

# **Friends Life Limited**

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

**31 December 2014**

**IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.4A, 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 2014**

Adjusted solo solvency calculation

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R2	4096141	GL	31	12	2014	£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>	5891317	5801480
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	1696896	1738643
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	7588213	7540123

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	705945	703407
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	6882268	6836716

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	1412104	1346582
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	2902	3146
Individual minimum capital requirement	<b>34</b>	1412104	1346582
Capital requirements of regulated related undertakings	<b>35</b>	235244	254546
Minimum capital requirement (34+35)	<b>36</b>	1647348	1601128
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	6540311	6407199
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	6352702	6339277

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	4325826	4239011
Enhanced capital requirement	<b>40</b>	5973174	5840139

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	5973174	5840139
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	1615039	1699984

**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 2014**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	4096141	GL	31	12	2014	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

## Core tier one capital

Permanent share capital	11		702000	702000	402000
Profit and loss account and other reserves	12		2698914	2698914	3226366
Share premium account	13				
Positive valuation differences	14		4631288	4631288	4588373
Fund for future appropriations	15		696587	696587	666090
Core tier one capital in related undertakings	16		(1254471)	(1254471)	(1638086)
Core tier one capital (sum of 11 to 16)	19		7474318	7474318	7244743

## Tier one waivers

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

## Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				51000
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27		487848	487848	598042
Innovative tier one capital in related undertakings	28				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		7962166	7962166	7893785
Investments in own shares	32				
Intangible assets	33		18238	18238	30286
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		92095	92095	57694
Deductions from tier one (32 to 36)	37		110333	110333	87980
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		7851833	7851833	7805805

Components of capital resources

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>
		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	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**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>		368765	368765	347168
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>		368765	368765	347168

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>		661865	661865	661713
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>		661865	661865	661713

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		1030630	1030630	1008881
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>		1030630	1030630	1008881

**Components of capital resources**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>4096141</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2014</b>	<b>£000</b>
		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	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**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>		8882463	8882463	8814686
Inadmissible assets other than intangibles and own shares	<b>73</b>		1294250	1294250	1261022
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
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		7588213	7588213	7540123

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

Available capital resources for guarantee fund requirement	<b>81</b>		7588213	7588213	7540123
Available capital resources for 50% MCR requirement	<b>82</b>		7363985	7363985	7207763
Available capital resources for 75% MCR requirement	<b>83</b>		7588213	7588213	7540123

**Financial engineering adjustments**

Implicit items	<b>91</b>				
Financial reinsurance - ceded	<b>92</b>		9102	9102	17240
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>		9102	9102	17240

## 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 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	4096141	GL	31	12	2014	£000
				This financial year 1			Previous year 2	
Gross premiums written			11	325883			338673	
Premiums taxes and levies (included in line 11)			12					
Premiums written net of taxes and levies (11-12)			13	325883			338673	
Premiums for classes 11, 12 or 13 (included in line 13)			14					
Premiums for "actuarial health insurance" (included in line 13)			15	51417			46024	
Sub-total A (13 + 1/2 14 - 2/3 15)			16	291605			307990	
Gross premiums earned			21	330442			343409	
Premium taxes and levies (included in line 21)			22					
Premiums earned net of taxes and levies (21-22)			23	330442			343409	
Premiums for classes 11, 12 or 13 (included in line 23)			24					
Premiums for "actuarial health insurance" (included in line 23)			25	54681			49473	
Sub-total H (23 + 1/2 24 - 2/3 25)			26	293988			310427	
Sub-total I (higher of sub-total A and sub-total H)			30	293988			310427	
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	52918			55877		
	Excess (if any) over 61.3M EURO x 0.02	33	4918			5166		
Sub-total J (32-33)			34	48000			50711	
Claims paid in period of 3 financial years			41	593449			540313	
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	414126			364693		
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	370936			378107		
Sub-total C (41+42+43-44-45)			46	636639			526899	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	258190			248562	
Sub-total D (46-47)			48	378449			278338	
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49	0.59			0.53	
Premiums amount (Sub-total J x reinsurance ratio)			50	28533			26788	
Provision for claims outstanding (before discounting and net of reinsurance)			51	306468			264095	
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	26788			21899	
Greater of lines 50 and 53			54	28533			26788	

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

Global business

Financial year ended **31 December 2014**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	4096141	GL	31	12	2014	£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	593449			540313	
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	414126			364693	
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	370936			378107	
Claims incurred in reference period (21+22+23-24-25)			26	636639			526899	
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28	108714			77987	
Sub-total E (26 +1/2 27 - 2/3 28)			29	564163			474908	
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	188054			158303	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	48894			41159	
	Excess (if any) over 42.9M EURO x 0.03		33	4632			3655	
Sub-total G (32-33)			39	44262			37504	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	26311			19812	
Higher of premiums amount and brought forward amount (11.54)			42	28533			26788	
General insurance capital requirement (higher of lines 41 and 42)			43	28533			26788	

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

Global business

Financial year ended **31 December 2014**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	2014	£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>	599319	715367
	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>	2018	1679
	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>		
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	415536	589029
Rights under derivative contracts		<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	27398	26901
	Other	<b>46</b>	336078	91261
Variable interest securities	Approved	<b>47</b>		
	Other	<b>48</b>	48671	12532
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>	40516	23700
	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 2014**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	2014	£000	1
					As at end of this financial year		As at end of the previous year
					1		2

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	57855	68679
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	111208	292268
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6720	2509
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1645319	1823925
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**Analysis of admissible assets**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**

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	2014	£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>	1645319	1823925
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		749
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	235244	254546
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		13540
Inadmissible assets of regulated related undertakings	<b>96</b>	490710	269569
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>	1346566	1695780
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>	(8384)	(90698)
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>	3709455	3967410
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 2014**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	2014	£000	10
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	1329269			1277054

**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>	668751	771996
	Debts and loans	<b>26</b>	228867	237080
Other group undertakings	Shares	<b>27</b>	54897	75113
	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>	5211594	5229654
Other shares and other variable yield participations		<b>42</b>	415232	611300
Holdings in collective investment schemes		<b>43</b>	2118495	2150122
Rights under derivative contracts		<b>44</b>	447678	178899
Fixed interest securities	Approved	<b>45</b>	8688719	6811383
	Other	<b>46</b>	8719900	8712418
Variable interest securities	Approved	<b>47</b>	1284154	1497373
	Other	<b>48</b>	103632	1758350
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>	12629	15663
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	27043	128973
	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>	847091	825351
	Property linked	<b>59</b>	29015726	30388207

# Analysis of admissible assets

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**

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	2014	£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>	25659	41795
	Intermediaries	<b>72</b>	2809	6441
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	1250	29094
	Ceded	<b>75</b>	13507	11132
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>	467292	371930
	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>	446770	204306
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>	234262	242227
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	3962	5622

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>	60369188	61581483
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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>	60369188	61581483
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	135056	230076
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>	3915	3755
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>	48289	2037
Deferred acquisition costs excluded from line 89	<b>99</b>	772220	920201
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	11850039	13392483
Other asset adjustments (may be negative)	<b>101</b>	(179089)	(333899)
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>	72999619	75796137
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 2014**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	2014	£000	11
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	334202			350421

**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>	67569	179995
	Debts and loans	<b>26</b>	228867	234361
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>	1845748	1778630
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	390500	723554
Rights under derivative contracts		<b>44</b>	161066	78709
Fixed interest securities	Approved	<b>45</b>	3893370	3791498
	Other	<b>46</b>	2998139	2771010
Variable interest securities	Approved	<b>47</b>	160662	179305
	Other	<b>48</b>	2382	22110
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
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	24431	37530
	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>	49746	47908
	Property linked	<b>59</b>		

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

Global business

Financial year ended **31 December 2014**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	2014	£000	11
				As at end of this financial year		As at end of the previous year	
				1		2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	1648	2112
	Intermediaries	72	498	522
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	53345	46417
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	46453	5720
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	88659	89785
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	129	86

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	10347414	10342209
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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>	10347414	10342209
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	5673	9124
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>	10806	
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	4027537	144396
Other asset adjustments (may be negative)	<b>101</b>	202367	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>	14593797	10497254
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 2014**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	2014	£000	12
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	573395	564802
	Debts and loans	26		2719
Other group undertakings	Shares	27	1451	2214
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares		41	338	1086
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	494776	329904
Rights under derivative contracts		44	3739	11081
Fixed interest securities	Approved	45	2278203	546543
	Other	46	2384386	1823629
Variable interest securities	Approved	47	694981	572819
	Other	48	60118	1667765
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	74	88
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		85169
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	686829	509893
	Property linked	59	28988622	30363496



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

Global business

Financial year ended **31 December 2014**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	2014	£000	12
				As at end of this financial year		As at end of the previous year	
				1		2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71	18297	28439
	Intermediaries	72	2293	5892
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	1147	28623
	Ceded	75	11790	11060
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	195953	174535
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	538	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	61348	45828
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2867	4883

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	36461145	36780468
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**Analysis of admissible assets**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**

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	2014	£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>	36461145	36780468
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	129153	220499
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>	3915	3755
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>	9062	2037
Deferred acquisition costs excluded from line 89	<b>99</b>	772220	920201
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	7724829	13152027
Other asset adjustments (may be negative)	<b>101</b>	(31365)	(230298)
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>	45068959	50848689
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 2014**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	2014	£000	13
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11				40

**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>	72261	39940
Other shares and other variable yield participations		<b>42</b>		
Holdings in collective investment schemes		<b>43</b>	7619	43406
Rights under derivative contracts		<b>44</b>	739	813
Fixed interest securities	Approved	<b>45</b>	176995	153224
	Other	<b>46</b>	11123	12204
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>		
Other loans		<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	1902	4112
	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 2014**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	2014	£000	13
				As at end of this financial year		As at end of the previous year	
				1		2	

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	104	4901
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1439	1503
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	272182	260143
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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>	272182	260143
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	68	67
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>	927	842
Other asset adjustments (may be negative)	<b>101</b>	10766	(1653)
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>	283943	259399
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 2014**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	2014	£000	14
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	599019			553452

**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>	39362	57246
	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>	1695807	1802726
Other shares and other variable yield participations		<b>42</b>	234400	350964
Holdings in collective investment schemes		<b>43</b>	266915	351178
Rights under derivative contracts		<b>44</b>	128574	50297
Fixed interest securities	Approved	<b>45</b>	884147	890542
	Other	<b>46</b>	1495214	1675906
Variable interest securities	Approved	<b>47</b>	155529	133609
	Other	<b>48</b>	32212	54501
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>	6426	6398
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>	21126	20178
	Property linked	<b>59</b>		

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

Global business

Financial year ended **31 December 2014**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	2014	£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	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	567	7120
	Intermediaries	72		22
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		371
	Ceded	75	369	1
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	75400	56679
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	316384	53177
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	36993	44773
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5988444	6109140
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**Analysis of admissible assets**

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**

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	2014	£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)	91	5988444	6109140
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	34	32
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	14922	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(333990)	(52814)
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	5669410	6056358
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		



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

Global business

Financial year ended **31 December 2014**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	2014	£000	15
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	168298			148908

**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>	14084	15653
	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>	476294	483261
Other shares and other variable yield participations		<b>42</b>	62816	94432
Holdings in collective investment schemes		<b>43</b>	78483	80961
Rights under derivative contracts		<b>44</b>	37163	12880
Fixed interest securities	Approved	<b>45</b>	237053	221733
	Other	<b>46</b>	339749	365790
Variable interest securities	Approved	<b>47</b>	43157	34611
	Other	<b>48</b>	8920	13974
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>	1832	1703
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>	3669	3478
	Property linked	<b>59</b>		

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

Global business

Financial year ended **31 December 2014**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	2014	£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	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	146	798
	Intermediaries	72		5
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	103	100
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	52116	55906
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2413	6539
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	8674	10224
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1534970	1550956
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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>	1534970	1550956
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	9	10
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>	4271	
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>	(21994)	(53852)
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>	1517256	1497114
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 2014**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	2014	£000	16
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	224825			221208

**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>	27787	27199
	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>	964052	964407
Other shares and other variable yield participations		<b>42</b>	118016	165904
Holdings in collective investment schemes		<b>43</b>	765281	515567
Rights under derivative contracts		<b>44</b>	107772	20893
Fixed interest securities	Approved	<b>45</b>	910056	882515
	Other	<b>46</b>	1373636	1934745
Variable interest securities	Approved	<b>47</b>	229797	577029
	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>	277	502
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>	85533	243663
	Property linked	<b>59</b>	27104	24711

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

Global business

Financial year ended **31 December 2014**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	2014	£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	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	4998	3325
	Intermediaries	72	18	
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	1348	71
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	90049	31481
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	76388	120388
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	32238	44985
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	430	261

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5039605	5778854
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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>	5039605	5778854
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	119	344
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>	9228	
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	63452	62180
Other asset adjustments (may be negative)	<b>101</b>	(5691)	3219
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>	5106714	5844598
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 2014**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	2014	£000	17
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11		2925		3025

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares		41	157094	159604
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	114921	105552
Rights under derivative contracts		44	8625	4226
Fixed interest securities	Approved	45	308895	325328
	Other	46	117653	129134
Variable interest securities	Approved	47	28	
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	4020	4436
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	710	2162
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	188	231
	Property linked	59		

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

Global business

Financial year ended **31 December 2014**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	2014	£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	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	3	1
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	325	2011
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4594	18482
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4911	5129
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	536	392

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	725428	759713
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**Analysis of admissible assets**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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)	<b>91</b>	725428	759713
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
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>	33294	33038
Other asset adjustments (may be negative)	<b>101</b>	818	(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)	<b>102</b>	759540	792726
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

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

Global business

Financial year ended **31 December 2014**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>	52419055	51769980
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>	9	9
Balance of surplus/(valuation deficit)		<b>13</b>	420377	356686
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	52839441	52126675
Claims outstanding	Gross	<b>15</b>	307077	318192
	Reinsurers' share	<b>16</b>	30536	30170
	Net (15-16)	<b>17</b>	276541	288022
Provisions	Taxation	<b>21</b>	144541	179714
	Other risks and charges	<b>22</b>	106863	118675
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	46500	51713
	Reinsurance accepted	<b>32</b>	5200	4418
	Reinsurance ceded	<b>33</b>	24296	1604738
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		10384
Creditors	Taxation	<b>37</b>	368061	192305
	Other	<b>38</b>	1072383	1542140
Accruals and deferred income		<b>39</b>	14423	17905
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	2058808	4010014
Excess of the value of net admissible assets		<b>51</b>	5470940	5444794
Total liabilities and margins		<b>59</b>	60369188	61581483

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	225674	175459
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	28948310	30305465

Total liabilities (11+12+49)	<b>71</b>	54477872	55780003
Increase to liabilities - DAC related	<b>72</b>	89413	135057
Reinsurers' share of technical provisions	<b>73</b>	11850039	13392483
Other adjustments to liabilities (may be negative)	<b>74</b>	4804117	4518525
Capital and reserves and fund for future appropriations	<b>75</b>	1778178	1970068
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>	72999619	75796136

