	FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Total Future Policy Related Liabilities from 3 (1) (b)	19	773	994	1,397	376	77
Enhancement to WPBR not yet allocated to specific policies	77	209	171	185	113	0
Future costs of smoothing	0	106	0	0	0	0
Financing cost of contingent loan	0	57	0	0	0	0
Operational risk provision	0	25	0	0	0	0
Additional tax provision	0	5	16	29	7	0
Reorganisation Bonus	0	0	0	102	15	0
Other	2	45	0	0	0	1
<b>Total Future Policy Related Liabilities</b>	<b>98</b>	<b>1,219</b>	<b>1,181</b>	<b>1,712</b>	<b>511</b>	<b>78</b>
L49 of Form 19: Future Policy Related Liabilities	98	1,219	1,181	1,712	511	78

- (3) For WL WPF, the business not required to be separately disclosed in accordance with 3(3) has aggregate With-Profits Benefit Reserve of £5.8m and future policy related liabilities are estimated to be £0.9m. For this business the peak 1 reserve is taken as a proxy for WPBR.

## **Friends Life Limited With-Profits Funds**

For all other funds, all products that are included in the realistic value of the liabilities have been included in the table above.

## Friends Life Limited With-Profits Funds

### 4. With-Profits Benefits Reserve – Retrospective Method

#### (1) (a) & (b)

Retrospective Reserves	Proportion of With-Profits Benefits Reserve					
	FPLAL WPF	FP WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
Individual Basis	100%	92.98%	100%	100%	100%	100%
Grouped Basis – by year of entry	0%	2.65%	0%	0%	0%	0%
Grouped Basis – by year of premium payment	0%	4.38%	0%	0%	0%	0%

(c) Not applicable for the FPLAL, FLAS, FLC or WL WPFs since all contracts were valued on an individual basis.

(i) The FP WPF contracts that were valued on a grouped basis are a selection of conventional pension deferred annuity contracts. The method applies grouped model point adjustments to individual mathematical reserves.

There are two methods used to value these policies. Either the policies are grouped by year of entry and premiums on each model point are assumed to be 50% level premiums and 50% single premiums, or premiums are grouped by year of payment.

(ii) 436 model points were used to represent 4,325 policies for the first method and 236 model points were used to represent 992 schemes for the second method.

(iii) We have validated that a 50% single premium assumption is appropriate. A reconciliation of movements is made between the current and the prior valuation's With-Profits Benefits Reserve to ensure no significant data is lost.

#### (2) (a) No significant changes in the valuation method during 2013.

(b) Not applicable.

#### (3) **FPLAL WPF:**

Expenses allocated to the FPLAL WPF consist of those expenses that are directly attributable to servicing this business, and a further allocation of overhead expenses based on the directly attributable expenses as a proportion of total expenses directly attributed to all products. The overhead charge is therefore assumed to be proportional to the level of effort/expense required to service these policies.

Allocations of FPLAL WPF non-investment expenses to With-Profits Benefits Reserves continue in accordance with the expense review of 2010, with expenses increasing at RPI for all business. This review determined expenses based on charges made to the Fund in prior years. This agreement will expire on 31 December 2014, when it is expected that it will be reviewed. Any difference between charges to the with-profits benefits reserves and the total expenses charged to the Fund each year will emerge as profit or loss in that year.

#### **FP WPF:**

Allocations of FP non-investment expenses to With-Profits Benefit Reserves for pre demutualisation policies continues in accordance with the agreement reached effective from 1 January 2010, with expenses increasing at RPI plus 1% for all business, excluding ex FPLMA business where expenses increase in line with RPI. This agreement will expire on 31 December 2014, when it is expected that it will be reviewed.

Following FLL organisational restructuring on 28 December 2013, by way of an insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000, the FP WPF is governed by a new Court Scheme ("the 2013 Scheme"). The 2013 Scheme requires that the expenses charged to the FP WPF pre demutualisation policies "shall at no time exceed the charges for similar services made by third

## **Friends Life Limited With-Profits Funds**

party companies and shall at no time significantly exceed the costs which the With-Profits Fund would incur if FLL were to undertake such services itself and the only business of FLL were that comprised in the FL FP With-Profits Fund". Therefore any future review will take this consideration into account when determining the level of maintenance expenses to charge the FP WPF.

The expenses charged to the With-Profits Benefits Reserve are equal to those charged to the Fund.

For the pre demutualisation maintenance expenses below, the expenses are shown before netting down for tax relief where appropriate.

For UWP post demutualisation with-profits policies, the expenses charged to the with-profits Benefits Reserve are based on the charges specified within the contract.

### **FLC & FLAS WPFs:**

Fees are paid to Friends Life Services Limited (formerly AXA Sun Life Services Limited) (FLS) for management, administration, marketing and sales services, as defined in the Service Agreements between FLL and FLS. These fees are charged to asset shares and are adjusted annually as at 1 January, again as defined in the Service Agreements. The amounts of such fees split between initial and maintenance expenses, for the full year 2013 are shown below. The fee arrangements were reviewed in 2013 and the changes will come into effect on January 1<sup>st</sup> 2014.

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

Also shown below are the expenses that have been charged to the with-profits fund during 2013, but which are not charged to asset shares. These are mainly initial and renewal fees in respect of non-profit business, investment management fees in respect of non-profit business and other assets in excess of asset shares, plus certain exceptional costs.

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

### **WL WPF:**

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 7 of the 2013 Scheme.

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 31st December 2013.

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 2013 the aggregate expenses are calculated as 0.19% of the fund.

- (a) The previous expense investigations were performed in:

FP WPF: 2010  
FPLAL WPF: 2010  
FLC OWPF and FLC NWPF: 2013  
FLAS WPF: 2013  
WL WPF: 2012

- (b) Frequency of expense investigations for each with-profits fund is as follows:

FP WPF: every 5 years  
FPLAL WPF: every 5 years  
FLC OWPF and FLC NWPF: every 5 years  
FLAS WPF: every 5 years  
WL WPF: every 5 years.

## Friends Life Limited With-Profits Funds

- (c) The table below shows the total expenses allocated to the with-profits benefits reserve during 2013.

£m	FP WPF	FPLAL WPF	FLC NWPF	FLC OWPF	FLAS WPF	WL WPF
Initial fees chargeable to asset shares	0	0	0.2	0.0	0.5	0
Maintenance fees chargeable to asset shares	25.2	0.1	18.0	1.7	8.5	2.8
Other expenses chargeable to asset shares	0	0	0.1	0.0	0.3	0.0
Other expenses not chargeable to asset shares	0	0	7.7	2.3	14.5	4.3

- (4) For FP WPF policies, the derivation of charges deducted from the With-Profits Benefits Reserve differ based on whether With-Profits contracts are post demutualisation or pre demutualisation.

For post demutualisation With-Profits contracts, there is a charge for the cost of the guarantee that the UWP unit price will not fall. The charge varies depending on the original term and the bonus series.

FP WPF	Guarantee Charge (£m)	
	2013	2012
Pre demutualisation	-	-
Post demutualisation	0.31	0.38

For all other funds, no charges were made to the With-Profits Benefit Reserve in respect of the cost of guarantees or the use of capital during 2013. As indicated in the PPFM, this practice is reviewed periodically and is subject to change.

- (5) For WL WPF 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 standalone rider	£ 1.50 p.m.	0.0%
	£ 0.50 p.m.	0.0%
Personal Pensionplus In-force	£ 2.50 p.m.	0.0%
	£ 1.50 p.m.	0.0%
Other Unit Linked Pension (Closed Block) In-force	£ 1.67 p.m.	0.0%
	£ 1.00 p.m.	0.0%

ex-Colonial Policy Fees		
	Amount	Escalation Rate
Rainbow Plus	£35.38 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%
	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%
	0.80%

## Friends Life Limited With-Profits Funds

Series 3	1.00%
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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%

For all other funds, no charges have been deducted from the funds for non-insurance risk.

- (6) The ratio of claims paid out on With-Profits insurance contracts to the With-Profits Benefits Reserve held for those claims (including the contribution from miscellaneous surplus) are:

Year	FPLAL WPF	FP WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
2013	175%	101%	120%	124%	124%	102%
2012	187%	101%	118%	122%	122%	105%
2011	195%	101%	113%	117%	117%	109%

Note that the table above is using asset shares for FP and FPLAL WPF before any additional enhancements to the with-profit benefit reserve.

- (7) The investment return allocated to the With-Profits Benefits Reserve for the period 1 January to 31 December 2013 before deduction of tax and expenses were as follows:

Fund		Gross Investment return
FPLAL WPF		9.0%
FP WPF	Pre Demutualisation	7.5%
	Post Demutualisation	9.5%
FLC WPFs	E-Fund	14.6%
	F-Fund	0.3%
	Conventional	10.9%
FLAS WPF		10.3%
WL WPF	Life-styling element of policies close to maturity	-0.4%
	Colonial Deferred Annuities	-2.7%
	All other business	12.0%

There were adjustments to FP WPF UKP Series policies of -0.25% pa, which reflect the terms of the transfer of this company under the scheme of transfer to FPLO.

For the full year 2013, the overall investment return before tax and expenses for both FLC NWPF & FLC OWPF was 11.38%, though this does not get directly applied to any particular policies. For most UWP policies, the gross return applied to asset shares was 14.64% (E-Fund return). For such policies approaching the end of their policy term, a different rate was applied. This varied from 14.64% (E-Fund return) to 0.29% (F-Fund return) depending on product type and unexpired term.

For WL WPF, the divergent investment returns reflect the differing equity backing ratios of the investment classes.