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

Global business

Financial year ended **31 December 2014**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>	8209493	8141782
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>	8209493	8141782
Claims outstanding	Gross	<b>15</b>	16974	14329
	Reinsurers' share	<b>16</b>	696	633
	Net (15-16)	<b>17</b>	16278	13696
Provisions	Taxation	<b>21</b>	22228	57974
	Other risks and charges	<b>22</b>	3293	4964
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	17741	19258
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	410	440
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>	149744	51931
	Other	<b>38</b>	412556	415309
Accruals and deferred income		<b>39</b>	1571	1737
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	623821	565309
Excess of the value of net admissible assets		<b>51</b>	1514100	1635118
Total liabilities and margins		<b>59</b>	10347414	10342209

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	44847	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>	8833314	8707091
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	4027537	144396
Other adjustments to liabilities (may be negative)	<b>74</b>	1509131	1474173
Capital and reserves and fund for future appropriations	<b>75</b>	223815	171594
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>	14593797	10497254

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**  
Global business  
Financial year ended **31 December 2014**  
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>	215955	197941
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>	240954	222940
Claims outstanding	Gross	<b>15</b>	943	752
	Reinsurers' share	<b>16</b>		10
	Net (15-16)	<b>17</b>	943	742
Provisions	Taxation	<b>21</b>	377	552
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	8	27
	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>	4486	2736
	Other	<b>38</b>	13843	13672
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>	19657	17729
Excess of the value of net admissible assets		<b>51</b>	11571	19474
Total liabilities and margins		<b>59</b>	272182	260143

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2064	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>	235612	215670
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	927	842
Other adjustments to liabilities (may be negative)	<b>74</b>	44175	39598
Capital and reserves and fund for future appropriations	<b>75</b>	3229	3290
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>	283943	259399

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**  
Global business  
Financial year ended **31 December 2014**  
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>	3935279	4077656
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>	9	9
Balance of surplus/(valuation deficit)		<b>13</b>	50633	61254
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	3985921	4138919
Claims outstanding	Gross	<b>15</b>	27012	23093
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	27012	23093
Provisions	Taxation	<b>21</b>	78779	78899
	Other risks and charges	<b>22</b>	2133	5026
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	57	269
	Reinsurance accepted	<b>32</b>	1873	2591
	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>	136931	108544
	Other	<b>38</b>	58965	104790
Accruals and deferred income		<b>39</b>	5958	6198
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	311708	329410
Excess of the value of net admissible assets		<b>51</b>	1690815	1640811
Total liabilities and margins		<b>59</b>	5988444	6109140

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	418	490
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>	4246996	4407075
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>	1236903	1449673
Capital and reserves and fund for future appropriations	<b>75</b>	185511	199610
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>	5669410	6056358

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**  
Global business  
Financial year ended **31 December 2014**  
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>	962287	970393
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>	962287	970393
Claims outstanding	Gross	<b>15</b>	1983	5978
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	1983	5978
Provisions	Taxation	<b>21</b>	20534	18558
	Other risks and charges	<b>22</b>	602	1628
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	51	47
	Reinsurance accepted	<b>32</b>	1912	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>	434	
	Other	<b>38</b>	13357	42448
Accruals and deferred income		<b>39</b>	1623	1838
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	40496	70840
Excess of the value of net admissible assets		<b>51</b>	532187	509723
Total liabilities and margins		<b>59</b>	1534970	1550956

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	861	131
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>	1002783	1041233
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>	451680	394543
Capital and reserves and fund for future appropriations	<b>75</b>	62793	61338
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>	1517256	1497114

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**  
Global business  
Financial year ended **31 December 2014**  
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>	3198755	3986661
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>	3198755	3986661
Claims outstanding	Gross	<b>15</b>	91517	86625
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	91517	86625
Provisions	Taxation	<b>21</b>	22623	23579
	Other risks and charges	<b>22</b>	27067	28379
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	375	154
	Reinsurance accepted	<b>32</b>	1415	1276
	Reinsurance ceded	<b>33</b>	813	864
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		
Creditors	Taxation	<b>37</b>	18815	
	Other	<b>38</b>	48756	103626
Accruals and deferred income		<b>39</b>	2981	2811
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	214362	247314
Excess of the value of net admissible assets		<b>51</b>	1626488	1544879
Total liabilities and margins		<b>59</b>	5039605	5778854

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2671	21817
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	27104	24711

Total liabilities (11+12+49)	<b>71</b>	3413117	4233975
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	63452	62180
Other adjustments to liabilities (may be negative)	<b>74</b>	1418801	1331007
Capital and reserves and fund for future appropriations	<b>75</b>	211344	217436
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>	5106714	5844598

**Long term insurance business liabilities and margins**

Name of insurer **Friends Life Limited**  
Global business  
Financial year ended **31 December 2014**  
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>	589087	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>	589087	609136
Claims outstanding	Gross	<b>15</b>	19668	18121
	Reinsurers' share	<b>16</b>	5	59
	Net (15-16)	<b>17</b>	19663	18062
Provisions	Taxation	<b>21</b>		152
	Other risks and charges	<b>22</b>	1402	2588
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	1041	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>	15851	18197
	Other	<b>38</b>	2330	15757
Accruals and deferred income		<b>39</b>	275	
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	40562	55788
Excess of the value of net admissible assets		<b>51</b>	95779	94789
Total liabilities and margins		<b>59</b>	725428	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>	629649	664924
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	33294	33038
Other adjustments to liabilities (may be negative)	<b>74</b>	86699	81942
Capital and reserves and fund for future appropriations	<b>75</b>	9898	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>	759540	792726



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

Global business

Financial year ended **31 December 2014**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>	35308199	33786411
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>	344745	270433
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	35652944	34056844
Claims outstanding	Gross	<b>15</b>	148980	169294
	Reinsurers' share	<b>16</b>	29835	29468
	Net (15-16)	<b>17</b>	119145	139826
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	72366	76090
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	27227	30926
	Reinsurance accepted	<b>32</b>		208
	Reinsurance ceded	<b>33</b>	23073	1603434
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		10384
Creditors	Taxation	<b>37</b>	41800	10897
	Other	<b>38</b>	522576	846538
Accruals and deferred income		<b>39</b>	2015	5321
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	808202	2723624
Excess of the value of net admissible assets		<b>51</b>		
Total liabilities and margins		<b>59</b>	36461145	36780468

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	174812	93432
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	28921206	30280754

Total liabilities (11+12+49)	<b>71</b>	36116401	36510035
Increase to liabilities - DAC related	<b>72</b>	89413	135057
Reinsurers' share of technical provisions	<b>73</b>	7724829	13152027
Other adjustments to liabilities (may be negative)	<b>74</b>	56728	(252411)
Capital and reserves and fund for future appropriations	<b>75</b>	1081588	1303979
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>	45068959	50848687

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

Global business

Financial year ended **31 December 2014**

Company registration number		GL/UK/CM	day month year			Units
R15	4096141	GL	31	12	2014	£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>		
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>		
	Foreseeable dividend	<b>48</b>	150000	273000
	Other	<b>49</b>	33667	66828
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	183667	339828
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		300000
Subordinated loan capital		<b>63</b>	856136	856136
Total (59 to 63)		<b>69</b>	1039803	1495964

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>	(160676)	(363697)
Capital and reserves	<b>84</b>	2830328	2835144
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>	3709455	3967410

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

Global business

Financial year ended **31 December 2014**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	4096141	GL	31	12	2014	£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	336213			419238	
Investment income	Income		14	108480			18738	
	Value re-adjustments on investments		15	5693			1547	
	Gains on the realisation of investments		16				987	
Investment charges	Investment management charges, including interest		17	81049			86224	
	Value re-adjustments on investments		18	264035			939	
	Loss on the realisation of investments		19	24259				
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	8009			95759	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	89051			449106	
Tax on profit or loss on ordinary activities			31				(14078)	
Profit or loss on ordinary activities after tax (29-31)			39	89051			463184	
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	89051			463184	
Dividends (paid or foreseeable)			51	270000			703000	
Profit or loss retained for the financial year (49-51)			59	(180949)			(239816)	

**Analysis of derivative contracts**Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2014**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	2014	£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	2430	16960		176358		693274	
	Interest rates	12	232540	138891		1655158		2250592	
	Inflation	13	896	138980		564999		789647	
	Credit index / basket	14							
	Credit single name	15	1116	5537				289153	
	Equity index	16	27866	7885		541881		220475	
	Equity stock	17							
	Land	18							
	Currencies	19	10361	25583		69387		987967	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	85925			215400			
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	14029					60308	
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	2066					679621	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	105787					1651661	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	483016	333836		3223184		7622699	
Adjustment for variation margin		52	(35338)	(22014)					
Total (51 + 52)		53	447678	311822					

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 2014**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	2014	£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	97442	103497		606745		921805	
	Inflation	13	651	14530		126405		103547	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	25887	215		496759			
	Equity stock	17							
	Land	18							
	Currencies	19	497	1206		39590		158491	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	14029					60308	
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	1790					607503	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	52527					608579	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	192823	119448		1269499		2460234	
Adjustment for variation margin		52	(31757)	64					
Total (51 + 52)		53	161066	119512					

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 2014**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	2014	£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		10021		59264	602428		
	Inflation	13		101837		288108	663000		
	Credit index / basket	14							
	Credit single name	15	398	2032			143648		
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	3341	1619			214051		
	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	3739	115509		347372	1623128		
Adjustment for variation margin		52							
Total (51 + 52)		53	3739	115509					

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 2014**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	2014	£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	793	682	6000	32000			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	169		3183				
	Equity stock	17							
	Land	18							
	Currencies	19	7	11	1564				
	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	969	693	10747	32000			
Adjustment for variation margin		52	(230)						
Total (51 + 52)		53	739	693					

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 2014**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	2014	£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	1852	11910		134438		483471	
	Interest rates	12	34433	2609		327340		171170	
	Inflation	13		6662		50615		20651	
	Credit index / basket	14							
	Credit single name	15	640	2297				79749	
	Equity index	16	219	3083		1989		96286	
	Equity stock	17							
	Land	18							
	Currencies	19	3811	18464		17337		395263	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	56957			143640			
	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	32230					670123	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	130142	45025		675360		1916713	
Adjustment for variation margin		52	(1568)	(13371)					
Total (51 + 52)		53	128574	31654					

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 2014**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	2014	£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	578	3714		41920		150756	
	Interest rates	12	8634	309		73928		30039	
	Inflation	13		1958		15385		2449	
	Credit index / basket	14							
	Credit single name	15	76	272				9456	
	Equity index	16	67	936		620		29266	
	Equity stock	17							
	Land	18							
	Currencies	19	1188	2887		5406		109317	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	17312			43660			
	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	9796					203685	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	37651	10076		180919		534967	
Adjustment for variation margin		52	(488)	(4144)					
Total (51 + 52)		53	37163	5932					

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 2014**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	2014	£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		1336			59048		
	Interest rates	12	83411	20979		511500	486600		
	Inflation	13	245	13993		84487			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	1513	2871		39135	75747		
	Equity stock	17							
	Land	18							
	Currencies	19	1517	1396		5490	110844		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	11656			28100			
	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	10770				153515		
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	109112	40575		668711	885754		
Adjustment for variation margin		52	(1340)	(3868)					
Total (51 + 52)		53	107772	36707					

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 2014**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	2014	£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	7827	794		70380		6550	
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	2	936				56300	
	Equity index	16	11	780		196		19176	
	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	276					72118	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	464					15759	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	8580	2510		70576		169903	
Adjustment for variation margin		52	45	(695)					
Total (51 + 52)		53	8625	1815					

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 2014**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>	10347416	10342209
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	2418817	2347130
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	103435	102376
	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>	7825164	7892703
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	5790676	5794652
	Regulatory current liabilities of the fund	<b>22</b>	623823	565309
	Total (21+22)	<b>29</b>	6414499	6359961
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	241603	241947
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>	6656102	6601908
Regulatory excess capital (19-39)		<b>49</b>	1169062	1290794

**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>	1169062	1290794
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>	176023	193767
Present value of other future internal transfers not already taken into account	<b>65</b>	34122	27093
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>	958917	1069934

**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 2014**

Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	272182	260143
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	72076	61814
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	2897	2491
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	197209	195838
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	143880	136127
	Regulatory current liabilities of the fund	22	19657	17729
	Total (21+22)	29	163537	153856
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	5846	5553
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	169383	159409
Regulatory excess capital (19-39)		49	27826	36430

**Realistic excess capital**

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	27826	36430
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	27826	36430

**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 2014**

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>	5988444	6109140
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	837997	805803
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	34706	33538
	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>	5115741	5269799
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	3097282	3271853
	Regulatory current liabilities of the fund	<b>22</b>	311717	329419
	Total (21+22)	<b>29</b>	3408999	3601272
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	128241	136371
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>	3537240	3737644
Regulatory excess capital (19-39)		<b>49</b>	1578502	1532156

**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>	1578502	1532156
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>	129206	141459
Present value of other future internal transfers not already taken into account	<b>65</b>	(22286)	(20514)
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>	1471581	1411211

**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 2014**

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>	1534970	1550956
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	146823	133586
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	6024	5459
	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>	1382123	1411911
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	815464	836807
	Regulatory current liabilities of the fund	<b>22</b>	40496	70840
	Total (21+22)	<b>29</b>	855960	907647
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	33611	34678
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>	889571	942325
Regulatory excess capital (19-39)		<b>49</b>	492552	469586

**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>	492552	469586
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>	38625	41259
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>	453927	428327

**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 2014**

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>	5039605	5778854
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	1020097	1729070
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	54045	84347
	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>	3965463	3965437
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	2178658	2257591
	Regulatory current liabilities of the fund	<b>22</b>	214361	247314
	Total (21+22)	<b>29</b>	2393019	2504905
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	88549	91856
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>	2481568	2596761
Regulatory excess capital (19-39)		<b>49</b>	1483895	1368676

**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>	1483895	1368676
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>	145549	148020
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>	1338346	1220656



**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 2014**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>	725428	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>	94201	83417
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	4584	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>	626643	672210
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	494886	525718
	Regulatory current liabilities of the fund	<b>22</b>	40564	55788
	Total (21+22)	<b>29</b>	535450	581506
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	19918	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>	555368	602689
Regulatory excess capital (19-39)		<b>49</b>	71275	69521

**Realistic excess capital**

Realistic excess capital	<b>51</b>	(9078)	(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>	80353	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>	6261	3014
Present value of other future internal transfers not already taken into account	<b>65</b>	(1127)	(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>	75219	72453

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FP With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	7825164	7892703
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>	17389	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	231054	237824
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>	8073608	8130526
Support arrangement assets	<b>27</b>	16642	
Assets available to the fund (26+27)	<b>29</b>	8090250	8130526

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	5834114	6190996
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>	238066
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	87
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	79124
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	250503
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	623039
	Future costs of smoothing (possibly negative)	<b>44</b>	107204
	Financing costs	<b>45</b>	35048
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	225559
Total (32+34+41+42+43+44+45+46+47-(33+35+36))		<b>49</b>	1400207
Realistic current liabilities of the fund	<b>51</b>	656079	595335
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	7890400	8005325

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FP With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	8073608	8130526
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>	8073608	8130526
Risk capital margin for fund (62-59)	<b>65</b>	183207	125201
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	16642	
Working capital for fund (29-59)	<b>68</b>	199850	125201
Working capital ratio for fund (68/29)	<b>69</b>	2.47	1.54

**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>	1110368	1481990
Additional amount potentially available for inclusion in line 63	<b>82</b>	785096	931265

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FPLAL With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	197209	195838
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>	11198	9838
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>	208407	205676
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	208407	205676

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	82228	87201
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>	75499
	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>	(129)
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	4073
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	21406
	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>	2185
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	103292
Realistic current liabilities of the fund	<b>51</b>	19657	17729
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	205177	202510

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FPLAL With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	208407	205676
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>	208407	205676
Risk capital margin for fund (62-59)	<b>65</b>	3231	3166
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>	3231	3166
Working capital ratio for fund (68/29)	<b>69</b>	1.55	1.54

**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>	1110368	1481990
Additional amount potentially available for inclusion in line 63	<b>82</b>	785096	931265

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

Regulatory value of assets	11	5115741	5269799
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	14922	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	93829	129177
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	5224492	5398976
Support arrangement assets	27		
Assets available to the fund (26+27)	29	5224492	5398976

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	3158251	3357368
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	1315018
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	
	Future costs of contractual guarantees (other than financial options)	41	159629
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	196718
	Future costs of smoothing (possibly negative)	44	(33470)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	116629
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1754524
Realistic current liabilities of the fund	51	311717	329419
Realistic value of liabilities of fund (31+49+51)	59	5224492	5398976

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	5224492	5398976
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>	5224492	5398976
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>	1110368	1481990
Additional amount potentially available for inclusion in line 63	<b>82</b>	785096	931265

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

Regulatory value of assets	11	1382123	1411911
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	4271	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	28013	30799
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	1414407	1442710
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1414407	1442710

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	842033	855751
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	392777
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	
	Future costs of contractual guarantees (other than financial options)	41	37666
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	72591
	Future costs of smoothing (possibly negative)	44	2653
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	20111
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	525798
Realistic current liabilities of the fund	51	46576	76190
Realistic value of liabilities of fund (31+49+51)	59	1414407	1442710



**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	1414407	1442710
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>	1414407	1442710
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>	1110368	1481990
Additional amount potentially available for inclusion in line 63	<b>82</b>	785096	931265

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	3965463	3965437
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>	9228	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	120658	174807
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>	4095349	4140244
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	4095349	4140244

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	2585971	2680993
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>	1045700
	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>	187433
	Future costs of non-contractual commitments	<b>42</b>	
	Future costs of financial options	<b>43</b>	107473
	Future costs of smoothing (possibly negative)	<b>44</b>	(89950)
	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>	12431
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1263087
Realistic current liabilities of the fund	<b>51</b>	246291	278457
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	4095349	4140244

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	4095349	4140244
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>	4095349	4140244
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>	1110368	1481990
Additional amount potentially available for inclusion in line 63	<b>82</b>	785096	931265

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
With-profits fund **WL With Profit Fund**  
Financial year ended **31 December 2014**  
Units **£000**

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

Regulatory value of assets	11	626643	672210
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	17060	16851
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	643703	689061
Support arrangement assets	27	2144	
Assets available to the fund (26+27)	29	645847	689061

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	480772	555198
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	30937
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	5454
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	5606
	Future costs of contractual guarantees (other than financial options)	41	96859
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	7121
	Future costs of smoothing (possibly negative)	44	(709)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	1364
Total (32+34+41+42+43+44+45+46+47-(33+35+36))		49	124511
Realistic current liabilities of the fund	51	40564	55788
Realistic value of liabilities of fund (31+49+51)	59	645847	689061

**Realistic balance sheet**

Name of insurer **Friends Life Limited**  
 With-profits fund **WL With Profit Fund**  
 Financial year ended **31 December 2014**  
 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>	652781	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>	652781	693645
Risk capital margin for fund (62-59)	<b>65</b>	6934	4584
Realistic excess capital for fund (26-(59+65))	<b>66</b>	(9078)	(4584)
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	(6934)	(4584)
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>	1110368	1481990
Additional amount potentially available for inclusion in line 63	<b>82</b>	785096	931265

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	2799416	(423874)
Investment income receivable before deduction of tax	12	1957026	1997213
Increase (decrease) in the value of non-linked assets brought into account	13	2140358	2035011
Increase (decrease) in the value of linked assets	14	940827	365083
Other income	15	66980	45260
<b>Total income</b>	<b>19</b>	<b>7904607</b>	<b>4018693</b>

**Expenditure**

Claims incurred	21	6046141	6737129
Expenses payable	22	582295	643571
Interest payable before the deduction of tax	23	16447	11354
Taxation	24	184177	61921
Other expenditure	25	26568	43760
Transfer to (from) non technical account	26	336213	419238
<b>Total expenditure</b>	<b>29</b>	<b>7191841</b>	<b>7916973</b>

Business transfers - in	31		5613887
Business transfers - out	32		1959332
Increase (decrease) in fund in financial year (19-29+31-32)	39	712766	(243725)
Fund brought forward	49	52126675	52370400
Fund carried forward (39+49)	59	52839441	52126675

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	101829	127669
Investment income receivable before deduction of tax	12	403865	376155
Increase (decrease) in the value of non-linked assets brought into account	13	705266	273570
Increase (decrease) in the value of linked assets	14		120
Other income	15	36891	34766
<b>Total income</b>	<b>19</b>	<b>1247851</b>	<b>812280</b>

**Expenditure**

Claims incurred	21	1020157	1521531
Expenses payable	22	62353	60551
Interest payable before the deduction of tax	23	3916	(1918)
Taxation	24	52035	46220
Other expenditure	25	28800	
Transfer to (from) non technical account	26	12879	22812
<b>Total expenditure</b>	<b>29</b>	<b>1180140</b>	<b>1649196</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	67711	(836916)
Fund brought forward	49	8141782	8978698
Fund carried forward (39+49)	59	8209493	8141782

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FPLAL With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	1978	3180
Investment income receivable before deduction of tax	12	8347	9387
Increase (decrease) in the value of non-linked assets brought into account	13	29134	(13135)
Increase (decrease) in the value of linked assets	14		
Other income	15	119	115
<b>Total income</b>	<b>19</b>	<b>39578</b>	<b>(453)</b>

**Expenditure**

Claims incurred	21	19242	25768
Expenses payable	22	1207	466
Interest payable before the deduction of tax	23	28	18
Taxation	24	1087	869
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>21564</b>	<b>27121</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	18014	(27574)
Fund brought forward	49	222940	250514
Fund carried forward (39+49)	59	240954	222940



**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 2014**  
 Units **£000**

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

**Income**

Earned premiums	11	119422	132875
Investment income receivable before deduction of tax	12	218254	230052
Increase (decrease) in the value of non-linked assets brought into account	13	280422	(184313)
Increase (decrease) in the value of linked assets	14		(11280)
Other income	15	1321	1574
<b>Total income</b>	<b>19</b>	<b>619419</b>	<b>168908</b>

**Expenditure**

Claims incurred	21	689142	578243
Expenses payable	22	27537	27768
Interest payable before the deduction of tax	23	944	829
Taxation	24	27419	46691
Other expenditure	25		
Transfer to (from) non technical account	26	27375	22357
<b>Total expenditure</b>	<b>29</b>	<b>772417</b>	<b>675888</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(152998)	(506980)
Fund brought forward	49	4138919	4645899
Fund carried forward (39+49)	59	3985921	4138919

**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 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	25514	43840
Investment income receivable before deduction of tax	12	58939	75729
Increase (decrease) in the value of non-linked assets brought into account	13	70689	(28098)
Increase (decrease) in the value of linked assets	14		(2139)
Other income	15	356	285
<b>Total income</b>	<b>19</b>	<b>155498</b>	<b>89617</b>

**Expenditure**

Claims incurred	21	142882	182260
Expenses payable	22	4804	7213
Interest payable before the deduction of tax	23	233	171
Taxation	24	9687	11031
Other expenditure	25		
Transfer to (from) non technical account	26	5998	4994
<b>Total expenditure</b>	<b>29</b>	<b>163604</b>	<b>205669</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(8106)	(116052)
Fund brought forward	49	970393	1086445
Fund carried forward (39+49)	59	962287	970393

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	83247	(6709)
Investment income receivable before deduction of tax	12	187531	280803
Increase (decrease) in the value of non-linked assets brought into account	13	302218	(430896)
Increase (decrease) in the value of linked assets	14		(21776)
Other income	15		
<b>Total income</b>	<b>19</b>	<b>572996</b>	<b>(178578)</b>

**Expenditure**

Claims incurred	21	509782	620602
Expenses payable	22	24147	5059
Interest payable before the deduction of tax	23	1681	1782
Taxation	24	18435	9717
Other expenditure	25		
Transfer to (from) non technical account	26	18028	19075
<b>Total expenditure</b>	<b>29</b>	<b>572073</b>	<b>656235</b>

Business transfers - in	31		
Business transfers - out	32	788829	1959332
Increase (decrease) in fund in financial year (19-29+31-32)	39	(787906)	(2794145)
Fund brought forward	49	3986661	6780806
Fund carried forward (39+49)	59	3198755	3986661

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

**Income**

Earned premiums	11	7420	102
Investment income receivable before deduction of tax	12	27272	265
Increase (decrease) in the value of non-linked assets brought into account	13	45712	(2020)
Increase (decrease) in the value of linked assets	14		
Other income	15	203	
<b>Total income</b>	<b>19</b>	<b>80607</b>	<b>(1653)</b>

**Expenditure**

Claims incurred	21	95817	1512
Expenses payable	22	6114	56
Interest payable before the deduction of tax	23		
Taxation	24	(3409)	924
Other expenditure	25	201	
Transfer to (from) non technical account	26	1933	
<b>Total expenditure</b>	<b>29</b>	<b>100656</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	(20049)	609136
Fund brought forward	49	609136	
Fund carried forward (39+49)	59	589087	609136

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	2460006	(724831)
Investment income receivable before deduction of tax	12	1052818	1024822
Increase (decrease) in the value of non-linked assets brought into account	13	706917	2419903
Increase (decrease) in the value of linked assets	14	940827	400158
Other income	15	56890	8520
<b>Total income</b>	<b>19</b>	<b>5217458</b>	<b>3128572</b>

**Expenditure**

Claims incurred	21	3569119	3807213
Expenses payable	22	456133	542458
Interest payable before the deduction of tax	23	9645	10472
Taxation	24	78923	(53531)
Other expenditure	25	26367	43760
Transfer to (from) non technical account	26	270000	350000
<b>Total expenditure</b>	<b>29</b>	<b>4410187</b>	<b>4700372</b>

Business transfers - in	31	788829	5000606
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1596100	3428806
Fund brought forward	49	34056844	30628038
Fund carried forward (39+49)	59	35652944	34056844

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

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2014**  
Units **£000**

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

**Gross**

Regular premiums	11	946344	387161	101445	1434950	1576434
Single premiums	12	69766	403342	5387	478494	516263

**Reinsurance - external**

Regular premiums	13	212005	197764	1312	411081	387131
Single premiums	14	1813	(1613352)		(1611539)	1639

**Reinsurance - intra-group**

Regular premiums	15	3593	39659		43252	57557
Single premiums	16	2602	268611	21	271234	2070244

**Net of reinsurance**

Regular premiums	17	730746	149738	100133	980617	1131746
Single premiums	18	65350	1748083	5366	1818799	(1555620)

**Total**

Gross	19	1016110	790503	106832	1913444	2092697
Reinsurance	20	220013	(1107318)	1333	(885972)	2516571
Net	21	796096	1897821	105499	2799416	(423874)

**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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	91277	76789	3326	171392	201142
Single premiums	12	93	9931	230	10254	12440

**Reinsurance - external**

Regular premiums	13	5334	21	14	5369	5633
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	17683	34404	(404)	51683	55284
Single premiums	16	2254	20427	84	22765	24996

**Net of reinsurance**

Regular premiums	17	68260	42364	3716	114340	140225
Single premiums	18	(2161)	(10496)	146	(12511)	(12556)

**Total**

Gross	19	91370	86720	3556	181646	213582
Reinsurance	20	25271	54852	(306)	79817	85913
Net	21	66099	31868	3862	101829	127669

**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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	793	143		936	1018
Single premiums	12		1044		1044	2163

**Reinsurance - external**

Regular premiums	13	2			2	1
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	791	143		934	1017
Single premiums	18		1044		1044	2163

**Total**

Gross	19	793	1187		1980	3181
Reinsurance	20	2			2	1
Net	21	791	1187		1978	3180



**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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	96405	18521	1175	116101	125520
Single premiums	12	700	2605	16	3321	7620

**Reinsurance - external**

Regular premiums	13					265
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	96405	18521	1175	116101	125255
Single premiums	18	700	2605	16	3321	7620

**Total**

Gross	19	97105	21126	1191	119422	133140
Reinsurance	20					265
Net	21	97105	21126	1191	119422	132875

**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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	21965	1954	45	23964	38207
Single premiums	12	129	1421		1550	5698

**Reinsurance - external**

Regular premiums	13					65
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	21965	1954	45	23964	38142
Single premiums	18	129	1421		1550	5698

**Total**

Gross	19	22094	3375	45	25514	43905
Reinsurance	20					65
Net	21	22094	3375	45	25514	43840

**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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	48229	70253	1272	119754	128066
Single premiums	12	9189	51237		60426	66947

**Reinsurance - external**

Regular premiums	13	4115	93		4208	106510
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	5983	52290		58273	56150
Single premiums	16	5020	29432		34452	39062

**Net of reinsurance**

Regular premiums	17	38131	17870	1272	57273	(34594)
Single premiums	18	4169	21805		25974	27885

**Total**

Gross	19	57418	121490	1272	180180	195013
Reinsurance	20	15118	81815		96933	201722
Net	21	42300	39675	1272	83247	(6709)

**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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	6911	646		7557	104
Single premiums	12		19		19	

**Reinsurance - external**

Regular premiums	13	156			156	2
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	6755	646		7401	102
Single premiums	18		19		19	

**Total**

Gross	19	6911	665		7576	104
Reinsurance	20	156			156	2
Net	21	6755	665		7420	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 2014**  
 Units **£000**

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

**Gross**

Regular premiums	11	701069	264692	95900	1061661	1154691
Single premiums	12	64712	366471	5141	436324	448393

**Reinsurance - external**

Regular premiums	13	202398	197650	1298	401346	274655
Single premiums	14	1813	(1613352)		(1611539)	1639

**Reinsurance - intra-group**

Regular premiums	15	697	(1589)	603	(289)	18437
Single premiums	16	340	248184	(63)	248461	2033184

**Net of reinsurance**

Regular premiums	17	497974	68631	93999	660604	861599
Single premiums	18	62559	1731639	5204	1799402	(1586430)

**Total**

Gross	19	765781	631163	101041	1497985	1603084
Reinsurance	20	205248	(1169107)	1838	(962021)	2327915
Net	21	560533	1800270	99203	2460006	(724831)

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

Name of insurer **Friends Life Limited**  
Total business / subfund **Summary**  
Financial year ended **31 December 2014**  
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	724886	72101	7373	804360	855911
Disability periodic payments	12	100268		118	100386	96964
Surrender or partial surrender	13	1558592	2106422	83622	3748636	4031889
Annuity payments	14	11431	882197	33	893661	787124
Lump sums on maturity	15	870449	882257	10271	1762977	2167841
<b>Total</b>	<b>16</b>	<b>3265627</b>	<b>3942976</b>	<b>101416</b>	<b>7310019</b>	<b>7939729</b>