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

## Friends Life Limited With-Profits Funds

### 5. With-Profits Benefits Reserve – Prospective Method

#### FLC, FLAS & WL WPFs

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

#### (1) FP WPF & FPLAL WPF

(a)(b)&(c) A bonus reserve valuation is used for conventional whole of life policies and conventional policies that have been made paid-up or have altered since inception.

The key economic assumptions used for FP WPF and FPLAL WPF business are:

	<b>FPLAL WPF</b>	<b>FP WPF</b>
	<b>% pa</b>	<b>% pa</b>
Discount rate – Life Business	3.1	3.1
Discount rate – Pensions Business	3.4	3.4
Gross Investment Return	3.4	3.4
Expense Inflation	4.3	4.3

The discount rates above are earned rates derived from the gross investment return. Therefore the discount rates differ from the risk-free rates required by 6(4) (a) (iii).

The same gross investment return is assumed for all asset categories.

(d) Assumed conventional annual bonuses are shown in the table below. Final bonuses were assumed to be a proportion of current final bonuses that are consistent with the rate that would be paid on a similar premium paying policy. Samples of current final bonus rates are shown in the following table:

	<b>Rates applying to attaching bonuses and sum assured</b>					
	<b>Annual Bonus (% pa)</b>	<b>Final Bonus by Term (%)</b>				
		<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
<b>FPLAL WPF</b>						
Life Closed Fund	2.00	-	97	99	64	64
Former 'New' WP Business fund (Life)	1.60	-	97	99	64	64
Pensions Closed Fund	0.25	-	43	53	26	38
Former 'New' WP Business fund (Pensions)	0.20	-	43	53	26	38

	<b>Rates applying to attaching bonuses</b>					
	<b>Annual Bonus (% pa)</b>	<b>Final Bonus by Term (%)</b>				
		<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
<b>FP WPF</b>						
UKP Life Series	1.00*	-	0	100	76	88

## Friends Life Limited With-Profits Funds

UKP Pension Series (Regular)	0.00	0	0	0	0	52
UKP Pension Series (Single)	0.00	0	0	0	0	200
Main Series Endowments	0.25	680	215	137	65	74
Main Series Low Cost Endowments 03/12/90-20/02/91	0.25	-	130**	-	-	-
Main Series Low Cost Endowments 21/02/91 - 31/12/91	0.25	-	105**	-	-	-
Main Series Low Cost Endowments 31/12/91 onwards	0.25	370	100	-	-	-
Main Series Low Cost Endowments increments (homebuyer)	0.25*	-	-	-	-	-
Main Series regular premium SEDA	0.00	0	90	55	28	38
Main Series single premium SEDA	0.00	440	51	70	47	126
Main Series life with guarantee surrender basis	0.25	0	0	170	170	170
LMA life series	2.00*	32*	43*	53*	68*	103*
FPLP Group Employer's Retirement Schemes	2.25*	-	-	-	-	-
FPLP Executive Benefit Schemes single premium	0.00	55	55	55	55	55
FPLP Executive Benefit Schemes regular premium	0.00	55	55	55	55	55

\* This rate also applies to sum assured

\*\* This rate applies to a 23 year term policy

(e) The FP WPF base expenses allowed for in the prospective With-Profits Benefit Reserve are those determined in accordance with the expense agreement reached effective 1 January 2010, inflated annually at a rate of RPI +1%. Although expenses can be reviewed in 2014 the calculation assumes that the base expenses remain at the 2010 level and are inflated appropriately.

Fund	2013 Expenses	Regular Premium	Paid-Up	Single Premium
FPLAL WPF	All	£30.84	£25.24	£30.84
FP WPF	Life	£27.79	£19.45	n/a
	Pension (Individual)	£33.35	£25.00	n/a

(f) No lapses or surrenders are assumed within the prospective With-Profits Benefits Reserve calculation.

(2) Not applicable.

### 6. Cost of guarantees, options and smoothing

(1) Not applicable.

(2) The cost of options and guarantees are valued using a Monte Carlo simulation approach using a stochastic asset model. The outputs from this asset model are input into a dynamic financial analysis model (Prophet ALS for h-FP funds, MoSes for h-AXA funds) to calculate the value of options and guarantees.

(a) All products are valued using the Monte Carlo method although there are some adjustments made outside the model.

## Friends Life Limited With-Profits Funds

(b) (i) Not applicable.

(ii) All costs have been valued on a grouped basis.

(iii) Grouping of Data: a set of rules is used to group policies with similar characteristics while aiming to preserve the intrinsic value of the guarantees. The table below shows the level of grouping split by fund and product group.

There were a number of changes to the grouping rules used for FP and FPLAL WPFs. Grouping rules were improved by considering how in-the-money policies were at 31 December 2012 and by adjusting the minimum criteria for grouping. The new grouping rules ensure a consistent approach to policies with similar guarantees.

			Policies before grouping	Policies after grouping	Compression
<b>FPLAL WPF</b>	Conventional Life	WOL	5,311	215	4.05%
		Savings	3,027	217	7.17%
	Conventional Pensions		3,164	536	16.94%
	<b>Total</b>		<b>11,502</b>	<b>968</b>	<b>8.42%</b>
<b>FP WPF</b>	Conventional Life (Pre demut)	WOL	18,330	395	2.15%
		Savings	61,771	902	1.46%
	Conventional Pensions (Pre demut)		52,164	889	1.70%
	UWP Life (Pre demut)	Bonds	49,710	189	0.38%
		Savings	51,300	531	1.04%
	UWP Pensions (Pre demut)		318,614	2,180	0.68%
	UWP Life (Post demut)	Bonds	2,686	78	2.90%
		Savings	5,804	250	4.31%
	UWP Pensions (Post demut)		20,057	690	3.44%
	<b>Total</b>		<b>580,436</b>	<b>6,104</b>	<b>1.05%</b>
<b>FLAS WPF</b>	Conventional		30,966	1,079	3.48%
	Bonds		12,855	760	5.91%
	UWP Life		11,195	439	3.92%
	UWP Pensions		75,652	1,500	1.98%
	<b>Total</b>		<b>130,668</b>	<b>3,778</b>	<b>2.89%</b>
<b>FLC NWPF</b>	Conventional		153,107	855	0.56%
	Bonds		27,016	692	2.56%
	UWP Life		33,026	675	2.04%
	UWP Pensions		92,820	1,559	1.68%
	<b>Total</b>		<b>305,969</b>	<b>3,781</b>	<b>1.24%</b>
<b>FLC OWPF</b>	Conventional		42,767	511	1.20%
	Bonds		4,275	169	3.95%
	UWP Life		7,012	289	4.12%
	UWP Pensions		29,962	682	2.28%
	<b>Total</b>		<b>84,016</b>	<b>1,651</b>	<b>1.96%</b>
<b>WL WPF</b>	Conventional		47,360	1,169	2.47%
	Bonds		621	149	23.99%
	UWP Life		868	259	29.84%
	UWP Pensions		13,473	322	2.39%
	<b>Total</b>		<b>62,322</b>	<b>1,899</b>	<b>3.05%</b>

### Impact of grouping on embedded maturity guarantees

The effect of grouping data on embedded maturity guarantee liabilities has been examined by calculating the liabilities for these onerous policy groups at an individual policy level. This was then compared against the

## Friends Life Limited With-Profits Funds

liability calculated using grouped data. An approximate upward adjustment has been made to the cost of guarantees to allow for the estimated grouping error.

### Impact of grouping on financial options

For FP WPF, an implicit adjustment is made within the stochastic model, proportionate to the grouped liabilities for financial options. An additional reserve of £2.9m is held to cover lost value.

For FLC, FLAS and WL WPFs, an approximate upwards adjustment has been made to the cost of financial options to allow for the estimated grouping error.

### Impact of grouping on other liabilities

For FP WPF, A calibration process was performed to ensure that liability cashflows and values on a deterministic basis, emerging from the Monte Carlo model using grouped data replicated the cashflows and values obtained from the deterministic model using individual policy data. An additional reserve is not required.

The process segmented the liabilities by business type (CWP and UWP) and then further split by material product lines. The key output from both models, split by segment, was compared over a 40-year projection period. The analysis included comparisons of:

- number of maturities and maturity payments;
- number of surrenders and surrender payments;
- number of deaths and death payments;
- With-Profits Benefits Reserve in-force;
- number of policies in-force; and
- expenses, investment income and in force premium income.

For FLC, FLAS and WL WPFs, an approximate adjustment has been made to the cost of smoothing and the cost of planned enhancements to allow for the estimated grouping error

(c) For WL WPF, unmodelled business represents approximately 1% of the With-Profits Benefit Reserve. The cost of guarantees, options and smoothing for the unmodelled business being the excess of the mathematical reserve over the asset share for each block of policies with similar characteristics, subject to a minimum of zero.

For the other funds, no significant approximations are used in valuing products.

- (3) For FLC and FLAS WPFs, improvements have been made to the modelling of financial options, in particular for the FLC WPFs. The aggregate effect of these changes is to reduce realistic liabilities across both funds by £47m.

For FP and FPLAL WPFs, no changes were made to the method of modelling of financial options and guarantees during 2013.

## Friends Life Limited With-Profits Funds

- (4) (a) (i) The options and guarantees are fully disclosed in the abstract to the valuation report (Appendix 9.4). The tables below show the extent to which the guarantees and options, split by major product groups, are in or out the money at the valuation date.