**Reinsurance - external**

Death or disability lump sums	21	164375	824	778	165977	188792
Disability periodic payments	22	20243			20243	18443
Surrender or partial surrender	23	(68)			(68)	66
Annuity payments	24	22	270477		270499	249035
Lump sums on maturity	25	80			80	46
<b>Total</b>	<b>26</b>	<b>184652</b>	<b>271301</b>	<b>778</b>	<b>456731</b>	<b>456382</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	2823	8068		10891	8848
Disability periodic payments	32	249			249	10
Surrender or partial surrender	33	29643	426093	18025	473761	425234
Annuity payments	34		317801		317801	305430
Lump sums on maturity	35		4445		4445	6697
<b>Total</b>	<b>36</b>	<b>32715</b>	<b>756407</b>	<b>18025</b>	<b>807147</b>	<b>746219</b>

**Net of reinsurance**

Death or disability lump sums	41	557689	63209	6595	627492	658271
Disability periodic payments	42	79776		118	79894	78511
Surrender or partial surrender	43	1529017	1680329	65597	3274943	3606589
Annuity payments	44	11409	293919	33	305361	232659
Lump sums on maturity	45	870369	877811	10271	1758451	2161098
<b>Total</b>	<b>46</b>	<b>3048259</b>	<b>2915268</b>	<b>82613</b>	<b>6046141</b>	<b>6737128</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 2014**  
 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	57747	19916	2103	79766	80639
Disability periodic payments	12					
Surrender or partial surrender	13	247746	505881	28526	782153	945809
Annuity payments	14	1665	161942	17	163624	168958
Lump sums on maturity	15	332821	56898	5019	394738	784821
<b>Total</b>	<b>16</b>	<b>639979</b>	<b>744637</b>	<b>35665</b>	<b>1420281</b>	<b>1980227</b>

**Reinsurance - external**

Death or disability lump sums	21	4428	25		4453	5052
Disability periodic payments	22					
Surrender or partial surrender	23	45			45	
Annuity payments	24	22			22	21
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>4495</b>	<b>25</b>		<b>4520</b>	<b>5073</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	12707	8531	548	21786	22433
Disability periodic payments	32					
Surrender or partial surrender	33	96557	230280	10540	337377	391387
Annuity payments	34		2173		2173	2219
Lump sums on maturity	35	28136	3051	3081	34268	37584
<b>Total</b>	<b>36</b>	<b>137400</b>	<b>244035</b>	<b>14169</b>	<b>395604</b>	<b>453623</b>

**Net of reinsurance**

Death or disability lump sums	41	40612	11360	1555	53527	53154
Disability periodic payments	42					
Surrender or partial surrender	43	151144	275601	17986	444731	554422
Annuity payments	44	1643	159769	17	161429	166718
Lump sums on maturity	45	304685	53847	1938	360470	747237
<b>Total</b>	<b>46</b>	<b>498084</b>	<b>500577</b>	<b>21496</b>	<b>1020157</b>	<b>1521531</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 2014**  
 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	2183	177		2360	2272
Disability periodic payments	12					
Surrender or partial surrender	13	1459	2305		3764	5422
Annuity payments	14	25	4050		4075	3935
Lump sums on maturity	15	7889	1259		9148	14252
<b>Total</b>	<b>16</b>	<b>11556</b>	<b>7791</b>		<b>19347</b>	<b>25881</b>

**Reinsurance - external**

Death or disability lump sums	21	25			25	4
Disability periodic payments	22					
Surrender or partial surrender	23					63
Annuity payments	24					
Lump sums on maturity	25	80			80	46
<b>Total</b>	<b>26</b>	<b>105</b>			<b>105</b>	<b>113</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	2158	177		2335	2268
Disability periodic payments	42					
Surrender or partial surrender	43	1459	2305		3764	5359
Annuity payments	44	25	4050		4075	3935
Lump sums on maturity	45	7809	1259		9068	14206
<b>Total</b>	<b>46</b>	<b>11451</b>	<b>7791</b>		<b>19242</b>	<b>25768</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 2014**  
 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	61698	5394	706	67798	68573
Disability periodic payments	12					
Surrender or partial surrender	13	100942	45586	6766	153294	171142
Annuity payments	14	12	34148	8	34168	32988
Lump sums on maturity	15	310659	121859	1644	434162	305807
<b>Total</b>	<b>16</b>	<b>473311</b>	<b>206987</b>	<b>9124</b>	<b>689422</b>	<b>578510</b>

**Reinsurance - external**

Death or disability lump sums	21	280			280	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>280</b>			<b>280</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	61418	5394	706	67518	68306
Disability periodic payments	42					
Surrender or partial surrender	43	100942	45586	6766	153294	171142
Annuity payments	44	12	34148	8	34168	32988
Lump sums on maturity	45	310659	121859	1644	434162	305807
<b>Total</b>	<b>46</b>	<b>473031</b>	<b>206987</b>	<b>9124</b>	<b>689142</b>	<b>578243</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 2014**  
 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	9220	794	288	10302	14806
Disability periodic payments	12					
Surrender or partial surrender	13	16826	9870	885	27581	43134
Annuity payments	14	2	5701	8	5711	7228
Lump sums on maturity	15	60027	39467	94	99588	117688
<b>Total</b>	<b>16</b>	<b>86075</b>	<b>55832</b>	<b>1275</b>	<b>143182</b>	<b>182856</b>

**Reinsurance - external**

Death or disability lump sums	21	300			300	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>300</b>			<b>300</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	8920	794	288	10002	14210
Disability periodic payments	42					
Surrender or partial surrender	43	16826	9870	885	27581	43134
Annuity payments	44	2	5701	8	5711	7228
Lump sums on maturity	45	60027	39467	94	99588	117688
<b>Total</b>	<b>46</b>	<b>85775</b>	<b>55832</b>	<b>1275</b>	<b>142882</b>	<b>182260</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 2014**  
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	141255	15604		156859	207815
Disability periodic payments	12	1033			1033	1061
Surrender or partial surrender	13	231312	318131	11815	561258	632045
Annuity payments	14	6697	40629		47326	217210
Lump sums on maturity	15	23447	342393		365840	543760
<b>Total</b>	<b>16</b>	<b>403744</b>	<b>716757</b>	<b>11815</b>	<b>1132316</b>	<b>1601891</b>

**Reinsurance - external**

Death or disability lump sums	21					
Disability periodic payments	22	43			43	
Surrender or partial surrender	23	(115)			(115)	
Annuity payments	24		18		18	99868
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>(72)</b>	<b>18</b>		<b>(54)</b>	<b>99868</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	82264	7851		90115	85686
Disability periodic payments	32					
Surrender or partial surrender	33	188522	135704		324226	391876
Annuity payments	34	6834	727		7561	113354
Lump sums on maturity	35		200686		200686	290505
<b>Total</b>	<b>36</b>	<b>277620</b>	<b>344968</b>		<b>622588</b>	<b>881421</b>

**Net of reinsurance**

Death or disability lump sums	41	58991	7753		66744	122129
Disability periodic payments	42	990			990	1061
Surrender or partial surrender	43	42905	182427	11815	237147	240169
Annuity payments	44	(137)	39884		39747	3988
Lump sums on maturity	45	23447	141707		165154	253255
<b>Total</b>	<b>46</b>	<b>126196</b>	<b>371771</b>	<b>11815</b>	<b>509782</b>	<b>620602</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 2014**  
 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	3510	197		3707	62
Disability periodic payments	12	51			51	
Surrender or partial surrender	13	1597	7593		9190	146
Annuity payments	14	46	2257		2303	26
Lump sums on maturity	15	59693	20884		80577	1279
<b>Total</b>	<b>16</b>	<b>64897</b>	<b>30931</b>		<b>95828</b>	<b>1513</b>

**Reinsurance - external**

Death or disability lump sums	21	11			11	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>11</b>			<b>11</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	3499	197		3696	61
Disability periodic payments	42	51			51	
Surrender or partial surrender	43	1597	7593		9190	146
Annuity payments	44	46	2257		2303	26
Lump sums on maturity	45	59693	20884		80577	1279
<b>Total</b>	<b>46</b>	<b>64886</b>	<b>30931</b>		<b>95817</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 2014**  
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	545265	36866	5398	587529	584614
Disability periodic payments	12	99184		118	99302	95904
Surrender or partial surrender	13	1223337	1350198	46170	2619705	2696723
Annuity payments	14	9818	638633		648451	474642
Lump sums on maturity	15	104578	498365	8294	611237	722644
<b>Total</b>	<b>16</b>	<b>1982182</b>	<b>2524062</b>	<b>59980</b>	<b>4566224</b>	<b>4574527</b>

**Reinsurance - external**

Death or disability lump sums	21	159331	799	778	160908	182872
Disability periodic payments	22	20200			20200	18443
Surrender or partial surrender	23	2			2	3
Annuity payments	24		270459		270459	149146
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>179533</b>	<b>271258</b>	<b>778</b>	<b>451569</b>	<b>350464</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	2927	(389)	574	3112	3567
Disability periodic payments	32	249			249	10
Surrender or partial surrender	33	8566	204167	7485	220218	104502
Annuity payments	34		320064		320064	307720
Lump sums on maturity	35	525	(331)	1699	1893	1051
<b>Total</b>	<b>36</b>	<b>12267</b>	<b>523511</b>	<b>9758</b>	<b>545536</b>	<b>416850</b>

**Net of reinsurance**

Death or disability lump sums	41	383007	36456	4046	423509	398175
Disability periodic payments	42	78735		118	78853	77451
Surrender or partial surrender	43	1214769	1146031	38685	2399485	2592218
Annuity payments	44	9818	48110		57928	17776
Lump sums on maturity	45	104053	498696	6595	609344	721593
<b>Total</b>	<b>46</b>	<b>1790382</b>	<b>1729293</b>	<b>49444</b>	<b>3569119</b>	<b>3807213</b>

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	10813	4179	(1554)	13438	37254
Commission - other	12	23346	13124	2995	39465	41868
Management - acquisition	13	32225	20838	14603	67666	50580
Management - maintenance	14	164362	147162	11722	323246	292075
Management - other	15	75354	63337	(16)	138675	225975
<b>Total</b>	<b>16</b>	<b>306100</b>	<b>248640</b>	<b>27750</b>	<b>582490</b>	<b>647752</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	15	1	8	24	124
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>15</b>	<b>1</b>	<b>8</b>	<b>24</b>	<b>124</b>

**Reinsurance - intra-group**

Commission - acquisition	31	2	164	5	171	4055
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					2
Management - other	35					
<b>Total</b>	<b>36</b>	<b>2</b>	<b>164</b>	<b>5</b>	<b>171</b>	<b>4057</b>

**Net of reinsurance**

Commission - acquisition	41	10811	4015	(1559)	13267	33199
Commission - other	42	23331	13123	2987	39441	41744
Management - acquisition	43	32225	20838	14603	67666	50580
Management - maintenance	44	164362	147162	11722	323246	292073
Management - other	45	75354	63337	(16)	138675	225975
<b>Total</b>	<b>46</b>	<b>306083</b>	<b>248475</b>	<b>27737</b>	<b>582295</b>	<b>643571</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	124	228	6	358	438
Commission - other	12	1446	860	206	2512	2645
Management - acquisition	13					
Management - maintenance	14	5783	21618	478	27879	22532
Management - other	15	1170	(736)	(19)	415	2240
<b>Total</b>	<b>16</b>	<b>8523</b>	<b>21970</b>	<b>671</b>	<b>31164</b>	<b>27855</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	4	1		5	5
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>4</b>	<b>1</b>		<b>5</b>	<b>5</b>

**Reinsurance - intra-group**

Commission - acquisition	31	2	141	5	148	4019
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	(9546)	(21551)	(245)	(31342)	(36720)
Management - other	35					
<b>Total</b>	<b>36</b>	<b>(9544)</b>	<b>(21410)</b>	<b>(240)</b>	<b>(31194)</b>	<b>(32701)</b>

**Net of reinsurance**

Commission - acquisition	41	122	87	1	210	(3581)
Commission - other	42	1442	859	206	2507	2640
Management - acquisition	43					
Management - maintenance	44	15329	43169	723	59221	59252
Management - other	45	1170	(736)	(19)	415	2240
<b>Total</b>	<b>46</b>	<b>18063</b>	<b>43379</b>	<b>911</b>	<b>62353</b>	<b>60551</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11					1
Commission - other	12	2			2	3
Management - acquisition	13					
Management - maintenance	14	577	227		804	449
Management - other	15	401			401	13
<b>Total</b>	<b>16</b>	<b>980</b>	<b>227</b>		<b>1207</b>	<b>466</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
Commission - other	42	2			2	3
Management - acquisition	43					
Management - maintenance	44	577	227		804	449
Management - other	45	401			401	13
<b>Total</b>	<b>46</b>	<b>980</b>	<b>227</b>		<b>1207</b>	<b>466</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	607	42	736	1385	1465
Commission - other	12	1231	338	20	1589	2120
Management - acquisition	13	14	221		235	221
Management - maintenance	14	14790	9538		24328	23962
Management - other	15					
<b>Total</b>	<b>16</b>	<b>16642</b>	<b>10139</b>	<b>756</b>	<b>27537</b>	<b>27768</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	607	42	736	1385	1465
Commission - other	42	1231	338	20	1589	2120
Management - acquisition	43	14	221		235	221
Management - maintenance	44	14790	9538		24328	23962
Management - other	45					
<b>Total</b>	<b>46</b>	<b>16642</b>	<b>10139</b>	<b>756</b>	<b>27537</b>	<b>27768</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	(66)	(138)	105	(99)	90
Commission - other	12	267	55	1	323	412
Management - acquisition	13	3	37		40	80
Management - maintenance	14	2464	2076		4540	6468
Management - other	15					163
<b>Total</b>	<b>16</b>	<b>2668</b>	<b>2030</b>	<b>106</b>	<b>4804</b>	<b>7213</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	(66)	(138)	105	(99)	90
Commission - other	42	267	55	1	323	412
Management - acquisition	43	3	37		40	80
Management - maintenance	44	2464	2076		4540	6468
Management - other	45					163
<b>Total</b>	<b>46</b>	<b>2668</b>	<b>2030</b>	<b>106</b>	<b>4804</b>	<b>7213</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	422	1507	325	2254	2758
Commission - other	12	1538	4614	20	6172	6561
Management - acquisition	13	1315	2249	17	3581	3629
Management - maintenance	14	24957	28347	769	54073	36991
Management - other	15					
<b>Total</b>	<b>16</b>	<b>28232</b>	<b>36717</b>	<b>1131</b>	<b>66080</b>	<b>49939</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	419	1441		1860	2186
Commission - other	32	1235	4476		5711	6278
Management - acquisition	33	431	1830		2261	3064
Management - maintenance	34	15506	16069	526	32101	33352
Management - other	35					
<b>Total</b>	<b>36</b>	<b>17591</b>	<b>23816</b>	<b>526</b>	<b>41933</b>	<b>44880</b>

**Net of reinsurance**

Commission - acquisition	41	3	66	325	394	572
Commission - other	42	303	138	20	461	283
Management - acquisition	43	884	419	17	1320	565
Management - maintenance	44	9451	12278	243	21972	3639
Management - other	45					
<b>Total</b>	<b>46</b>	<b>10641</b>	<b>12901</b>	<b>605</b>	<b>24147</b>	<b>5059</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	(89)			(89)	(1)
Commission - other	12	205	11		216	3
Management - acquisition	13					
Management - maintenance	14	1680	2147	13	3840	53
Management - other	15	1768	379		2147	1
<b>Total</b>	<b>16</b>	<b>3564</b>	<b>2537</b>	<b>13</b>	<b>6114</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	(89)			(89)	(1)
Commission - other	42	205	11		216	3
Management - acquisition	43					
Management - maintenance	44	1680	2147	13	3840	53
Management - other	45	1768	379		2147	1
<b>Total</b>	<b>46</b>	<b>3564</b>	<b>2537</b>	<b>13</b>	<b>6114</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 2014**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	10234	3981	(2726)	11489	34689
Commission - other	12	19892	11722	2748	34362	36402
Management - acquisition	13	31324	20161	14586	66071	49714
Management - maintenance	14	129617	99277	10988	239882	234972
Management - other	15	72015	63694	3	135712	223558
<b>Total</b>	<b>16</b>	<b>263082</b>	<b>198835</b>	<b>25599</b>	<b>487516</b>	<b>579335</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	11		8	19	119
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>11</b>		<b>8</b>	<b>19</b>	<b>119</b>