Split of maturity guarantees		FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Conventional Pension	Intrinsic	1	55	30	22	8	0
	Time	2	40	3	7	1	2
Conventional Life	Intrinsic	0	0	27	26	11	68
	Time	0	6	3	0	0	1
Unitised With-Profits Pension	Intrinsic	n/a	6	107	97	19	4
	Time	n/a	68	34	78	19	1
Unitised With-Profits Life	Intrinsic	n/a	12	5	12	2	1
	Time	n/a	7	1	8	2	0
<b>Total</b>	Intrinsic	<b>1</b>	<b>73</b>	<b>169</b>	<b>157</b>	<b>40</b>	<b>74</b>
	Time	<b>2</b>	<b>121</b>	<b>40</b>	<b>93</b>	<b>22</b>	<b>4</b>
	<b>Total</b>	<b>3</b>	<b>194</b>	<b>209</b>	<b>250</b>	<b>62</b>	<b>78</b>

Split of financial options		FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Conventional Pension	Intrinsic	16	477	81	34	13	5
	Time	0	0	3	0	0	0
Unitised With-Profits Pension	Intrinsic	0	0	0	89	32	0
	Time	0	0	0	4	1	0
<b>Total</b>		<b>16</b>	<b>477</b>	<b>84</b>	<b>127</b>	<b>46</b>	<b>5</b>

(ii) The nominal interest rate model used is Barrie and Hibbert's proprietary Libor Market Model Plus (LMM+). This is calibrated 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 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 excess return.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2013. 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 (ATM IV) for Equities and 10-Year tenor swaptions as well as the excess return volatility for property. The equivalent figures for 31 December 2012 are shown in parentheses ().

Volatility over period (years)	Equity option ATM IV	Property	10-Year Swaption ATM IV
5	19% (24%)	15% (15%)	20% (23%)
10	22% (26%)	15% (15%)	18% (18%)
20	26% (28%)	15% (15%)	17% (16%)

## Friends Life Limited With-Profits Funds

The correlations assumed between the main assets classes are:

	<b>6 Year Bond Return Index</b>	<b>Equity Total Return</b>	<b>RPI</b>	<b>Property Total Return</b>	<b>15 Year Corporate Bond Return Index (h-FP)</b>	<b>15 Year Corporate Bond Return Index (h-AXA)</b>
<b>6 Year Bond Return Index</b>	1.00	0.12	0.15	0.12	0.52	0.48
<b>Equity Total Return</b>	0.12	1.00	0.04	0.29	0.37	0.10
<b>RPI</b>	0.15	0.04	1.00	0.14	-0.23	-0.27
<b>Property Total Return</b>	0.12	0.29	0.14	1.00	0.15	0.01
<b>15 Year Corporate Bond Return Index (h-FP)</b>	0.52	0.37	-0.23	0.15	1.00	N/A
<b>15 Year Corporate Bond Return Index (h-AXA)</b>	0.48	0.10	-0.27	0.01	N/A	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.

**Friends Life Limited With-Profits Funds**

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K n	FPLAL & FP WPF Asset type (all UK assets)	(£)	1	2	3	4	1	2	3	4	1	2	3	4
			0.75				1.0				1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
	<b>Strikes</b>													
p	1.0		£826,766	£1,287,109	£1,907,904	£2,700,673	£1,102,355	£1,716,145	£2,543,872	£3,600,897	£1,653,532	£2,574,217	£3,815,807	£5,401,345
	0.8		£810,931	£1,157,111	£1,587,303	£2,098,009	£1,081,242	£1,542,815	£2,116,404	£2,797,345	£1,621,863	£2,314,223	£3,174,606	£4,196,018
r	Annualised compound equivalent of the risk free rate assumed for the period		1.97%	3.67%	3.81%	3.73%	*	*	*	*	*	*	*	*
1	Risk-free zero coupon bond		£907,149	£582,701	£393,102	£277,709	*	*	*	*	*	*	*	*
2	FTSE All Share Index (p=1)		£70,447	£212,208	£324,556	£407,589	£170,837	£354,736	£493,013	£591,351	£524,921	£707,766	£868,346	£990,917
3	FTSE All Share Index (p=0.8)		£66,185	£174,906	£246,572	£291,894	£161,220	£293,659	£378,192	£426,834	£500,208	£593,108	£673,931	£718,970
4	Property (p=1)		£31,741	£107,301	£184,182	£254,762	£134,561	£240,392	£338,317	£422,578	£521,669	£609,676	£714,824	£808,924
5	Property (p=0.8)		£28,277	£76,235	£120,487	£158,608	£124,116	£181,253	£231,214	£271,531	£495,492	£486,903	£516,060	£544,356
6	15 year risk-free ZCBs (p=1)		£10,876	£16,073	£14,736	£28,465	£88,112	£93,593	£94,854	£126,100	£501,751	£498,239	£501,886	£518,478
7	15 year risk-free ZCBs (p=0.8)		£9,297	£7,650	£3,805	£6,286	£78,407	£50,843	£30,870	£34,968	£473,872	£354,709	£269,341	£233,727
8	15 year corporate bonds (p=1)		£7,641	£14,762	£28,636	£58,816	£82,291	£98,872	£129,992	£177,911	£507,758	£515,323	£534,433	£566,835
9	15 year corporate bonds (p=0.8)		£6,294	£6,589	£8,539	£18,366	£72,309	£52,157	£51,603	£68,192	£479,485	£370,919	£308,459	£289,911
10	Portfolio of 65% equity and 35% property (p=1)		£39,974	£145,477	£241,711	£321,671	£132,822	£274,663	£396,247	£493,468	£510,277	£630,602	£765,719	£880,968
11	Portfolio of 65% equity and 35% property (p=0.8)		£36,630	£113,834	£174,567	£218,111	£123,218	£217,936	£289,421	£339,139	£483,854	£511,762	£571,437	£616,134
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)		£31,848	£118,605	£203,049	£274,413	£117,553	£239,160	£346,771	£434,965	£503,905	£590,001	£702,970	£806,039
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)		£28,999	£90,507	£143,669	£181,564	£108,241	£185,712	£246,808	£290,551	£476,535	£470,353	£514,400	£550,929
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)		£15,733	£70,788	£137,127	£198,855	£92,996	£178,896	£267,077	£346,429	£502,153	£544,129	£625,524	£713,576
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)		£13,756	£48,730	£87,647	£119,852	£83,527	£128,925	£175,326	£213,241	£474,058	£416,563	£431,447	£459,280
L			15				20				25			
16	Receiver swaptions		13.48%	8.86%	6.34%	4.20%	16.46%	10.81%	7.71%	5.12%	18.99%	12.46%	8.87%	5.90%

## Friends Life Limited With-Profits Funds

K n	FLC, FLAS & WL WPF Asset type (all UK assets)	(£)	1	2	3	4	1	2	3	4	1	2	3	4
			0.75				1.0				1.5			
			5	15	25	35	5	15	25	35	5	15	25	35

### Strikes

p	1.0		£826,766	£1,287,109	£1,907,904	£2,700,673	£1,102,355	£1,716,145	£2,543,872	£3,600,897	£1,653,532	£2,574,217	£3,815,807	£5,401,345
	0.8		£810,931	£1,157,111	£1,587,303	£2,098,009	£1,081,242	£1,542,815	£2,116,404	£2,797,345	£1,621,863	£2,314,223	£3,174,606	£4,196,018
r	Annualised compound equivalent of the risk free rate assumed for the period		1.97%	3.67%	3.81%	3.73%	*	*	*	*	*	*	*	*
1	Risk-free zero coupon bond		£907,149	£582,701	£393,102	£277,709								
2	FTSE All Share Index (p=1)		£70,447	£212,208	£324,556	£407,589	£170,837	£354,736	£493,013	£591,351	£524,921	£707,766	£868,346	£990,917
3	FTSE All Share Index (p=0.8)		£66,185	£174,906	£246,572	£291,894	£161,220	£293,659	£378,192	£426,834	£500,208	£593,108	£673,931	£718,970
4	Property (p=1)		£31,741	£107,301	£184,182	£254,762	£134,561	£240,392	£338,317	£422,578	£521,669	£609,676	£714,824	£808,924
5	Property (p=0.8)		£28,277	£76,235	£120,487	£158,608	£124,116	£181,253	£231,214	£271,531	£495,492	£486,903	£516,060	£544,356
6	15 year risk-free ZCBs (p=1)		£10,876	£16,073	£14,736	£28,465	£88,112	£93,593	£94,854	£126,100	£501,751	£498,239	£501,886	£518,478
7	15 year risk-free ZCBs (p=0.8)		£9,297	£7,650	£3,805	£6,286	£78,407	£50,843	£30,870	£34,968	£473,872	£354,709	£269,341	£233,727
8	15 year corporate bonds (p=1)		£14,771	£25,829	£33,026	£50,375	£96,660	£112,486	£125,908	£155,843	£503,064	£501,620	£507,678	£531,336
9	15 year corporate bonds (p=0.8)		£12,787	£14,000	£12,013	£16,849	£86,798	£67,685	£55,673	£58,451	£475,350	£364,226	£288,172	£260,354
10	Portfolio of 65% equity and 35% property (p=1)		£39,974	£145,477	£241,711	£321,671	£132,822	£274,663	£396,247	£493,468	£510,277	£630,602	£765,719	£880,968
11	Portfolio of 65% equity and 35% property (p=0.8)		£36,630	£113,834	£174,567	£218,111	£123,218	£217,936	£289,421	£339,139	£483,854	£511,762	£571,437	£616,134
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)		£31,848	£118,605	£203,049	£274,413	£117,553	£239,160	£346,771	£434,965	£503,905	£590,001	£702,970	£806,039
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)		£28,999	£90,507	£143,669	£181,564	£108,241	£185,712	£246,808	£290,551	£476,535	£470,353	£514,400	£550,929
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)		£14,745	£65,637	£128,865	£188,925	£90,595	£171,432	£256,059	£334,505	£500,410	£536,863	£613,502	£698,136
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)		£12,870	£44,856	£81,440	£113,157	£81,307	£121,927	£166,244	£202,805	£472,289	£408,643	£419,148	£446,286

L			15				20				25			
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16	Receiver swaptions		13.48%	8.86%	6.34%	4.20%	16.46%	10.81%	7.71%	5.12%	18.99%	12.46%	8.87%	5.90%
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## Friends Life Limited With-Profits Funds

(iv) The average initial equity and property rental yields are:

Description	Yield (pa)
Initial UK equity yield assumed	3.46%
Initial UK property rental yield assumed	4.30%
Initial EUR equity yield assumed	3.49%

(v) For FPLAL WPF and FP WPF, the below table shows the value for non-UK assets of the equity options in the domestic currency. All non-UK assets are assumed to behave as in the Euro (EUR) economy.

Asset type (EUR assets)	1	2	3	4
K	1			
n	5	15	25	35

Strikes						
p	1.0		€1,056,492.17	€1,536,557.64	€2,307,524.14	€3,369,617.98
r	Annualised compound equivalent of the risk free rate assumed for the period		1.11%	2.91%	3.40%	3.53%
1	Risk-free zero coupon bond		€946,528.55	€650,805.39	€433,364.91	€296,769.55
2	FTSE EUR Index (p=1)		€177,701.45	€315,048.69	€435,671.24	€544,510.06

For the purposes of calculating the cost of guarantees and options in the liability model this is then converted into £ GBP and as a result the expected return will be the same as in the UK currency. The value of EUR options after conversion into GBP will not equal that given in the UK table for a range of reasons including different base economy implied volatilities, exchange rate volatilities, diversification benefits and sampling error from using different sets of random numbers. No attempt has been made to quantify these second-order effects.

For the other with profits funds, no asset classes outside the UK are modelled separately.

(vi) There are no market instruments available that can be directly compared against the policyholder embedded maturity guarantees and financial option liabilities. The economic scenario generator is calibrated against actual market instruments held by the fund to hedge these liabilities.

The tables below show term structure and strikes of the guarantees and options split by significant product groups.

## Friends Life Limited With-Profits Funds

Split of guarantees (£m) by outstanding term	Years	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	Total
<b>FPLAL WPF</b>										
Conventional Pension	Intrinsic	1								1
	Time		1	1						2
<b>Total</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>					<b>3</b>
<b>FP WPF</b>										
Conventional Pension	Intrinsic	25	18	7	2	1	2	1		55
	Time	8	12	10	5	4	2			40
Conventional Life	Intrinsic									0
	Time	3	2							6
Unitised With-Profits Pension	Intrinsic			1	1	2	1			6
	Time	8	20	20	13	6	1			68
Unitised With-Profits Life	Intrinsic			2	4	4	2			12
	Time	3	3	1						7
<b>Total</b>	Intrinsic	25	18	10	7	7	5	1		73
	Time	22	37	31	18	10	3			121
	<b>Total</b>	<b>47</b>	<b>55</b>	<b>41</b>	<b>25</b>	<b>17</b>	<b>8</b>	<b>1</b>		<b>194</b>
<b>FLAS WPF</b>										
Conventional Pension	Intrinsic	5	7	10	4	2	1	0	0	30
	Time	0	1	1	0	0	0	0	0	3
Conventional Life	Intrinsic	11	9	5	2	0	0	0	0	27
	Time	1	1	1	0	0	0	0	0	3
Unitised With-Profits Pension	Intrinsic	54	24	16	9	3	1	0	0	107
	Time	7	10	8	5	2	1	0	0	34
Unitised With-Profits Life	Intrinsic	3	1	0	0	0	0	0	0	5
	Time	0	0	0	0	0	0	0	0	1
<b>Total</b>	Intrinsic	73	41	32	15	5	2	0	0	169
	Time	9	12	9	6	3	1	0	0	40
	<b>Total</b>	<b>82</b>	<b>53</b>	<b>41</b>	<b>21</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>209</b>
<b>FLC NWPF</b>										
Conventional Pension	Intrinsic	4	3	3	4	4	1	1	1	21
	Time	2	1	0	0	1	1	1	2	8
Conventional Life	Intrinsic	15	9	2						26
	Time									0
Unitised With-Profits Pension	Intrinsic	38	25	16	10	4	2	2		97
	Time	11	21	19	14	7	4	2		78
Unitised With-Profits Life	Intrinsic	7	4	1						12
	Time	3	5							8
<b>Total</b>	Intrinsic	64	41	22	14	8	3	3	1	156
	Time	16	27	19	14	8	5	3	2	94
	<b>Total</b>	<b>80</b>	<b>68</b>	<b>41</b>	<b>28</b>	<b>16</b>	<b>8</b>	<b>6</b>	<b>3</b>	<b>250</b>
<b>FLC OWPF</b>										
Conventional Pension	Intrinsic	1	1	1	1	1	1	1	1	8
	Time	1								1
Conventional Life	Intrinsic	6	4	1						11
	Time									0
Unitised With-Profits Pension	Intrinsic	10	4	3	1	1				19
	Time	2	6	6	3	1	1			19
Unitised With-Profits Life	Intrinsic	1	1							2
	Time	1	1							2
<b>Total</b>	Intrinsic	18	10	5	2	2	1	1	1	40
	Time	4	7	6	3	1	1			22
	<b>Total</b>	<b>22</b>	<b>17</b>	<b>11</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>62</b>
<b>WL WPF</b>										
Conventional Pension	Intrinsic									0
	Time				1			1	1	3
Conventional Life	Intrinsic	38	23	7	1					69
	Time			1						1
Unitised With-Profits Pension	Intrinsic	2	1							3
	Time		1							1
Unitised With-Profits Life	Intrinsic	1								1
	Time									0
<b>Total</b>	Intrinsic	41	24	7	1	0	0	0	0	73
	Time	0	1	1	1	0	0	1	1	5
	<b>Total</b>	<b>41</b>	<b>25</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>78</b>

## Friends Life Limited With-Profits Funds

Split of financial options (£m) by outstanding term	Years	1-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	Total
<b>FPLAL WPF</b>										
Conventional Pension	Intrinsic	5	5	3	2	1				16
	Time									0
<b>Total</b>		<b>5</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>1</b>				<b>16</b>
<b>FP WPF</b>										
Conventional Pension	Intrinsic	241	122	66	27	13	6	1		477
	Time									0
<b>Total</b>		<b>241</b>	<b>122</b>	<b>66</b>	<b>27</b>	<b>13</b>	<b>6</b>	<b>1</b>		<b>477</b>
<b>FLAS WPF</b>										
Conventional Pension	Intrinsic	47	22	10	2					81
	Time	1	1	1						3
<b>Total</b>		<b>48</b>	<b>23</b>	<b>11</b>	<b>2</b>					<b>84</b>
<b>FLC NWPF</b>										
Conventional Pension	Intrinsic	24	8	2						34
	Time									0
Unitised With-Profits Pension	Intrinsic	59	19	9	2					89
	Time	2	2							4
<b>Total</b>		<b>85</b>	<b>29</b>	<b>11</b>	<b>2</b>					<b>127</b>
<b>FLC OWPF</b>										
Conventional Pension	Intrinsic	9	3	1						13
	Time									0
Unitised With-Profits Pension	Intrinsic	19	8	4	1					32
	Time	1								1
<b>Total</b>		<b>29</b>	<b>11</b>	<b>5</b>	<b>1</b>					<b>46</b>
<b>WL WPF</b>										
Conventional Pension	Intrinsic	3	2							5
	Time									0
<b>Total</b>		<b>3</b>	<b>2</b>							<b>5</b>

(vii) The economic scenario generator produces deflators in order to value cash flows. A check is performed to ensure all future cashflows from an asset deflate to the current market value of the asset.

(viii) The liabilities are calculated using 2000 simulations. The Barrie & Hibbert file has undergone variance reduction by pairing simulations. This ensures the statistical means correspond closely to their theoretical values and minimises the number of simulations required to achieve statistical accuracy. An analysis of statistical error shows that the standard error for liabilities converges at 2000 simulations.

(b) No costs of options, guarantees or smoothing have been valued using market consistent cost of hedging.

(c) No costs of options, guarantees or smoothing have 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 2013 Scheme 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 Funds and (for WL WPF) the WL WPF Support Account (formerly the FLWL Segregated Sub-Fund), subject to the overriding requirement to meet the firm's contractual obligations.

In the preparation of WL Forms 18 and 19 at 31 December 2013, £6m of additional resources are required from the WL WPF Support accounts to fund the realistic liabilities of the fund. This capital support has been allowed for by reducing the present value of future shareholder transfers arising from distribution of surplus in Form 18 line 64.

## Friends Life Limited With-Profits Funds

### **Bonus Rules**

#### **FP WPF & FPLAL WPF - “Dynamic bonus decision rule”**

For each simulation, the model projects the guaranteed benefits allowing for future regular and final bonuses.

A rule has been built into the model that aims to pay a percentage of the final maturity benefit as final bonus. The final bonus as a percentage of sum assured and regular bonus at maturity is targeted to be equal to 2% \* policy term. For example, a 25 year policy targets final bonus of 50% of sum assured and regular bonus (and therefore targets final bonus as being one third of the maturity payout).

For each future time period, the model then calculates, for each bonus series, the regular (or unitised) bonus rate such that the final bonus targets can be met. This may result in no regular bonus being declared (subject to minimum bonus rates where they apply) in certain time periods and simulations.

Certain other rules also apply to the regular bonus rates for each bonus series:

- At the start of the first projection year, the initial bonus rates reflect the actual rates.
- Rates are subject to a minimum change of 0.25% pa
- Increases or decreases to rates are limited to 1.5% pa
- Regular bonus rates will not fall below the minimum contractual rates for each bonus series, as this rule overrides the others.

The Principles and Practices of Financial Management (PPFM) gives greater flexibility around reversionary bonus decision rules than the model allows.