**Reinsurance - intra-group**

Commission - acquisition	31		23		23	36
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	9546	21550	245	31341	36722
Management - other	35					
<b>Total</b>	<b>36</b>	<b>9546</b>	<b>21573</b>	<b>245</b>	<b>31364</b>	<b>36758</b>

**Net of reinsurance**

Commission - acquisition	41	10234	3958	(2726)	11466	34653
Commission - other	42	19881	11722	2740	34343	36283
Management - acquisition	43	31324	20161	14586	66071	49714
Management - maintenance	44	120071	77727	10743	208541	198250
Management - other	45	72015	63694	3	135712	223558
<b>Total</b>	<b>46</b>	<b>253525</b>	<b>177262</b>	<b>25346</b>	<b>456133</b>	<b>542458</b>

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

Total business

Financial year ended **31 December 2014**Units **£000**

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

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

Directly held assets (excluding collective investment schemes)	11	22305270	23098774
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	6697896	7221534
<b>Total assets (excluding cross investment) (11+12+ 13)</b>	<b>14</b>	<b>29003166</b>	<b>30320308</b>
Provision for tax on unrealised capital gains	15	14885	15081
Secured and unsecured loans	16	1185	1894
Other liabilities	17	137535	116109
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>28849561</b>	<b>30187224</b>

**Directly held linked assets**

Value of directly held linked assets	21	101019	107664
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**Total**

Value of directly held linked assets and units held (18+21)	31	28950580	30294888
Surplus units	32	28799	19517
Deficit units	33	26532	30095
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>28948313</b>	<b>30305466</b>

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

Name of insurer **Friends Life Limited**  
 Total business  
 Financial year ended **31 December 2014**  
 Units **£000**

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

**Income**

Value of total creation of units	11	1292817	1788582
Investment income attributable to the funds before deduction of tax	12	875892	896560
Increase (decrease) in the value of investments in the financial year	13	940827	2856176
Other income	14	14483	629690
<b>Total income</b>	<b>19</b>	<b>3124020</b>	<b>6171008</b>

**Expenditure**

Value of total cancellation of units	21	4063340	4774190
Charges for management	22	252643	250656
Charges in respect of tax on investment income	23	131204	69597
Taxation on realised capital gains	24	9241	5148
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		2623
Other expenditure	26	5255	5031
<b>Total expenditure</b>	<b>29</b>	<b>4461683</b>	<b>5107245</b>

Increase (decrease) in funds in financial year (19-29)	39	(1337663)	1063763
Internal linked fund brought forward	49	30187224	29123461
Internal linked funds carried forward (39+49)	59	28849561	30187224

**Long-term insurance business : Summary of new business**Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2014**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>	1993	9196	2104	13293	20274
Single premium business	<b>12</b>	395	4303	2	4700	7916
<b>Total</b>	<b>13</b>	2388	13499	2106	17993	28190

**Amount of new regular  
premiums**

Direct insurance business	<b>21</b>	33279	54810	2193	90282	82415
External reinsurance	<b>22</b>					9
Intra-group reinsurance	<b>23</b>	357	2398		2755	4140
<b>Total</b>	<b>24</b>	33636	57208	2193	93037	86564

**Amount of new single  
premiums**

Direct insurance business	<b>25</b>	65676	372490	17663	455828	458388
External reinsurance	<b>26</b>	204	17		221	324
Intra-group reinsurance	<b>27</b>	5066	51822		56888	57551
<b>Total</b>	<b>28</b>	70945	424329	17663	512937	516264



Long-term insurance business : Analysis of new business

Name of insurer **Friends Life Limited**  
Total business  
Financial year ended **31 December 2014**  
Units **£000**  
UK Life / 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
325	Level term assurance	898	1194		
330	Decreasing term assurance	125	17	138	828
340	Accelerated critical illness (guaranteed premiums)	566	794		
345	Accelerated critical illness (reviewable premiums)	29	9		
350	Stand-alone critical illness (guaranteed premiums)	40	106		
355	Stand-alone critical illness (reviewable premiums)	4			
360	Income protection non-profit (guaranteed premiums)	6	4		
365	Income protection non-profit (reviewable premiums)	37	20		
380	Miscellaneous protection rider	60	4		
390	Deferred annuity non-profit	1	30	36	2078
395	Annuity non-profit (PLA)			172	28651
420	Group income protection	6	30564		
500	Life UWP single premium				3992
505	Life UWP whole life regular premium	28	103		
515	Life UWP endowment regular premium - target cash	35	44		

**Friends Life Limited**

31 December 2014

£000

Units

UK Life / Direct Insurance Business

[illegible]

## Long-term insurance business : Analysis of new business

Name of insurer

**Friends Life Limited**

Total business

Financial year ended

31 December 2014

Units

£000

UK Life / Reinsurance accepted external

[illegible]

## Long-term insurance business : Analysis of new business

Name of insurer

**Friends Life Limited**

Total business

31 December 2014

Financial year ended

Units

£000

UK Life / Reinsurance accepted intra-group

[illegible]

Long-term insurance business : Analysis of new business

Name of insurer **Friends Life Limited**  
Total business  
Financial year ended **31 December 2014**  
Units **£000**  
UK Pension / 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
400	Annuity non-profit (CPA)			3405	220420
410	Group life	28	3		
525	Individual pensions UWP	24	52	22	188
530	Individual pensions UWP - increments		665		17979
535	Group money purchase pensions UWP	192	232	98	7
540	Group money purchase pensions UWP - increments		432		7759
555	Group deposit administration with-profits	597	2044		
565	DWP National Insurance rebates UWP				161
570	Income drawdown UWP			2	46
575	Miscellaneous UWP		2		122
725	Individual pensions property linked	209	535	538	23604
730	Individual pensions property linked - increments		2450		63834
735	Group money purchase pensions property linked	8146	10536	188	3180
740	Group money purchase pensions property linked - increments		37818		15191
745	DWP National Insurance rebates property linked				336

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 2014  
£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			42	18298
755	Trustee investment plan			9	798
760	Small self administered schemes		43		566

## Long-term insurance business : Analysis of new business

Name of insurer

**Friends Life Limited**

Total business

31 December 2014

Financial year ended

Units

£000

UK Pension / Reinsurance accepted external

[illegible]

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

Name of insurer

**Friends Life Limited**

Total business

Financial year ended

**31 December 2014**

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		21		3
535	Group money purchase pensions UWP		50		
725	Individual pensions property linked		10		7
730	Individual pensions property linked - increments		497		5865
735	Group money purchase pensions property linked		970		61
740	Group money purchase pensions property linked - increments		807		45225
745	DWP National Insurance rebates property linked				194
760	Small self administered schemes		43		467



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

Name of insurer

**Friends Life Limited**

Total business

Financial year ended

**31 December 2014**

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				
325	Level term assurance	736	477		
350	Stand-alone critical illness (guaranteed premiums)	970	296		
500	Life UWP single premium				1399
525	Individual pensions UWP		1		
555	Group deposit administration with-profits	30	201		16
700	Life property linked single premium			2	12728
715	Life property linked endowment regular premium - savings	368	1212		3474
725	Individual pensions property linked		6		46

**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 2014**  
 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	3152982	3441089	115892	2.11	
Other fixed interest securities	13	5772063	5772063	289896	3.60	
Variable interest securities	14	806049	517942	10826	1.37	
UK listed equity shares	15	337	337	4	1.33	
Non-UK listed equity shares	16	6844	6844	77	4.02	
Unlisted equity shares	17	620799	620799	2957	0.28	
Other assets	18	1034173	1034173	897	0.24	
<b>Total</b>	<b>19</b>	<b>11393247</b>	<b>11393247</b>	<b>420549</b>	<b>2.56</b>	

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

Land and buildings	21	1329269	1360071	54736	4.02	16.09
Approved fixed interest securities	22	5592191	5132763	151514	1.53	8.74
Other fixed interest securities	23	3109900	3130374	139721	2.98	11.06
Variable interest securities	24	591552	534065	4561	0.68	6.77
UK listed equity shares	25	3264671	3590078	132213	5.01	0.72
Non-UK listed equity shares	26	1611330	1562834	28406	3.57	13.00
Unlisted equity shares	27	431260	784794	1	0.06	7.57
Other assets	28	3182952	3018146	38827	1.15	1.15
<b>Total</b>	<b>29</b>	<b>19113124</b>	<b>19113125</b>	<b>549977</b>	<b>2.62</b>	<b>7.19</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 2014**  
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	476150	476150	12318	1.89	
Other fixed interest securities	13	1833083	1833083	87435	3.33	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16	5902	5902	63	4.29	
Unlisted equity shares	17	45952	45952	1239		
Other assets	18	111418	111418	46	0.16	
<b>Total</b>	<b>19</b>	<b>2472506</b>	<b>2472506</b>	<b>101102</b>	<b>2.85</b>	

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

Land and buildings	21	334202	341437	6172	1.81	6.89
Approved fixed interest securities	22	3449178	3449178	89873	1.55	8.01
Other fixed interest securities	23	1221223	1221223	57565	3.54	13.43
Variable interest securities	24	163579	163579	109	3.10	0.87
UK listed equity shares	25	805638	1090271	47205	6.24	(1.04)
Non-UK listed equity shares	26	706456	705872	13490	3.24	13.44
Unlisted equity shares	27	349368	281799	(1)	0.18	6.65
Other assets	28	795519	571804	11936	0.08	(3.54)
<b>Total</b>	<b>29</b>	<b>7825162</b>	<b>7825162</b>	<b>226350</b>	<b>2.55</b>	<b>7.28</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					7.19
Return allocated to non taxable 'asset shares'	32					7.16
Return allocated to taxable 'asset shares'	33					5.97

**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 2014**  
 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	2295429	2583536	90668	2.10	
Other fixed interest securities	13	2419546	2419546	118226	3.27	
Variable interest securities	14	764378	476271	10253	1.55	
UK listed equity shares	15	337	337	4	1.33	
Non-UK listed equity shares	16					
Unlisted equity shares	17	574846	574846	1718	0.30	
Other assets	18	731157	731157	828	0.32	
<b>Total</b>	<b>19</b>	<b>6785694</b>	<b>6785694</b>	<b>221697</b>	<b>2.13</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 2014**  
 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	70493	70493	1968	1.90	
Other fixed interest securities	13	3539	3539	149	1.28	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16	942	942	13	2.38	
Unlisted equity shares	17					
Other assets	18					
<b>Total</b>	<b>19</b>	<b>74973</b>	<b>74973</b>	<b>2131</b>	<b>1.88</b>	

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

Land and buildings	21		3397	150	4.41	18.05
Approved fixed interest securities	22	107798	107798	3176	1.93	12.31
Other fixed interest securities	23	7728	7728	325	1.28	3.11
Variable interest securities	24					
UK listed equity shares	25	47640	48824	1936	5.89	(2.71)
Non-UK listed equity shares	26	23679	23053	336	2.45	11.63
Unlisted equity shares	27					
Other assets	28	10364	6410	51	0.44	0.15
<b>Total</b>	<b>29</b>	<b>197209</b>	<b>197210</b>	<b>5974</b>	<b>2.94</b>	<b>7.30</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					7.19
Return allocated to non taxable 'asset shares'	32					7.18
Return allocated to taxable 'asset shares'	33					6.09

**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 2014**  
 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	66223	66223	2795	3.59	
Other fixed interest securities	13	710198	710198	35807	3.87	
Variable interest securities	14	597	597	5	2.55	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	74559	74559			
<b>Total</b>	<b>19</b>	<b>851577</b>	<b>851577</b>	<b>38607</b>	<b>3.51</b>	

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

Land and buildings	21	599019	610186	27550	4.52	19.40
Approved fixed interest securities	22	818319	418601	20010	1.65	12.67
Other fixed interest securities	23	822583	830395	37613	2.70	8.57
Variable interest securities	24	187144	187144	2059	(0.44)	9.91
UK listed equity shares	25	1144014	1185023	37643	4.33	1.12
Non-UK listed equity shares	26	551451	517330	8642	3.88	12.43
Unlisted equity shares	27	39704	273934	1		9.83
Other assets	28	953507	1093128	22020	2.11	1.51
<b>Total</b>	<b>29</b>	<b>5115741</b>	<b>5115741</b>	<b>155538</b>	<b>2.94</b>	<b>7.47</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					9.29
Return allocated to non taxable 'asset shares'	32					9.29
Return allocated to taxable 'asset shares'	33					7.91

**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 2014**  
 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	10562	10562	442	3.60	
Other fixed interest securities	13	113142	113142	5663	3.87	
Variable interest securities	14	93	93	1	2.55	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	25381	25381			
<b>Total</b>	<b>19</b>	<b>149178</b>	<b>149178</b>	<b>6106</b>	<b>3.19</b>	

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

Land and buildings	21	168298	171435	7477	4.36	19.40
Approved fixed interest securities	22	226813	168664	6424	1.65	12.67
Other fixed interest securities	23	226825	228908	10371	2.69	8.57
Variable interest securities	24	51984	51984	571	(0.44)	9.91
UK listed equity shares	25	321751	339452	10744	4.33	1.12
Non-UK listed equity shares	26	154884	152995	2719	3.90	12.43
Unlisted equity shares	27	13743	84099			9.83
Other assets	28	217825	184586	3203	1.90	1.51
<b>Total</b>	<b>29</b>	<b>1382123</b>	<b>1382123</b>	<b>41510</b>	<b>2.92</b>	<b>8.20</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					9.29
Return allocated to non taxable 'asset shares'	32					9.29
Return allocated to taxable 'asset shares'	33					7.91

**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 2014**  
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	140112	140112	4551	2.44	
Other fixed interest securities	13	692555	692555	42615	5.16	
Variable interest securities	14	40981	40981	568	(0.66)	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	87074	87074			
<b>Total</b>	<b>19</b>	<b>960722</b>	<b>960722</b>	<b>47734</b>	<b>4.05</b>	

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

Land and buildings	21	224825	228969	13114	5.73	18.73
Approved fixed interest securities	22	770291	768730	24314	1.15	7.73
Other fixed interest securities	23	713888	724467	28035	2.64	11.81
Variable interest securities	24	188816	131329	1821	(0.31)	8.40
UK listed equity shares	25	804221	782320	26915	4.33	2.70
Non-UK listed equity shares	26	159173	147897	2700	3.75	13.88
Unlisted equity shares	27	28445	144962	1		3.78
Other assets	28	1076587	1037572	1151	0.11	3.39
<b>Total</b>	<b>29</b>	<b>3966246</b>	<b>3966246</b>	<b>98049</b>	<b>2.05</b>	<b>7.09</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					9.32
Return allocated to non taxable 'asset shares'	32					9.32
Return allocated to taxable 'asset shares'	33					7.77