The actual benefit at maturity depends on a policy's With-Profits Benefits Reserve at the time and the extent of any guaranteed benefits. The final bonus rule described above is only used for the purpose of determining regular bonus rates and the consequent impact on the guaranteed benefit.

In stress scenarios the model will follow the same dynamic rule in deciding the bonus policy.

#### **FLC, FLAS and WL WPFs - Regular & Final bonuses**

Regular bonus rates are set at a level which would deliver the optimal proportion of payout in the form of final bonus across each bonus series. This is in order to balance the assumed preference of policyholders to receive bonus in guaranteed form as surplus emerges against the need to ensure that the fund can meet its already-guaranteed bonus even after experiencing a very material shock. This approach has been approximately modelled given the constraints of the existing model.

The bonus rate is constrained to move by no more than 1% upwards or downwards from the previous year's rate.

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

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

For the WL WPF, 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.

## **Friends Life Limited With-Profits Funds**

c) Finally, actual payout ratios targeted to be within a 70% - 140% range.

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

### **Market Value Reduction (MVR)**

For the FP WPF and FPLAL WPF the payout for surrenders targets a percentage of asset share, currently either 95% or 100% depending on the business it relates to.

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

### **Asset Allocation**

For FP WPF & FPLAL WPF, the model assumes that the equity-backing ratio will move to a long-term assumption two months after the valuation date.

For FLC, FLAS and WL WPFs the asset mix of each with-profits fund is assumed to remain constant throughout the projection.

## Friends Life Limited With-Profits Funds

(b) The best estimates of future compound annual bonus rates for UWP business are shown below. For FPLAL WPF, there is no accumulating With-Profits business, therefore no annual bonus information is shown.

Product	Without adjustment to yield curve			Increase in yield curve of 17.5% of the annualised 15 year gilt yield			Decrease in yield curve of 17.5% of the annualised 15 year gilt yield		
	As at 31 Dec 2013	As at 31 Dec 2018	As at 31 Dec 2023	As at 31 Dec 2013	As at 31 Dec 2018	As at 31 Dec 2023	As at 31 Dec 2013	As at 31 Dec 2018	As at 31 Dec 2023
<b>FP WPF</b>									
Equity Backing Ratio	38%	38%	38%	38%	38%	38%	38%	38%	38%
Equity + Property ratio	46%	46%	46%	46%	46%	46%	46%	46%	46%
Pensions Regular Premium - Series 1	4.00%	4.00%	4.02%	4.00%	4.00%	4.08%	4.00%	4.00%	4.01%
Pensions Regular Premium - Other	2.50%	1.13%	1.84%	2.50%	1.58%	2.41%	2.50%	0.76%	1.34%
Pensions Single Premium - Series 1	4.00%	4.00%	4.09%	4.00%	4.01%	4.21%	4.00%	4.00%	4.03%
Pensions Single Premium - Other	2.50%	1.96%	2.54%	2.50%	2.40%	3.08%	2.50%	1.58%	2.06%
OLAB Single Premium	2.25%	2.13%	2.81%	2.25%	2.69%	3.45%	2.25%	1.61%	2.25%
Life Regular Premium - Series 1	3.00%	3.00%	3.02%	3.00%	3.00%	3.05%	3.00%	3.00%	3.01%
Life Regular premium - Other	1.50%	0.71%	1.31%	1.50%	0.97%	1.71%	1.50%	0.51%	0.95%
Life Single Premium	2.00%	1.31%	2.29%	2.00%	1.71%	2.79%	2.00%	0.96%	1.84%
<b>FPLAL WPF</b>									
Equity Backing Ratio	43%	40%	40%	43%	40%	40%	43%	40%	40%
Equity + Property ratio	54%	50%	50%	54%	50%	50%	54%	50%	50%
<b>FLC WPFs</b>									
Equity Backing Ratio	49%	49%	49%	49%	49%	49%	49%	49%	49%
Equity + Property ratio	61%	60%	60%	61%	60%	60%	61%	60%	60%
Investment Bond (RB Series 10)	2.75%	2.76%	2.83%	2.75%	2.64%	2.92%	2.75%	1.94%	2.12%
UWP Pension (RB series 20)	0.00%	0.46%	0.62%	0.00%	0.26%	0.59%	0.00%	0.07%	0.13%
<b>FLAS WPF</b>									
Equity Backing Ratio	43%	42%	42%	43%	42%	42%	43%	42%	42%
Equity + Property ratio	52%	50%	50%	52%	50%	50%	52%	50%	50%
Investment Bond (RB Series 1)	3.25%	3.27%	3.25%	3.25%	3.61%	3.57%	3.25%	2.70%	2.66%
UWP Pension (RB Series 8)	3.00%	3.95%	3.82%	3.00%	4.21%	4.11%	3.00%	3.18%	3.02%
<b>WL WPF</b>									
Equity Backing Ratio	50%	50%	50%	50%	50%	50%	50%	50%	50%
Equity + Property ratio	50%	50%	50%	50%	50%	50%	50%	50%	50%
UWP Pensions	0.00%	0.40%	0.70%	0.00%	0.60%	1.10%	0.00%	0.20%	0.30%
UWP Life	0.00%	0.10%	0.20%	0.00%	0.10%	0.30%	0.00%	0.00%	0.10%
UWP Bonds	0.40%	0.10%	0.20%	0.40%	0.10%	0.40%	0.40%	0.00%	0.10%

Note: Equity backing ratio includes UK and OS equity only.

## Friends Life Limited With-Profits Funds

For FP WPF & FPLAL WPF, the model assumes that the equity-backing ratio will move to a long-term assumption two months after the valuation date.

For WL WPF, 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 assumed rates of mortality, morbidity, lapse<sup>1</sup>, surrender, conversion to paid-up, early retirement and the proportion of guaranteed annuities that are sacrificed in order to receive tax-free cash, are reviewed annually. They have been derived from analyses of the Group's operating experience and industry studies.

The valuation makes no allowance for the payment of future premiums on recurring single premium contracts (except for FP WPF stakeholder style pensions in which case, if a regular pattern in the receipt of premiums is established, the business is treated as regular premium business) or for non-contractual increments on existing policies.

A summary of the surrender and paid-up assumptions used to determine the costs in (4) (a), (b) and (c) is set out below:

		Average surrender/paid-up rate for policy years (% pa)			
		<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>
<b>FP WPF</b>					
CWP savings endowment	surrender	7.1	5.8	3.0	3.0
CWP target cash endowment	surrender	8.7	8.8	4.0	4.0
UWP savings endowment	surrender	13.7	9.8	6.5	6.5
UWP target cash endowment	surrender	12.1	13.2	10.0	10.0
UWP bond	surrender	2.9	17.8	9.0	9.0
UWP bond	automatic withdrawals	2.6	2.6	2.6	2.6
CWP pension regular premium	PUP <sup>2</sup>	0.0	0.0	0.0	0.0
CWP pension regular premium	surrender	1.0	1.0	1.0	4.8
CWP pension single premium	surrender	1.5	1.5	1.5	2.8
UWP individual pension regular premium	PUP	0.0	0.0	0.0	0.0
UWP individual pension regular premium	surrender	2.3	2.7	3.5	9.8
UWP individual pension single premium	surrender	2.6	5.0	5.0	10.8

<sup>1</sup> No allowance is made for partial withdrawals in the model.

<sup>2</sup> PUP rates are set to zero as the model does not allow for conversions to paid-up. Instead, an out of model adjustment is made to the cost of guarantees for conversions to paid-up.

## Friends Life Limited With-Profits Funds

<b>FLC WPF</b>		<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>11-15</u></b>	<b><u>16-20</u></b>
CWP savings endowment	surrender	12.2	8.4	4.3	2.5
CWP target cash endowment	surrender	1.0	1.0	1.0	1.0
UWP savings endowment	surrender	7.6	8.0	9.0	8.0
UWP target cash endowment	surrender	6.5	6.5	6.0	4.0
UWP Bond	surrender	9.0	9.0	6.7	5.3
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	5.2	5.0	5.0	5.0
CWP pension regular premium	surrender	2.0	2.0	2.6	4.0
CWP pension single premium	surrender	2.0	2.0	2.6	4.0
UWP individual pension regular premium	PUP	4.5	4.5	4.0	4.0
UWP individual pension regular premium	surrender	3.5	3.5	4.0	6.3
UWP individual pension single premium	surrender	3.5	3.5	4.0	6.3
<b>FLAS WPF</b>		<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>11-15</u></b>	<b><u>16-20</u></b>
CWP savings endowment	surrender	8.0	6.0	3.6	2.0
CWP target cash endowment	surrender	11.2	4.4	3.3	2.5
UWP savings endowment	surrender	4.3	3.7	5.3	5.5
UWP target cash endowment	surrender	4.3	3.7	5.3	5.5
UWP Bond	surrender	9	9	6.65	5.25
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	5	5	5	5
CWP pension regular premium	surrender	1.5	1.5	1.5	1.5
CWP pension single premium	surrender	1.5	1.5	1.5	1.5
UWP individual pension regular premium	PUP	6.5	6.5	5.0	4.5
UWP individual pension regular premium	surrender	6.5	6.5	8.0	10.2
UWP individual pension single premium	surrender	6.5	6.5	8.0	10.2
<b>WL WPF</b>		<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>11-15</u></b>	<b><u>16-20</u></b>
CWP savings endowment	surrender	N/A	6.0	4.4	3.4
CWP target cash endowment	surrender	N/A	6.0	4.4	3.4
UWP savings endowment	surrender	9.0	6.0	4.0	4.0
UWP target cash endowment	surrender	20.0	13.2	5.0	4.0
UWP Bond	surrender	5.0	11.2	15.0	15.0
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	4.5	5.0	5.0	5.0
UWP individual pension single premium	surrender	4.5	5.0	5.0	5.0

The average surrender/paid up rates for policy years 16-20 include an allowance for early retirement rates.