**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 2014**  
 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	94013	94013	3150	1.83	
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	4584	4584	23	0.50	
<b>Total</b>	<b>19</b>	<b>98598</b>	<b>98598</b>	<b>3173</b>	<b>1.77</b>	

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

Land and buildings	21	2925	4648	274	5.89	3.34
Approved fixed interest securities	22	219792	219792	7717	1.92	11.52
Other fixed interest securities	23	117653	117653	5812	1.90	4.85
Variable interest securities	24	28	28		0.95	
UK listed equity shares	25	141406	144189	7769	6.40	0.30
Non-UK listed equity shares	26	15688	15688	519	4.65	11.16
Unlisted equity shares	27					
Other assets	28	129150	124645	466	5.17	0.46
<b>Total</b>	<b>29</b>	<b>626642</b>	<b>626642</b>	<b>22556</b>	<b>3.69</b>	<b>5.42</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					6.42
Return allocated to non taxable 'asset shares'	32					6.42
Return allocated to taxable 'asset shares'	33					5.31

## 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 2014**  
 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>	6639379	9.19	1.60	1.60

<b>Other approved fixed interest securities</b>	<b>21</b>	1934472	12.81	2.27	1.75
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	516031	9.79	2.55	2.32
AA/Aa	<b>32</b>	1186758	10.17	2.78	2.40
A/A	<b>33</b>	3949724	10.05	3.23	2.63
BBB/Baa	<b>34</b>	2987867	8.39	3.62	2.62
BB/Ba	<b>35</b>	147111	10.16	5.40	2.81
B/B	<b>36</b>	48609	5.95	15.22	8.02
CCC/Caa	<b>37</b>	34948	12.45	8.79	2.13
Other (including unrated)	<b>38</b>	31389	34.35	3.59	2.67
<b>Total other fixed interest securities</b>	<b>39</b>	8902437	9.57	3.38	2.61

<b>Approved variable interest securities</b>	<b>41</b>	910485	17.10	0.78	0.66
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<b>Other variable interest securities</b>	<b>51</b>	141522	15.29	1.96	1.62
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	18528295	10.18	2.49	2.06
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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 2014**  
 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>	3371105	8.36	1.51	1.51

<b>Other approved fixed interest securities</b>	<b>21</b>	554222	13.86	2.11	1.94
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	299884	10.20	2.82	2.57
AA/Aa	<b>32</b>	435592	10.25	2.85	2.50
A/A	<b>33</b>	1394054	9.99	3.37	2.79
BBB/Baa	<b>34</b>	913402	8.02	3.86	2.87
BB/Ba	<b>35</b>	7353	2.34	12.07	9.27
B/B	<b>36</b>	1733	12.24	5.01	1.24
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	2288	6.20	15.05	2.39
<b>Total other fixed interest securities</b>	<b>39</b>	3054305	9.44	3.42	2.77

<b>Approved variable interest securities</b>	<b>41</b>	129690	21.57	2.77	2.77
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<b>Other variable interest securities</b>	<b>51</b>	33889	24.60	4.36	3.74
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	7143212	9.57	2.41	2.12
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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 2014**  
 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>	1874221	10.33	1.83	1.83

<b>Other approved fixed interest securities</b>	<b>21</b>	709315	17.40	2.72	1.65
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	62279	9.21	2.59	2.33
AA/Aa	<b>32</b>	315146	11.01	2.80	2.48
A/A	<b>33</b>	1266874	10.73	3.31	2.67
BBB/Baa	<b>34</b>	757172	7.31	3.43	2.46
BB/Ba	<b>35</b>	13368	8.89	4.58	2.03
B/B	<b>36</b>	4633	12.24	5.01	1.24
CCC/Caa	<b>37</b>	60			
Other (including unrated)	<b>38</b>	13	9.06	3.39	2.62
<b>Total other fixed interest securities</b>	<b>39</b>	2419546	9.65	3.27	2.56

<b>Approved variable interest securities</b>	<b>41</b>	416000	16.75	1.59	1.49
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<b>Other variable interest securities</b>	<b>51</b>	60272	9.53	1.26	0.96
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	5479354	11.43	2.56	2.09
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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 2014**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	178290	11.49	1.92	1.92

Other approved fixed interest securities	21				
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## Other fixed interest securities

AAA/Aaa	31	2091	1.89	0.86	0.54
AA/Aa	32	5304	2.10	1.29	0.97
A/A	33	3872	2.56	1.48	0.91
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	<b>39</b>	<b>11267</b>	<b>2.22</b>	<b>1.28</b>	<b>0.87</b>

Approved variable interest securities	41				
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Other variable interest securities	51				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	<b>189557</b>	<b>10.94</b>	<b>1.88</b>	<b>1.86</b>
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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 2014**  
 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>	175599	9.97	1.54	1.54

<b>Other approved fixed interest securities</b>	<b>21</b>	309225	8.37	2.20	1.90
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	55884	6.70	1.95	1.73
AA/Aa	<b>32</b>	173483	9.22	2.66	2.20
A/A	<b>33</b>	651881	10.21	3.09	2.46
BBB/Baa	<b>34</b>	584481	8.75	3.40	2.42
BB/Ba	<b>35</b>	65093	10.98	5.79	3.00
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	9771	31.98	3.54	3.55
<b>Total other fixed interest securities</b>	<b>39</b>	1540593	9.59	3.24	2.42

<b>Approved variable interest securities</b>	<b>41</b>	155529	10.26	(0.93)	(0.98)
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<b>Other variable interest securities</b>	<b>51</b>	32212	14.02	1.08	0.93
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	2213158	9.56	2.63	2.02
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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 2014**  
 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>	101341	9.97	1.54	1.54

<b>Other approved fixed interest securities</b>	<b>21</b>	77885	7.67	2.06	1.79
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	15382	6.67	1.95	1.72
AA/Aa	<b>32</b>	42395	8.55	2.59	2.13
A/A	<b>33</b>	140906	9.17	2.90	2.31
BBB/Baa	<b>34</b>	125752	8.62	3.28	2.33
BB/Ba	<b>35</b>	15004	12.26	5.47	2.70
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	2611	31.91	3.53	3.54
<b>Total other fixed interest securities</b>	<b>39</b>	342050	9.09	3.08	2.29

<b>Approved variable interest securities</b>	<b>41</b>	43157	10.26	(0.93)	(0.98)
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<b>Other variable interest securities</b>	<b>51</b>	8920	13.94	1.07	0.92
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	573353	9.22	2.34	1.82
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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 2014**  
 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>	684950	8.20	1.27	1.27

<b>Other approved fixed interest securities</b>	<b>21</b>	223892	5.31	1.60	1.39
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	76586	12.01	2.12	1.97
AA/Aa	<b>32</b>	206053	10.07	2.77	2.36
A/A	<b>33</b>	460269	8.84	2.98	2.42
BBB/Baa	<b>34</b>	544076	10.81	4.05	2.91
BB/Ba	<b>35</b>	36201	12.06	4.34	1.90
B/B	<b>36</b>	42243	5.01	16.76	9.05
CCC/Caa	<b>37</b>	34888	12.47	8.80	2.14
Other (including unrated)	<b>38</b>	16706	40.00	2.05	2.05
<b>Total other fixed interest securities</b>	<b>39</b>	1417022	10.37	3.89	2.75

<b>Approved variable interest securities</b>	<b>41</b>	166081	22.66	(0.73)	(1.09)
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<b>Other variable interest securities</b>	<b>51</b>	6229	28.90	1.47	1.13
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	2498174	10.19	2.65	1.96
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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 2014**  
 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>	253873	11.79	1.95	1.96

<b>Other approved fixed interest securities</b>	<b>21</b>	59933	6.53	1.62	1.57
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## Other fixed interest securities

AAA/Aaa	<b>31</b>	3925	4.02	1.47	1.34
AA/Aa	<b>32</b>	8786	9.09	2.27	2.17
A/A	<b>33</b>	31867	5.35	2.25	1.83
BBB/Baa	<b>34</b>	62983	2.02	1.54	1.08
BB/Ba	<b>35</b>	10092	2.37	2.87	1.29
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>	117653	3.55	1.90	1.39

<b>Approved variable interest securities</b>	<b>41</b>	28	2.85	0.95	0.95
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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>	431487	8.81	1.89	1.75
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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 2014**  
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>	1626301	2422908	818	4050027	4209331
Form 51 - non-profit	<b>12</b>	1774071	12378691	12853	14165615	13295556
Form 52	<b>13</b>	2476595	5686299	240017	8402911	8455615
Form 53 - linked	<b>14</b>	14616780	20237800	534630	35389210	36572358
Form 53 - non-linked	<b>15</b>	101809	292601	176085	570495	528339
Form 54 - linked	<b>16</b>	393839	1107592	1163	1502594	1456502
Form 54 - non-linked	<b>17</b>	16620	19131	9	35760	36202
<b>Total</b>	<b>18</b>	21006015	42145022	965575	64116612	64553903

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>	3527	1		3528	3381
Form 51 - non-profit	<b>22</b>	536268	174826	4567	715661	2433485
Form 52	<b>23</b>					
Form 53 - linked	<b>24</b>	1188	49702		50890	63607
Form 53 - non-linked	<b>25</b>	1054			1054	908
Form 54 - linked	<b>26</b>	132072	95463	185	227720	221728
Form 54 - non-linked	<b>27</b>	195		1	196	196
<b>Total</b>	<b>28</b>	674304	319992	4753	999049	2723304

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>					
Form 51 - non-profit	<b>32</b>		3832740		3832740	3495010
Form 52	<b>33</b>	1	2272		2273	(80398)
Form 53 - linked	<b>34</b>		6390007		6390007	6203286
Form 53 - non-linked	<b>35</b>		118502		118502	108561
Form 54 - linked	<b>36</b>		426699		426699	409424
Form 54 - non-linked	<b>37</b>		7659		7659	6839
<b>Total</b>	<b>38</b>	1	10777879		10777880	10142723

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>	1622774	2422907	818	4046499	4205949
Form 51 - non-profit	<b>42</b>	1237803	8371125	8286	9617214	7367062
Form 52	<b>43</b>	2476594	5684027	240017	8400638	8536013
Form 53 - linked	<b>44</b>	14615592	13798091	534630	28948313	30305465
Form 53 - non-linked	<b>45</b>	100755	174099	176085	450939	418870
Form 54 - linked	<b>46</b>	261767	585430	978	848175	825349
Form 54 - non-linked	<b>47</b>	16425	11472	8	27905	29167
<b>Total</b>	<b>48</b>	20331710	31047151	960822	52339683	51687876

**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 2014**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	705692	1622881		2328573	2377383
Form 51 - non-profit	12	92268	2274769	640	2367677	2299110
Form 52	13	858734	2478226	119555	3456515	3412575
Form 53 - linked	14	1046849	3872473	99494	5018816	5067488
Form 53 - non-linked	15	7594	145180	313	153087	142079
Form 54 - linked	16		49746		49746	47908
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>2711137</b>	<b>10443275</b>	<b>220002</b>	<b>13374415</b>	<b>13346543</b>

**Reinsurance - external**

Form 51 - with-profits	21	2532	1		2533	2429
Form 51 - non-profit	22	12287	178		12465	13499
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>14819</b>	<b>180</b>		<b>14999</b>	<b>15928</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32		25984		25984	25207
Form 52	33					
Form 53 - linked	34	1046849	3872473	99493	5018815	5067488
Form 53 - non-linked	35	7	113239		113246	103261
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>1046856</b>	<b>4011696</b>	<b>99493</b>	<b>5158045</b>	<b>5195957</b>

**Net of reinsurance**

Form 51 - with-profits	41	703161	1622879		2326040	2374954
Form 51 - non-profit	42	79981	2248607	640	2329228	2260404
Form 52	43	858734	2478226	119555	3456515	3412575
Form 53 - linked	44			1	1	
Form 53 - non-linked	45	7587	31941	313	39841	38818
Form 54 - linked	46		49746		49746	47908
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>1649463</b>	<b>6431399</b>	<b>120509</b>	<b>8201371</b>	<b>8134659</b>

**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 2014**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	72317	70715		143032	135333
Form 51 - non-profit	12	1755	70325		72080	61818
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>74072</b>	<b>141040</b>		<b>215112</b>	<b>197151</b>

**Reinsurance - external**

Form 51 - with-profits	21	876			876	837
Form 51 - non-profit	22	5			5	4
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>881</b>			<b>881</b>	<b>842</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	71441	70715		142156	134496
Form 51 - non-profit	42	1750	70325		72076	61814
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>73191</b>	<b>141040</b>		<b>214231</b>	<b>196310</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 2014**  
Units **£000**

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

**Gross**

Form 51 - with-profits	11	443586	150672	539	594797	674461
Form 51 - non-profit	12	204495	633164	143	837802	795512
Form 52	13	1059430	1426577	84641	2570648	2662219
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		21126		21126	20178
Form 54 - non-linked	17		942		942	913
<b>Total</b>	<b>18</b>	<b>1707511</b>	<b>2232482</b>	<b>85322</b>	<b>4025315</b>	<b>4153284</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	36814			36814	33986
Form 51 - non-profit	32	21873			21873	10800
Form 52	33	28141	13830		41971	44476
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>86828</b>	<b>13830</b>		<b>100658</b>	<b>89262</b>

**Net of reinsurance**

Form 51 - with-profits	41	406772	150672	539	557983	640475
Form 51 - non-profit	42	182622	633164	143	815929	784712
Form 52	43	1031289	1412747	84641	2528677	2617744
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		21126		21126	20178
Form 54 - non-linked	47		942		942	913
<b>Total</b>	<b>48</b>	<b>1620683</b>	<b>2218652</b>	<b>85322</b>	<b>3924657</b>	<b>4064022</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 2014**  
Units **£000**

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

**Gross**

Form 51 - with-profits	11	160198	43199	279	203676	210575
Form 51 - non-profit	12	28950	113812	209	142971	129933
Form 52	13	198036	400165	9770	607971	621938
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		3669		3669	3478
Form 54 - non-linked	17		183		183	176
<b>Total</b>	<b>18</b>	<b>387184</b>	<b>561027</b>	<b>10258</b>	<b>958470</b>	<b>966100</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	160198	43199	279	203676	210575
Form 51 - non-profit	42	28950	113812	209	142971	129933
Form 52	43	198036	400165	9770	607971	621938
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		3669		3669	3478
Form 54 - non-linked	47		183		183	176
<b>Total</b>	<b>48</b>	<b>387184</b>	<b>561027</b>	<b>10258</b>	<b>958470</b>	<b>966100</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 2014**  
Units **£000**

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

**Gross**

Form 51 - with-profits	11	108207	329591		437797	438724
Form 51 - non-profit	12	256917	668307	708	925932	1489295
Form 52	13	374780	1296853	16117	1687750	1763495
Form 53 - linked	14	3202372	3967896	27104	7197372	7372000
Form 53 - non-linked	15	4974	7682	13134	25790	22502
Form 54 - linked	16	148693	84130		232823	379590
Form 54 - non-linked	17	293	5652		5945	8214
<b>Total</b>	<b>18</b>	<b>4096236</b>	<b>6360111</b>	<b>57063</b>	<b>10513409</b>	<b>11473821</b>

**Reinsurance - external**

Form 51 - with-profits	21	52			52	51
Form 51 - non-profit	22	1427	20		1447	4123
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	60129			60129	56481
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>61608</b>	<b>20</b>		<b>61628</b>	<b>60656</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	43921	567		44488	52846
Form 52	33					
Form 53 - linked	34	3202372	3967896		7170268	7347290
Form 53 - non-linked	35	(1911)	6928		5017	2093
Form 54 - linked	36	86031	337		86368	79446
Form 54 - non-linked	37	19			19	253
<b>Total</b>	<b>38</b>	<b>3330432</b>	<b>3975728</b>		<b>7306160</b>	<b>7481927</b>

**Net of reinsurance**

Form 51 - with-profits	41	108155	329591		437745	438673
Form 51 - non-profit	42	211569	667720	708	879998	1432326
Form 52	43	374780	1296853	16117	1687750	1763495
Form 53 - linked	44			27104	27104	24711
Form 53 - non-linked	45	6885	754	13134	20773	20409
Form 54 - linked	46	2533	83793		86326	243663
Form 54 - non-linked	47	274	5652		5926	7962
<b>Total</b>	<b>48</b>	<b>704195</b>	<b>2384363</b>	<b>57063</b>	<b>3145621</b>	<b>3931238</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 2014**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	173115	205838		378953	406841
Form 51 - non-profit	12	19585	74341		93926	82657
Form 52	13	11308	95954	6779	114041	118942
Form 53 - linked	14	209141	33040		242181	266751
Form 53 - non-linked	15	225	47		272	544
Form 54 - linked	16		188		188	231
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>413374</b>	<b>409409</b>	<b>6779</b>	<b>829562</b>	<b>875966</b>

**Reinsurance - external**

Form 51 - with-profits	21	67			67	64
Form 51 - non-profit	22	186			186	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>254</b>			<b>254</b>	<b>79</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	209141	33040		242181	266751
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>209141</b>	<b>33040</b>		<b>242181</b>	<b>266751</b>

**Net of reinsurance**

Form 51 - with-profits	41	173048	205838		378886	406777
Form 51 - non-profit	42	19398	74341		93740	82643
Form 52	43	11308	95954	6779	114041	118942
Form 53 - linked	44					
Form 53 - non-linked	45	225	47		272	544
Form 54 - linked	46		188		188	231
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>203979</b>	<b>376369</b>	<b>6779</b>	<b>587127</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 2014**  
Units **£000**

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

**Gross**

Form 51 - with-profits	11					
Form 51 - non-profit	12	1235949	8603071	11153	9850173	8558014
Form 52	13	50193	130944	55794	236931	243999
Form 53 - linked	14	14616778	16332287	507526	31456591	32898487
Form 53 - non-linked	15	87112	146004	162635	395751	365323
Form 54 - linked	16	332230	954934	1163	1288327	1090181
Form 54 - non-linked	17	16347	12354	9	28710	27152
<b>Total</b>	<b>18</b>	<b>16338609</b>	<b>26179594</b>	<b>738280</b>	<b>43256483</b>	<b>43183156</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22	522364	174628	4567	701559	2415843
Form 52	23					
Form 53 - linked	24	1188	49702		50890	63607
Form 53 - non-linked	25	1054			1054	908
Form 54 - linked	26	71943	95463	185	167591	165247
Form 54 - non-linked	27	195		1	196	196
<b>Total</b>	<b>28</b>	<b>596744</b>	<b>319792</b>	<b>4753</b>	<b>921289</b>	<b>2645800</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32	54	3865274		3865329	3526941
Form 52	33	47746	130862	52640	231248	242680
Form 53 - linked	34		2484495		2484495	2554126
Form 53 - non-linked	35		4647		4647	5317
Form 54 - linked	36	1053	432563		433616	415042
Form 54 - non-linked	37		7659		7659	6839
<b>Total</b>	<b>38</b>	<b>48853</b>	<b>6925500</b>	<b>52640</b>	<b>7026994</b>	<b>6750944</b>

**Net of reinsurance**

Form 51 - with-profits	41					
Form 51 - non-profit	42	713531	4563169	6586	5283286	2615229
Form 52	43	2447	82	3154	5683	1319
Form 53 - linked	44	14615590	13798090	507526	28921206	30280754
Form 53 - non-linked	45	86058	141357	162635	390050	359099
Form 54 - linked	46	259234	426908	978	687120	509893
Form 54 - non-linked	47	16152	4695	8	20855	20117
<b>Total</b>	<b>48</b>	<b>15693011</b>	<b>18934302</b>	<b>680887</b>	<b>35308200</b>	<b>33786411</b>

**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 2014**  
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	17461	182414	1661				148800
120	Conventional endowment with-profits OB savings	11812	92359	1849				78563
125	Conventional endowment with-profits OB target cash	32646	527974	16282				473436
165	Conventional deferred annuity with-profits	1						5
175	Group conventional deferred annuity with-profits	3	30					628
210	Additional reserves with-profits OB							4260
300	Regular premium non-profit WL/EA OB	25784	69475	1518				53047
325	Level term assurance	20931	1588907	5126				11883
330	Decreasing term assurance	42807	742337	3096				3650
340	Accelerated critical illness (guaranteed premiums)	5671	275269	1808				5155
350	Stand-alone critical illness (guaranteed premiums)	1334	68013	361				694
390	Deferred annuity non-profit	34	1					10
395	Annuity non-profit (PLA)	1894	1738					14639
435	Miscellaneous non-profit	141	3222	6				3190

**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 2014**  
 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
100	Conventional whole life with-profits OB		8553	14				2529
125	Conventional endowment with-profits OB target cash		7					3
300	Regular premium non-profit WL/EA OB		66					50
325	Level term assurance		693423	2339				8463
330	Decreasing term assurance		54586	447				(215)
340	Accelerated critical illness (guaranteed premiums)		219720	1365				3940
350	Stand-alone critical illness (guaranteed premiums)		4736	24				46
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 2014**  
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	2	3					4
155	Conventional pensions endowment with-profits	1	15					15
165	Conventional deferred annuity with-profits	16236	27008	2105				875146
175	Group conventional deferred annuity with-profits	23570	190893	41				747453
185	Group conventional pensions endowment with-profits							
205	Miscellaneous conventional with-profits	315	5490	7				262
210	Additional reserves with-profits OB							
300	Regular premium non-profit WL/EA OB	1646	125013					889
315	Individual deposit administration non-profit	248	4879					4879
320	Group deposit administration non-profit	241	9333	54				23327
325	Level term assurance	8441	359780	1038				2433
390	Deferred annuity non-profit	11753	10190					249504
400	Annuity non-profit (CPA)	76850	156758					1993737

**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 2014**  
Units **£000**  
UK Pension / 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
205	Miscellaneous conventional with-profits		206					1
325	Level term assurance		7687	17				44
390	Deferred annuity non-profit		8					
400	Annuity non-profit (CPA)		10					134
405	Annuity non-profit (CPA impaired life)							

**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 2014**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

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		4879					4879
320	Group deposit administration non-profit		9333	54				19913
390	Deferred annuity non-profit		66					1193

**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 2014**  
 Units **£000**  
 Overseas / 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
325	Level term assurance	647	77674	271				36
330	Decreasing term assurance	64	3328	26				28
350	Stand-alone critical illness (guaranteed premiums)	633	26075	153				407
395	Annuity non-profit (PLA)	9	18					169

## 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 **FPLAL With Profit Fund**  
Financial year ended **31 December 2014**  
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	5146	79074	482				50049
120	Conventional endowment with-profits OB savings	2515	24325	218				22268
300	Regular premium non-profit WL/EA OB	590	2596	28				1587
325	Level term assurance	509	1959	9				27
330	Decreasing term assurance	1	3					
390	Deferred annuity non-profit	2						2
395	Annuity non-profit (PLA)	50	25					140



Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FPLAL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
Total business / subfund **FPLAL With Profit Fund**  
Financial year ended **31 December 2014**  
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
155	Conventional pensions endowment with-profits							
165	Conventional deferred annuity with-profits	2580	4058	126				61118
175	Group conventional deferred annuity with-profits	388	550	8				9587
205	Miscellaneous conventional with-profits	48	367	1				10
325	Level term assurance	141	1911	6				31
390	Deferred annuity non-profit	98	293					4657
400	Annuity non-profit (CPA)	2483	4118					65638

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FPLAL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 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	3995	48931	279				35629
120	Conventional endowment with-profits OB savings	96850	473438	33983				379333
125	Conventional endowment with-profits OB target cash	95	1259	17				13266
165	Conventional deferred annuity with-profits	1						4
205	Miscellaneous conventional with-profits	17861	17224	1723				15354
300	Regular premium non-profit WL/EA OB	293152	586408	36966				198378
390	Deferred annuity non-profit	1	24					616
395	Annuity non-profit (PLA)	4	8					111
435	Miscellaneous non-profit	1115	5391					5391

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLC New With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Reinsurance ceded intra-group	

[illegible]

**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 **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
155	Conventional pensions endowment with-profits	2454	52559	129				108482
165	Conventional deferred annuity with-profits	3	5					79
175	Group conventional deferred annuity with-profits	45	319	226				6836
205	Miscellaneous conventional with-profits	21	330					15
210	Additional reserves with-profits OB							35260
390	Deferred annuity non-profit	85	423					12145
400	Annuity non-profit (CPA)	14912	34751					572199
435	Miscellaneous non-profit	665	20980					48595
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 **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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	8	548	5				398
120	Conventional endowment with-profits OB savings	6	90	1				85
165	Conventional deferred annuity with-profits	2	4					55
205	Miscellaneous conventional with-profits	2	40					1
395	Annuity non-profit (PLA)	7	12					143

**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 **FLC Old With Profit Fund**  
Financial year ended **31 December 2014**  
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	632	11063	43				7775
120	Conventional endowment with-profits OB savings	18082	112963	10103				143355
125	Conventional endowment with-profits OB target cash	12	247	3				1995
165	Conventional deferred annuity with-profits	17	5					87
205	Miscellaneous conventional with-profits	5161	6149	717				6986
300	Regular premium non-profit WL/EA OB	1988	76726	4695				27469
390	Deferred annuity non-profit	1	2					49
395	Annuity non-profit (PLA)	2	2					14
435	Miscellaneous non-profit	216	1418					1418



**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 **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
155	Conventional pensions endowment with-profits	1484	18633	18				37970
165	Conventional deferred annuity with-profits	6	6					92
205	Miscellaneous conventional with-profits	7	16					1
210	Additional reserves with-profits OB							5135
390	Deferred annuity non-profit	5	4					89
400	Annuity non-profit (CPA)	2240	4002					67021
435	Miscellaneous non-profit	1251	17608					46701

**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 **FLC Old With Profit Fund**  
Financial year ended **31 December 2014**  
Units **£000**  
Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	9	285	2				237
120	Conventional endowment with-profits OB savings	1	36					31
165	Conventional deferred annuity with-profits	2	1					11
205	Miscellaneous conventional with-profits	2	6					
395	Annuity non-profit (PLA)	1	8					87
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 **Friends Life Limited**  
Total business / subfund **FLAS With Profit Fund**  
Financial year ended **31 December 2014**  
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	12599	74920	1558				52668
120	Conventional endowment with-profits OB savings	9932	53109	668				45129
125	Conventional endowment with-profits OB target cash	333	6076	143				5609
155	Conventional pensions endowment with-profits	18	1997	15				4406
165	Conventional deferred annuity with-profits							
205	Miscellaneous conventional with-profits	5	169	1				168
210	Additional reserves with-profits OB							226
300	Regular premium non-profit WL/EA OB	174301	322890	15968				176119
325	Level term assurance	2371	69922	291				1002
330	Decreasing term assurance	671	8493	96				54
335	Decreasing term assurance (rider benefits)	1						
355	Stand-alone critical illness (reviewable premiums)	54	7006	24				116
360	Income protection non-profit (guaranteed premiums)	2024	15606	309				4129
385	Income protection claims in payment							17
390	Deferred annuity non-profit	564	1149					8715

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 **FLAS With Profit Fund**  
Financial year ended **31 December 2014**  
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
395	Annuity non-profit (PLA)	1891	3930					44858
410	Group life	9	518336	3814				15195
411	Group death in service dependants' annuities	2	30					6
420	Group income protection	48	1088					74
425	Group income protection claims in payment							2082
435	Miscellaneous non-profit	1233	26074	4				4550

**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 **FLAS With Profit Fund**  
Financial year ended **31 December 2014**  
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
100	Conventional whole life with-profits OB		65					52
300	Regular premium non-profit WL/EA OB		3					
325	Level term assurance		3448	15				86
330	Decreasing term assurance							
336	Mortality risk premium reinsurance			77				211
360	Income protection non-profit (guaranteed premiums)		410	8				56
385	Income protection claims in payment							12
395	Annuity non-profit (PLA)		16					937
420	Group income protection		394					18
425	Group income protection claims in payment							57
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 **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

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)		3913					43921

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 **FLAS With Profit Fund**  
Financial year ended **31 December 2014**  
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
115	Conventional whole life with-profits (tax exempt)	2	854	7				377
155	Conventional pensions endowment with-profits	4929	145414	448				253154
165	Conventional deferred annuity with-profits	45	67					888
185	Group conventional pensions endowment with-profits	118	976	5				1817
200	Annuity with-profits (CPA)	586	5455					65262
210	Additional reserves with-profits OB							8093
300	Regular premium non-profit WL/EA OB	3	102					81
325	Level term assurance	529	24464	68				976
330	Decreasing term assurance	1	1					
390	Deferred annuity non-profit	21025	31699					613847
400	Annuity non-profit (CPA)	805	1746					27177
405	Annuity non-profit (CPA impaired life)	31	70					665
410	Group life	899	285096	18				391
411	Group death in service dependants' annuities	705	14400					1128
435	Miscellaneous non-profit	3515	20245					23660

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLAS With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]



**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 **FLAS With Profit Fund**  
Financial year ended **31 December 2014**  
Units **£000**  
UK Pension / 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
325	Level term assurance		128					6
336	Mortality risk premium reinsurance							8
400	Annuity non-profit (CPA)							
405	Annuity non-profit (CPA impaired life)							
410	Group life		4321					6

**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 **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		40					567

**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 **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
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 2014**  
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	14021	61525	817				40841
120	Conventional endowment with-profits OB savings	13261	76066	1239				66559
125	Conventional endowment with-profits OB target cash	5374	72418	2492				65426
165	Conventional deferred annuity with-profits	1						8
205	Miscellaneous conventional with-profits	13606	142842	201				271
210	Additional reserves with-profits OB							10
300	Regular premium non-profit WL/EA OB	13821	16993	35				16364
325	Level term assurance	617	22905	108				19
330	Decreasing term assurance	262	4075	61				2
335	Decreasing term assurance (rider benefits)		156	2				
360	Income protection non-profit (guaranteed premiums)	612	2666	97				441
380	Miscellaneous protection rider		1					1
385	Income protection claims in payment	11	95	2				413
390	Deferred annuity non-profit	145	131					1922
395	Annuity non-profit (PLA)	128	50					323

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  
WL With Profit Fund  
31 December 2014  
£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
435	Miscellaneous non-profit							100

**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 2014**  
 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
100	Conventional whole life with-profits OB		163	1				67
120	Conventional endowment with-profits OB savings		208					
300	Regular premium non-profit WL/EA OB		78	2				
325	Level term assurance		48					
330	Decreasing term assurance		21	1				1
360	Income protection non-profit (guaranteed premiums)		77	3				12
385	Income protection claims in payment		18	1				174