## Friends Life Limited With-Profits Funds

The assumed take-up rates for guaranteed annuity options are as follows:

Product	GAR take up rate
UKP Executive Conventional Pensions	73%
FP & UKP Individual Conventional Pensions	78%
FP Executive Conventional Pensions	82%
Group Conventional Money Purchase	80%
FPLAL WPF Individual Pensions	75%
FLC WPF	80%
FLAS WPF	80%
WL WPF	80%

For FP WPF and FPLAL WPF, the annuitant mortality assumptions used in the calculation of the value of financial options are reflected in the table of life expectancies below:

Current Age	Expectation at age	31 December 2013	
		Male	Female
45	65	26.2	28.2
55	65	25.3	27.2
65	65	24.4	26.3
75	75	15.2	16.7

For FLC WPFs, the mortality assumption in possession of any GAR is assumed to be 105% of PCMA00 (CMI 2011) for males, and 107.5% of PCFA00 for females. Improvement factors are based on CMI2011 tending to 1.25% pa over the long term.

For FLAS WPF, the mortality assumption in possession of any GAR is assumed to be 97.5% of PCMA00 (CMI 2011) for males, and 100% of PCFA00 for females. Improvement factors are based on CMI2011 tending to 1.25% pa over the long term.

For WL WPF, the mortality assumption in possession of any GAR is assumed to be 107.5% of PCMA00 (CMI 2011) for males, and 107.5% of PCFA00 for females. Improvement factors are based on CMI2011 tending to 1.25% pa over the long term.

- (7) For WL WPF 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.

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

### 7. Financing costs

#### **FPLAL and FLC WPFs**

There are no financing arrangements in place.

#### **FP WPF**

Contingent loan

- Under the 2013 Scheme, capital support is provided to the FP WPF by the Non-Profit Fund. The minimum amount of capital support that the Non-Profit Fund must provide, if required (the 'FL FP With-Profits Support Account'), is currently £59.0m. This amount reduces to nil by 2031<sup>3</sup>.
- Capital support is provided by means of contingent loans where repayment is contingent on the FP WPF having sufficient assets to meet regulatory solvency needs and the reasonable expectations of policyholders.
- At 31 December 2013 the balance of the contingent loan lent by the Non-Profit Fund to the FP WPF was £60.8m. Hence at least £1.8m is due for repayment.

A waiver in respect of the contingent loan was granted with effect from 28 December 2012. The waiver permits the inclusion on Form 19 Line 27 of any Capital Support Account assets that have not been advanced at the valuation date, but which are available if necessary. At 31 December 2013 there are no further assets available to include in Form 19 Line 27.

- This arrangement provides the FP WPF with up to £59.0m of assets in the event that it is required to meet guarantees and discretionary benefits of policyholders. In addition, the investment and bonus policy of the Fund assumes that the FL FP With-Profits Support Account forms part of the Fund. However, the Fund is otherwise managed with the intention that the contingent loan will be repaid.

#### **FLAS WPF**

Until December 2013, the FLAS WPF had a financing arrangement in place. The FLAS WPF reinsured most of its unit-linked business to the FLL NPF. In accordance with the terms of the reinsurance agreement, the FLAS WPF provided financing in respect of part of the acquisition expenses that would otherwise have been charged to the FLL NPF in respect of the reinsured business. The financing was repaid by applying specified repayments to reduce the accumulated financing balance. Interest was charged at the rate of an average of 3 month LIBOR, and was rolled up within the financing balance. No additional fees were payable. Total repayments of £26.9m were made from the FLL NPF (previously FLC NPF) to the FLAS WPF during 2013. There is no outstanding balance of financing at 31<sup>st</sup> December 2013. The arrangement was closed to new business at 31<sup>st</sup> December 2006.

#### **WL WPF**

The 2013 Scheme 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 WL WPF Support Account 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 2013 Scheme as and when they fall due; and

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<sup>3</sup> The capital support reduces by 10% at the end of each year

## **Friends Life Limited With-Profits Funds**

- 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.

## Friends Life Limited With-Profits Funds

### 8. Other Long-Term Insurance Liabilities

There are no liabilities shown at line 46 of Form 19.

Below is a reconciliation of the liabilities shown at line 47 of Form 19.

Description	FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
CWP Provision		46				
UWP Provision		112				
Additional manual liabilities		35				
Operational risk provision		25				
Additional tax provision		5	17	29	7	1
Reorganisation Bonus				102	15	
Deferred Maturity guarantees	2	10				
Mortgage Endowment Provision		5				
Other		1				
<b>Total With-Profits Benefits Reserve</b>	<b>2</b>	<b>239</b>	<b>17</b>	<b>131</b>	<b>22</b>	<b>1</b>
L47 of Form 19: With-Profits Benefits Reserve	2	239	17	131	22	1

The liabilities shown at line 47 of Form 19 include the current prospective value of the various provisions that were set up on demutualisation to pay for the shareholders' interest in the FP With-Profits Funds (created to avoid the benefit expectations of the pre demutualisation policies being affected by demutualisation), together with provisions set up since demutualisation:

CWP provision: this shows the prospective value of the future transfers to shareholders in respect of 1/9th of the cost of future bonuses.

UWP provision: this is 100% of the value of charges less expenses for pre demutualisation UWP business. Line 22 (Present value of future profits on non-profit insurance contracts) contains 40% of this amount as an asset. The net liability is 60% of this amount, which is the entitlement of shareholders in respect of UWP policies under the 2013 Scheme.

Additional manual liabilities: are the manual liabilities that are calculated for WP/UWP business. These need to be included in the modelling adjustments because they are not contained in the asset shares or anywhere else in the RBS.

Operational risk provision: this is a realistic reserve which needs to be held as an extra provision in the RBS as an allowance for operational risk events, mainly relating to errors on pre-demutualisation business (mainly mis-selling)

Additional tax provision: this is the future tax and investment expenses on the assets backing the future policy related liabilities in excess of asset share.

Reorganisation Bonus: this is the value of the future Reorganisation Bonus payable in accordance with the 2013 Scheme.

Deferred maturity guarantees: this is a provision for final bonus where maturity has been deferred but final bonus is guaranteed.

Mortgage endowment provision: this represents an actuarial provision in respect of future claims.

## Friends Life Limited With-Profits Funds

### 9. Realistic Current Liabilities

The realistic current liabilities comprise:

Line 51 Realistic current liabilities	FPLAL WPF	FP WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
	£m	£m	£m	£m	£m	£m
Regulatory current liabilities	18	565	248	329	71	56
Provisions for Shareholder Tax	0	30	31	0	5	0
Total	<b>18</b>	<b>595</b>	<b>279</b>	<b>329</b>	<b>76</b>	<b>56</b>

Provisions for Shareholder Tax: this represents the tax that will be payable on future transfers to the Non-Profit Fund and the Shareholder Fund.

## Friends Life Limited With-Profits Funds

### 10. Risk Capital Margin

(a)

	<b>FPLAL WPF (£m)</b>	<b>FP WPF (£m)</b>	<b>FLAS WPF (£m)</b>	<b>FLC NWPF (£m)</b>	<b>FLC OWPF (£m)</b>	<b>WL WPF (£m)</b>
Risk Capital Margin	3	125	0	0	0	5

For FLC & FLAS WPFs, the realistic liabilities have been set equal to realistic assets and the management actions in the RCM scenario are such that the RCM is zero.

The most adverse scenarios are:

(i) Equity values fall by 20% for all funds. Property values fall by 12.5% for all funds.

(ii) Fixed interest yields are assumed to rise or fall by the amounts shown in the table below. The percentage change in yields is 17.5%.

	<b>FPLAL WPF (£m)</b>	<b>FP WPF (£m)</b>	<b>FLAS WPF (£m)</b>	<b>FLC NWPF (£m)</b>	<b>FLC OWPF (£m)</b>	<b>WL WPF (£m)</b>
Long term yield (annualised)	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%
Movement in yields	0.60%	-0.60%	-0.60%	-0.60%	-0.60%	-0.60%

(iii) (a) The average change in spread for bonds, other than those that are issued or guaranteed by credit risk scenario exempt organisations in accordance with INSPRU 1.3.78R, is as follows:

	<b>Average change in spread (basis points)</b>	<b>Percentage change in asset values</b>
FPLAL WPF With profits Portfolio	35	-0.96%
FPLAL WPF Non-profits Portfolio	-	-
FP WPF With profits Portfolio	91	-6.56%
FP WPF Non-profit Portfolio	90	-6.41%
FLC WPF With profits Portfolio	68	-3.67%
FLC WPF Non-profit Portfolio	79	-5.00%
FLAS WPF With profits Portfolio	57	-3.20%
FLAS WPF Non-profit Portfolio	107	-8.46%
WL WPF Whole Portfolio	24	-0.80%

(b) For the FP WPF and FPLAL WPF a similar level of credit stress is applied to debts. For all other funds this is not applicable.

(c) For the FP WPF and FPLAL WPF a similar level of credit stress is applied to re-insurance. For all other funds this is not applicable or de minimis.

(d) Not applicable.

(e) For the FLC & WL WPFs, credit default swaps are held to adjust credit exposure on selected corporate bonds within the FLC non-profit portfolio and the WL WPF asset share portfolio. The average (weighted by notional) change in spread and resulting increase in the value of these assets are shown below. The change is shown as negative because the value is changing from a negative value to a positive value.

<b>Description</b>	<b>FLC NWPF</b>	<b>FLC OWPF</b>	<b>WL WPF</b>
Change in spread (bps)	144	144	108
Change in value	-166%	-166%	-121%

No other asset values are adjusted in the credit risk scenario.

## Friends Life Limited With-Profits Funds

(iv) For all funds, lapse and early retirement rates reduce from current levels by 32.5%, implying that a greater number of maturity guarantees and options are exercised.

The table below shows the impact that the change in lapse assumptions has on the liabilities.

Fund	Change in liabilities
FP WPF	1.09%
FPLAL WPF	0.25%
FLAS WPF	1.12%
FLC NWPF	0.60%
FLC OWPF	0.60%
WL WPF	0.42%

(v) Not applicable

(b) (i) For FLC & FLAS WPFs in the stress scenario that defines the Risk Capital Margin it is assumed that planned enhancements will be able to be reduced so that no RCM is required.

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

(ii) The impact of the change in management actions on the Risk Capital Margin are as follows:

Description	FP WPF	FPLAL WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
Impact of management actions (£m)	n/a	n/a	170	185	113	n/a

For FP WPF, FPLAL WPF and WL WPF, no additional management actions have been assumed.

(iii) No changes would apply to the table in **6(5)(b)** if the management actions assumed within the Risk Capital Margin were also assumed within the base scenario.

(iv) Not relevant since management actions are only assumed to be taken in funds where no charges for guarantees are assumed.

(c) (i) For all funds (excluding WL WPF), no shareholder support, other than the FP WPF contingent loans, is required at 31 December 2013. The funds are fully covering the risk capital margin without the need for additional shareholder support. The RCM is assumed to be backed by approved fixed interest securities within the fund.

For WL WPF, the risk capital margin is covered by assets in the WL WPF Support Account and transfers from the Shareholder fund as allowed for in the 2013 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 WL WPF Support Account, assets would be transferred into the With-Profit Fund in the form of a permanent transfer

**11. Tax**

(i) For all funds, life tax is charged to life asset shares and pensions tax to pension asset shares and this treatment is in line with the new tax regime. There are no fund level tax calculations within in the model. The aim is for the tax charged to asset shares to be consistent with the tax charged to the fund in respect of assets backing asset shares

(ii) For FPLAL WPF business, the modelling applies future tax to the future policy related liabilities in accordance with the 2013 Scheme, with life and pension business taxed on a mutual basis

For FP WPF, the modelling applies future tax to the With-Profits Benefits Reserve in accordance with the 2013 Scheme, with life business taxed on an 'I-E' basis and pensions business taxed on profits.

For life business an estimate for tax on assets backing the future costs of contractual guarantees (line 41), and any additional tax on the working capital, is calculated using an approximate method.

For FLC, FLAS and WL WPFs, the liability for future tax on assets backing the future policy related liabilities is calculated separately and included on the balance sheet in Form 19, Line 47. The calculation assumes that these assets are locked in for the mean term of the policy liabilities, and incur tax on the investment return over that term. Tax is only incurred on the BLAGAB proportion of the assets.

(iii) There is no liability assumed for tax on the assets backing realistic current liabilities.

## Friends Life Limited With-Profits Funds

### 12. Derivatives

#### **FPLAL WPF**

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Sold	Reduce economic exposure to UK equities in WP benefits reserve	21 Mar 2014	£1.6m
DJ Eurostoxx50	Bought	Increase economic exposure to European equities in WP benefits reserve	21 Mar 2014	£1.6m
S&P 500	Bought	Increase economic exposure to US equities in WP benefits reserve	21 Mar 2014	£1.9m
TOPIX	Bought	Increase economic exposure to Japanese equities in WP benefits reserve	13 Mar 2014	£1.6m

Sterling interest rate receiver swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates of 2037 and 2052, a total notional of £19.0m, and a total market value of -£1.7m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates from 2016 to 2023, a total notional of £44.0m, and a total market value of -£1.0m.

#### **FP WPF**

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities in WP benefits reserve	21 Mar 2014	£1.0m
DJ Eurostoxx50	Bought	Increase economic exposure to European equities in WP benefits reserve	21 Mar 2014	£24.0m
S&P 500	Sold	Reduce economic exposure to US equities in WP benefits reserve	21 Mar 2014	£32.1m
TOPIX	Bought	Increase economic exposure to Japanese equities in WP benefits reserve	13 Mar 2014	£32.8m
FTSE 100	Bought	Match UK equity component of maturity guarantees	21 Mar 2014	£60.3m
DJ Eurostoxx50	Sold	Hedging European equity risk	21 Mar 2014	£8.8m
S&P 500	Sold	Hedging US equity risk	21 Mar 2014	£11.7m

FTSE 100 put options with a market value of £45.0m are held to match the strike and term of the equity component of maturity guarantees. The fund currently holds 85,720 equity capital return put options with strikes ranging from 3,988 to 6,647 and expiry dates from 2014 to 2027; and 13,223 equity total return put options with strikes ranging from 2,000 to 8,000 and expiry dates from 2014 to 2027.

Swaptions with a market value of £2.3m are held to match financial options. These swaptions have a notional value of £692m and strikes ranging from 7.9% to 11.1%, and expiry dates from 2014 to 2041.

Sterling interest rate receiver swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates from 2034 to 2054, a total notional of £607m, and a total market value of -£48.9m.

## Friends Life Limited With-Profits Funds

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates from 2017 and 2052, a total notional of £952m, and a total market value of -£24.9m.

Inflation swaps are used as a tool to hedge inflation risk. These swaps have a notional value of £148m and a market value of £2.7m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure in WP benefits reserve back to Sterling. There is £182m exposure to Euro, USD and JPY hedged back to Sterling.

### **FLAS WPF**

Derivatives held as at 31 December 2013 are as follows:

Sterling interest rate receiver swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates between 2036 and 2063, a total notional of £557m, and a total market value of -£36.8m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates between 2014 and 2033, a total notional of £661m, and a total market value of £8.4m.

A set of asset swaps is held with an obligation to pay inflation linked cashflow in exchange for receiving fixed cashflow. These asset swaps are held in conjunction with a set of index-linked bonds, with the purpose that the net cashflow from the bonds together with the swaps is appropriate to back a set of fixed liabilities. The swaps held have expiry dates between 2017 and 2047, a total notional of £427m, and a total market value of -£40.6m.

Sterling receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2014 to 2023, all have a tenor of 20 years and a strike rate of 5%. They have a total notional of £35.6m and a total market value of £6.5m.

Equity put options are held for the purpose of hedging embedded equity risk in the asset portfolio. These are out of the money put options on FTSE 100 with expiry dates ranging from 2014 to 2018 and a strike of 5200. There is a total notional of £47.2m for a total market value of £2.2m.

An equity call option is also held for the purpose of hedging embedded equity risk in the asset portfolio. It is an out of the money call option on FTSE 100 with expiry date in 2014 and a strike of 7200. The notional is £70.9m with market value of £0.2m.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities in WP benefits reserve	21 Mar 2014	£4.1m
FTSE 100	Sold	Hedging UK equity risk	21 Mar 2014	£209.1m
DJ Eurostoxx50	Sold	Hedging European equity risk	21 Mar 2014	£7.3m
S&P 500	Sold	Hedging US equity risk	21 Mar 2014	£15.3m
TOPIX	Sold	Hedging Japanese equity risk	13 Mar 2014	£5.7m
UK 10yr Gilt	Sold	Reduce economic exposure to UK fixed interest in WP benefits reserve	27 Mar 2014	£1.8m

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £122m exposure to Euro, USD and JPY hedged back to Sterling.

## Friends Life Limited With-Profits Funds

### FLC NWPF & FLC OWPF

Derivatives held as at 31 December 2013 are as follows:

Sterling interest rate receiver swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2023 and 2063, a total notional of £646m, and a total market value of -£53.7m.

Sterling interest rate payer swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2014 and 2033, a total notional of £108m, and a total market value of -£0.2m.

An asset swap is held with an obligation to pay inflation linked cash flow in exchange for receiving fixed cash flow. The asset swap is held in conjunction with an index-linked bond, with the purpose that the net cash flow from the bond together with the swap is appropriate to back a set of fixed liabilities. The swap held has expiry date in 2029, a notional of £66.0m, and a market value of £3.2m.

Sterling receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2014 to 2032, all have a tenor of 20 years and a strike rate of 5%. They have a total notional of £212m and a total market value of £36.6m.

Equity put options are held for the purpose of hedging equity risk. They are:

- Total return options on a basket of indices weighted as follows:

Index	Economy	Weighting
FTSE 100 Total Return	UK	71%
S&P 500 Total Return	US	13%
Dow Jones EUROSTOXX 50 Total Return	Europe	8%
TOPIX Total Return	Japan	8%

They are out of the money options with expiry dates ranging from 2014 to 2025, a total notional of £427m and a market value of £10.1m.

- Listed Equity Option on FTSE100. It is an out of the money option with expiry date in 2014, and with notional of £146m and a market value of £22k.

Single name Credit default swaps are held to hedge against credit risk on identified bonds. There is £132m of notional bought protection. They have expiry dates between 2014 and 2019 and total market value of -£2.7m.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities in WP benefits reserve	21 Mar 2014	£4.7m
FTSE 100	Sold	Hedging UK equity risk	21 Mar 2014	£268.8m
DJ Eurostoxx50	Sold	Hedging European equity risk	21 Mar 2014	£78.5m
S&P 500	Sold	Hedging US equity risk	21 Mar 2014	£108.8m
TOPIX	Sold	Hedging Japanese equity risk	13 Mar 2014	£25.0m
UK 10yr Gilt	Sold	Reduce economic exposure to UK fixed interest in WP benefits reserve	27 Mar 2014	£95.7m
German 10yr Bund	Bought	Increase economic exposure to German fixed interest in WP benefits reserve	6 Mar 2014	£0.6m
US 10yr Treasury	Bought	Increase economic exposure to US fixed	20 Mar 2014	£0.6m

## Friends Life Limited With-Profits Funds

		interest in WP benefits reserve		
UK 10yr Gilt	Sold	Duration management of assets backing guarantees	27 Mar 2014	£26.2m

Cross currency swaps are held to hedge overseas currencies exposure. They have a total notional of £115m and a market value of -£19.6m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £489m exposure to Euro, USD and JPY hedged back to Sterling.

### **WL WPF**

Sterling interest rate receiver swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2024 and 2059, a total notional of £79.6m, and a total market value of -£8.5m.

A Sterling interest rate payer swap is held for the purposes of hedging interest rate risk. The swap held has expiry date in 2039, a total notional of £7.4m, and a total market value of £0.8m.

Sterling payer swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2014 to 2034, and tenors of 20 years to 26 years, and a strike rate of 8%. They have a total notional of £84.3m and a total market value of £0.4m.

Equity put options are also held for the purpose of hedging equity risk. The put options are on FTSE100 and have expiry dates ranging from 2014 to 2017. They have total notional value of £20.2m and market value of £0.7m.

An equity call option is held together for the purpose of hedging equity risk. The call option is on FTSE100 and has an expiry date in 2014. Notional value is £2.4m and market value is £50k.

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 £73.8m and market value of -£1.0m.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities in WP benefits reserve	21 Mar 2014	£0.3m
FTSE 100	Sold	Hedging UK equity risk	21 Mar 2014	£21.4m

## Friends Life Limited With-Profits Funds

### 13. Analysis of Change in Working Capital

The following shows an approximate analysis of change in working capital between 31 December 2012 and 31 December 2013 for the With-Profits funds.

	<b>FP WPF</b>	<b>FPLAL WPF</b>	<b>FLAS WPF</b>	<b>FLC NWPF</b>	<b>FLC OWPF</b>	<b>WL WPF</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening position at start of year on a closed fund basis</b>	<b>191</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Move to open fund basis	112	70	127	114	86	
Expected investment return on opening working capital on open fund basis	13	1	-3	12	9	
Modelling changes and opening adjustments	-55	1	-63	34	7	
Mismatch profits on assets backing future policy related liabilities	82	6	58	66	6	
Assumption changes						
Economic	30	0	0	0	0	
Non-economic <sup>1</sup>	-12	4	-13	-54	-14	
Other variances						
Economic	-36	-5	0	0	0	
Non-economic	19	0	4	6	2	
Changes in other liabilities of lines 47 and 51 of Form 19	0	0	20	0	0	
Other	6	0	42	6	17	
<b>Working Capital transferred in (less support assets) at 27 December 2013</b>						<b>1</b>
<b>Closing position at end of year</b>	<b>350</b>	<b>80</b>	<b>170</b>	<b>185</b>	<b>113</b>	<b>1</b>
Move to closed fund basis	-218	-77	-170	-185	-113	-1
Reduction in support arrangement assets	-7	0	0	0	0	0
<b>Closing position at end of year as per line 68 of Form 19</b>	<b>125</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

For all funds, the valuation model does not dynamically target 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 working capital to planned enhancements (shown as “Move to closed fund basis” in the table above). For the FP WPF and FPLAL WPF, the excess is allocated to planned enhancements such that in the RCM most onerous scenario working capital is reduced to 0.

<sup>1</sup> Included here are the changes to the expense overrun provision previously reported in line 47 other liabilities, for which there is a corresponding offset in non-economic assumption changes.

**14. Optional disclosure**

None.



**RETURNS UNDER INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**  
**Information on With Profits Actuary as required by IPRU (INS) 9.36.**

**Friends Life Limited**

**Financial year ended 31 December 2013**

The Company has requested Michael Robert Kipling, the With Profits Actuary throughout 2013, to provide particulars specified in IPRU(INS) Rule 9.36 and the following details for the full year to 31 December 2013 have been furnished pursuant to that request.

- (a) At 31 December 2013, as a result of his participation in the Share Incentive Plan, Mr Kipling had a direct interest in 875 ordinary shares of no nominal value in the ultimate parent Company, Resolution Limited.

In addition, he has an interest in 50 units of the Friends Life Group plc Long Term Incentive Plan (LTIP), operational details of which are included in the accounts of the ultimate parent Company, Resolution Limited.

He had no interest at any time during the year in any shares in, or debentures of, the Company or its subsidiaries.

- (b) The aggregate amount of remuneration and value of other benefits received by Mr Kipling in respect of the year ended 31 December 2013, excluding contributions to the defined contribution pension scheme, was £347,964. This amount includes the bonus in respect of 2013 performance which was paid in March 2014.

His other pecuniary benefits receivable are provided under the standard terms and conditions of the Group's permanent health insurance scheme.



**Directors' certificate required by rule 9.34 of the Accounts and Statements Rules**  
**Friends Life Limited**  
**Financial year ended 31 December 2013**  
**Global Business**

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waivers dated 13 August 2009, 22 December 2011, and 28 December 2012 made under section 138A of the Financial Services and Markets Act 2000, details of which are contained in note 0201; and  
  
(b) we are satisfied that:
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue to comply in future.
2. (a) that 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 insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;  
  
(b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other 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;  
  
(c) that 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; and  
  
(d) that we have, in preparing the return, taken and paid due regard to-
  - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice in preparing the return from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

M.G. Carvill  
Director

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

J.S. Moss  
Director

26th March 2014



**Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**Friends Life Limited**

**Global business**

**Financial year ended 31 December 2013**

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements 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 Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- 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; and
- the certificate required by IPRU(INS) rule 9.34(1).

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 auditor's 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 the directions on 13 August 2009, 22 December 2011, and 28 December 2012 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and referred to in supplementary note 0201. 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 by us; or
- the Forms, the statement 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.

**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 26 March 2014. It also included an assessment of the significant estimates and judgments 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

26th March 2014

**CERTIFICATE OF THE WITH PROFITS COMMITTEE OF THE FLC OLD WITH PROFITS FUND**

**Financial Period 28 December 2012 to 31 December 2013**

**1 Overall Conclusion**

The With Profits Committee, having been advised by the With Profits Actuary, hereby certifies pursuant to paragraph 36.1.4 of the FLL 2013 Scheme (see note 1) that from 28 December 2012 to 31 December 2013 ('the period'),

- (a) the FLC Old With Profits Fund (OWPF) of Friends Life Limited (FLL) was managed in a manner that was consistent with the terms of the FLL 2013 Scheme and of the FL FLC Principles and Practices of Financial Management (PPFM) and in a way which is fair to the holders of Monitored Policies; and
- (b) Any amendments to the PPFM have been in accordance with the terms of the FLL 2013 Scheme and the PPFM.

**2 Detailed Conclusions**

- (a) The With Profits Committee is satisfied that:

- (i) the operation and management of the OWPF and the FLC New With Profits Fund (NWPF) in the period was performed in accordance with the terms of the FLL 2013 Scheme and of the PPFM and in a way which is fair to the holders of Monitored Policies.

- (b) The With Profits Committee has reviewed:

- (i) the investment policy of the OWPF during the period including the equity backing ratio;
  - (ii) the bonus policy of FLL in respect of policies allocated to the OWPF during the period (during which bonus rates, including rates of Reorganisation Bonus, on policies allocated to the OWPF were identical to those on identical policies allocated to the NWPF); and
  - (iii) the surrender terms applied in the period to policies allocated to the OWPF

and is satisfied that these are in accordance with the PPFM and that none of those items have been managed by FLL in a way prejudicial to the reasonable expectations of holders of Monitored Policies.

**3 Financial Support from the Non Profit Fund (NPF) of FLL**

- (a) The need for financial support for the OWPF and for the NWPF was assessed by FLL at 1 January 2013 in accordance with paragraph 29.2.1(G) of the FLL 2013 Scheme. No financial support was required by the OWPF or by the NWPF.
- (b) The solvency on both a regulatory and a realistic basis of the OWPF and of the NWPF were assessed by FLL throughout the period. No financial support was required by the OWPF or by the NWPF.

The With Profits Committee is satisfied that these assessments in paragraphs 3 (a) and 3 (b) were made by FLL in accordance with the provisions of the FLL 2013 Scheme.

- (c) A further assessment of the need for financial support for the OWPF and for the NWPF in accordance with paragraph 29.2.1(G) of the FLL 2013 Scheme is in the process of being made by FLL. The With Profits Committee will report further on this assessment in its certificate in respect of 2014.

4 Excess Surplus

The With Profits Committee is satisfied that any review of excess surplus in the OWPF required by Regulatory Requirements during the period was carried out in accordance with those Regulatory Requirements.

5 Special Scheme Bonus and capital support

The With Profits Committee is satisfied that the review of the Special Scheme Bonus as at 30 June 2013 and capital support for the OWPF at 31 December 2013 was made by FLL in accordance with the provisions of the FLL 2013 Scheme and that the way in which any resulting Special Scheme Bonus was allocated to policyholders (including the timing of Special Scheme Bonuses) was reasonable and in accordance with the provisions of the FLL 2013 Scheme.

6 Basis for the Certificate of the With Profits Committee

- (a) In preparing this certificate, the With Profits Committee has, as stated above, been advised by the With Profits Actuary, and has had full access to documents and reports prepared by FLL and by its With Profits Actuary and Actuarial Function Holder.

*Note 1: The 'FLL 2013 Scheme' means the Court Scheme as approved by the High Court, by the Royal Court of Jersey and by the Royal Court of Guernsey in December 2013. This superseded the 2012 Scheme that was approved in December 2012. 'Monitored Policies' are as defined in the Scheme.*

Robin Phipps  
Chairman of the With Profits Committee

17 March 2014