**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 2014**  
 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
155	Conventional pensions endowment with-profits	659	17134	48				15320
165	Conventional deferred annuity with-profits	5095	7225	259				145740
175	Group conventional deferred annuity with-profits	46	8					273
185	Group conventional pensions endowment with-profits	2409	37080	35				31700
205	Miscellaneous conventional with-profits	18	513	2				16
210	Additional reserves with-profits OB							12790
300	Regular premium non-profit WL/EA OB	194	268					272
305	Single premium non-profit WL/EA OB	700	8883					9438
325	Level term assurance	136	5625	10				125
380	Miscellaneous protection rider		12					2
390	Deferred annuity non-profit	1461	1391					29715
400	Annuity non-profit (CPA)	1474	2352					29789
440	Additional reserves non-profit OB							5000

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>WL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded external	

[illegible]



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

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2014**  
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	42695	150352	2064				107241
325	Level term assurance	249525	37257228	78791				264009
330	Decreasing term assurance	190206	19198593	49668				(14935)
335	Decreasing term assurance (rider benefits)	6800	97151	389				1989
340	Accelerated critical illness (guaranteed premiums)	297994	26757421	143084				60726
345	Accelerated critical illness (reviewable premiums)	47495	4869529	24596				37636
350	Stand-alone critical illness (guaranteed premiums)	24868	1949256	11929				620
355	Stand-alone critical illness (reviewable premiums)	7140	524272	3138				4800
360	Income protection non-profit (guaranteed premiums)	119610	1741084	54568				(31114)
365	Income protection non-profit (reviewable premiums)	10927	117644	3078				11150
370	Long-term care policy	4145	52641	2745				155228
380	Miscellaneous protection rider	50085	149953	792				(1501)
385	Income protection claims in payment	1512	21578	21				202346
390	Deferred annuity non-profit	1446	93					2995
395	Annuity non-profit (PLA)	2535	26387					144287

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 2014**  
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
410	Group life	53327	6937423	7681				1966
411	Group death in service dependants' annuities	6	167					15
415	Collective life		475234					50
420	Group income protection	222617	6458333	58235				29077
425	Group income protection claims in payment	497	32830					219037
430	Group critical illness	131476	9837974	24881				5772
435	Miscellaneous non-profit	119	193	5				1446
440	Additional reserves non-profit OB							33111

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 2014**  
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		7819	260				1835
325	Level term assurance		30692240	42288				220732
330	Decreasing term assurance		12957192	22721				24941
335	Decreasing term assurance (rider benefits)		36					3
340	Accelerated critical illness (guaranteed premiums)		18034176	35618				54808
345	Accelerated critical illness (reviewable premiums)		3027395	1717				19485
350	Stand-alone critical illness (guaranteed premiums)		1304600	3871				7473
355	Stand-alone critical illness (reviewable premiums)		367391	83				1919
360	Income protection non-profit (guaranteed premiums)		535437	2009				23050
365	Income protection non-profit (reviewable premiums)		60175	749				8391
370	Long-term care policy		117324	1798				71039
380	Miscellaneous protection rider		50574	111				(77)
385	Income protection claims in payment		5172	13				49522
410	Group life		2876341	2050				654
420	Group income protection		1312693	7478				5482

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>Non Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer	Friends Life Limited
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Total business / subfund	<b>Non Profit Fund</b>
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Financial year ended **31 December 2014**

Units	£000
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UK Life / Reinsurance ceded intra-group

[illegible]

**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 2014**  
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	90	395					359
315	Individual deposit administration non-profit	524	4562					4562
325	Level term assurance	9689	969279	2106				7372
330	Decreasing term assurance	1435	150355	357				(229)
380	Miscellaneous protection rider	34	3148	63				388
390	Deferred annuity non-profit	48183	10550	6				235748
400	Annuity non-profit (CPA)	329940	553925					8221075
405	Annuity non-profit (CPA impaired life)	1739	8164					99921
410	Group life	416142	49677200	57000				17925
411	Group death in service dependants' annuities	9361	2392082	4103				2047
435	Miscellaneous non-profit	242	2869	5				3427
440	Additional reserves non-profit OB							10478

**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 2014**  
Units **£000**  
UK Pension / 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
325	Level term assurance		426390	637				3157
330	Decreasing term assurance		75978	114				109
400	Annuity non-profit (CPA)		137325					164030
405	Annuity non-profit (CPA impaired life)							2274
410	Group life		23693404	16993				7207
411	Group death in service dependants' annuities		882783	786				475
435	Miscellaneous non-profit		1734	5				40
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 **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2014**  
Units **£000**  
UK Pension / Reinsurance ceded intra-group

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		5527	6				151410
400	Annuity non-profit (CPA)		245166					3712709
405	Annuity non-profit (CPA impaired life)		42					656
411	Group death in service dependants' annuities		204					500
440	Additional reserves non-profit OB							



**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 2014**  
 Units **£000**  
 Overseas / 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	43	318	4				229
325	Level term assurance	14593	1983583	9140				(4526)
330	Decreasing term assurance	533	36059	270				329
340	Accelerated critical illness (guaranteed premiums)	22	2371	17				47
350	Stand-alone critical illness (guaranteed premiums)	10591	382303	3242				(3696)
390	Deferred annuity non-profit	98	106	770				7474
395	Annuity non-profit (PLA)	112	353					4584
410	Group life							12
435	Miscellaneous non-profit		20909	161				6733
440	Additional reserves non-profit OB							(34)

**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 2014**  
 Units **£000**  
 Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		333008	7				4567

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FP With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Gross	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
525	Individual pensions UWP	117297	1893136	16027	1873018	1860431	290372	2150803
535	Group money purchase pensions UWP	11539	127184	1217	157378	157317	20064	177381
574	UWP investment only reinsurance		150323	22	150323	150310	(268)	150042

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FP With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
Overseas / Gross	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
500	Life UWP single premium	23213	702275		689317	689303	36195	725498
505	Life UWP whole life regular premium	7552	669869	5528	11716	11716	593	12309
506	Life UWP whole life regular premium (ISA)	516	3295	52	3267	3267	57	3324
510	Life UWP endowment regular premium - savings	205	7077	429	6521	6521	60	6581
515	Life UWP endowment regular premium - target cash	16046	624115	12695	252690	252690	7453	260143
574	UWP investment only reinsurance		44871		44872	44872	67	44939
575	Miscellaneous UWP	3278	5911		5853	5853	783	6636

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLC New With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
Total business / subfund **FLC New With Profit Fund**  
Financial year ended **31 December 2014**  
Units **£000**  
UK Life / Reinsurance ceded intra-group

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		26965		26252	26252		26252
505	Life UWP whole life regular premium		12891	75	189	189		189
506	Life UWP whole life regular premium (ISA)		228		231	231		231
510	Life UWP endowment regular premium - savings		114	9	72	72		72
515	Life UWP endowment regular premium - target cash		2709	103	864	864		864
575	Miscellaneous UWP		469		533	533		533



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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
525	Individual pensions UWP	31422	840928	10105	780160	780160	207584	987744
535	Group money purchase pensions UWP	7087	114271	2366	112408	112408	1514	113922
555	Group deposit administration with-profits	12296	261309	6021	261309	261309	45392	306701
570	Income drawdown UWP	56	8414		8414	8414	3	8417
571	Trustee investment plan UWP	72	9353	11	9353	9353	1	9354
575	Miscellaneous UWP	6	329	10	264	264		264
610	Additional reserves UWP						175	175

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / 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
525	Individual pensions UWP		54					

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLC New With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded intra-group	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
500	Life UWP single premium	79	3372		3355	3355		3355
505	Life UWP whole life regular premium	165	20762	164	713	713	6	719
510	Life UWP endowment regular premium - savings	6	266	13	266	266	2	268
515	Life UWP endowment regular premium - target cash	108	8299	140	2859	2859	92	2951
555	Group deposit administration with-profits	393	17410	697	17410	17410	2364	19774
574	UWP investment only reinsurance		57574		57574	57574		57574

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLC New With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
Overseas / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
500	Life UWP single premium	2531	125821		122503	122503	5258	127761
505	Life UWP whole life regular premium	1079	131630	938	2837	2837	75	2912
506	Life UWP whole life regular premium (ISA)	42	381	52	382	382	7	389
510	Life UWP endowment regular premium - savings	50	2124	120	2016	2016	15	2031
515	Life UWP endowment regular premium - target cash	3705	119527	2260	56944	56944	1622	58566
574	UWP investment only reinsurance		5253		5253	5253		5253
575	Miscellaneous UWP	248	1013		1071	1071	53	1124

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
505	Life UWP whole life regular premium		6427	22				

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
525	Individual pensions UWP	11116	275236	1544	266605	266605	68200	334805
535	Group money purchase pensions UWP	1261	40211	398	38956	38956	593	39549
555	Group deposit administration with-profits	1946	18613	98	18613	18613	1414	20027
570	Income drawdown UWP	7	3264		3265	3265	2	3267
571	Trustee investment plan UWP	16	2326	1	2327	2327		2327
575	Miscellaneous UWP	5	216	2	163	163	2	165
610	Additional reserves UWP						25	25



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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / 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
525	Individual pensions UWP		25					

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC Old With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
500	Life UWP single premium	8	143		143	143		143
505	Life UWP whole life regular premium	14	3608	15	69	69	1	70
510	Life UWP endowment regular premium - savings	1	174	7	174	174		174
515	Life UWP endowment regular premium - target cash	27	1120	20	496	496	18	514
555	Group deposit administration with-profits	13	459		459	459	25	484
574	UWP investment only reinsurance		8385		8385	8385		8385

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLC Old With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
Overseas / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
500	Life UWP single premium	10288	260004		252301	252301	150	252451
505	Life UWP whole life regular premium	3184	338529	3621	32582	31950	390	32340
510	Life UWP endowment regular premium - savings	1576	60047	1381	32463	31786	4321	36107
515	Life UWP endowment regular premium - target cash	1315	36812	1148	18697	18033	16	18049
555	Group deposit administration with-profits		2160	55	2160	2160		2160
574	UWP investment only reinsurance		33673		33673	33673		33673

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
525	Individual pensions UWP	22907	758214	4744	701167	686503	149490	835993
535	Group money purchase pensions UWP	13131	252215	3850	213020	205293	2058	207351
555	Group deposit administration with-profits		228579	12032	228381	228381	402	228783
570	Income drawdown UWP	10	2923		2924	2924	1	2925
571	Trustee investment plan UWP	31	3960	6	3960	3935	579	4514
575	Miscellaneous UWP	149	20536	301	17704	17189	98	17287

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
574	UWP investment only reinsurance		16117		16117	16117		16117

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
500	Life UWP single premium	253	6684		3636	3636		3636
510	Life UWP endowment regular premium - savings	29	71	10	160	160		160
515	Life UWP endowment regular premium - target cash	941	10267	456	7512	7512		7512

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>WL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]



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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>WL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
Overseas / Gross	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 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
500	Life UWP single premium	1267	33929		33593	33593	74	33667
505	Life UWP whole life regular premium	209	52512	525	3024	3024		3024
510	Life UWP endowment regular premium - savings	637	7080	559	6339	6339	25	6364
515	Life UWP endowment regular premium - target cash	651	16352	592	5043	5043	59	5102
575	Miscellaneous UWP						2036	2036

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

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		47999	2	47999	47999	(253)	47746

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>Non Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>Non Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded intra-group	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
500	Life UWP single premium	792	37807		37433	37433	29	37462
505	Life UWP whole life regular premium	15	1158	79	1147	1147		1147
510	Life UWP endowment regular premium - savings	594	11826	594	10941	10081	71	10152
525	Individual pensions UWP	126	4062	95	4036	4036	1	4037
575	Miscellaneous UWP						2996	2996

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / Reinsurance ceded intra-group

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		52696		52695	52695	(55)	52640





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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

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		1046894	161	1046849	1046849	7	1046856

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FP With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FP With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded intra-group	

[illegible]

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FP With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
Overseas / Gross	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FP With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / Reinsurance ceded intra-group

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		99493		99493	99493		99493

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
700	Life property linked single premium	83922	2919514		2868666	2868666	1264	2869930
710	Life property linked whole life regular premium	20991	1422816	14121	166618	166618	2510	169128
715	Life property linked endowment regular premium - savings	8427	195429	3468	132822	132822	469	133291
720	Life property linked endowment regular premium - target cash	1927	76116	1446	34266	34266	666	34932
795	Miscellaneous property linked						65	65

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
700	Life property linked single premium		1207	33				
710	Life property linked whole life regular premium		351332	2467				
715	Life property linked endowment regular premium - savings		7500	61				

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

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		2897232		2868666	2868666	1130	2869796
710	Life property linked whole life regular premium		185834	14121	166618	166618	(3616)	163002
715	Life property linked endowment regular premium - savings		136105	3468	132822	132822	321	133143
720	Life property linked endowment regular premium - target cash		35938	1446	34266	34266	254	34520
795	Miscellaneous property linked							





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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLAS With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLAS With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded intra-group	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
715	Life property linked endowment regular premium - savings	3458	54341	967	27104	27104	13134	40238

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
700	Life property linked single premium	216	5695		5640	5640	3	5643
710	Life property linked whole life regular premium	2019	69268	521	6740	6740	167	6907
715	Life property linked endowment regular premium - savings	2	39	1	39	39		39
720	Life property linked endowment regular premium - target cash	9116	320061	6343	196722	196722	11	196733
790	Miscellaneous protection rider	5	1431	45			39	39
795	Miscellaneous property linked						5	5

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>WL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Reinsurance ceded intra-group	

[illegible]



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

Name of insurer **Friends Life Limited**  
 Total business / subfund **WL With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

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		33040	244	33132	33040		33040



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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 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
700	Life property linked single premium	201848	12148020		12036272	12031056	36900	12067956
710	Life property linked whole life regular premium	106676	7118533	71122	735437	735036	9950	744986
715	Life property linked endowment regular premium - savings	8427	303689	9531	272681	272678	815	273493
720	Life property linked endowment regular premium - target cash	15192	774321	20516	505131	505093	3285	508378
790	Miscellaneous protection rider	191	7488	238			734	734
794	Property linked investment only reinsurance		1046894	161	1046849	1046849	7	1046856
795	Miscellaneous property linked	8772	16666	6744	26066	26066	3390	29456
800	Additional reserves property linked						32031	32031

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>Non Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
Total business / subfund **Non Profit Fund**  
Financial year ended **31 December 2014**  
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
725	Individual pensions property linked	405724	10328938	124656	10262141	10179651	27414	10207065
735	Group money purchase pensions property linked	225450	3999477	149543	3993293	3981983	99385	4081368
750	Income drawdown property linked	4607	582616	42	582616	582616	817	583433
755	Trustee investment plan	1353	184776	551	197448	197299	11	197310
760	Small self administered schemes	257	123262	1736	122802	119337	(116)	119221
765	Group managed fund	158	499032		499032	499032		499032
790	Miscellaneous protection rider	4	274	6			163	163
794	Property linked investment only reinsurance		764796		772369	772369	1	772370
800	Additional reserves property linked						18329	18329

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / 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
725	Individual pensions property linked		483	4				
794	Property linked investment only reinsurance		49702		49702	49702		49702

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

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		393326	3726	393253	393253	1826	395079
735	Group money purchase pensions property linked		344798	7480	344280	343817	2821	346638
750	Income drawdown property linked							
755	Trustee investment plan							
794	Property linked investment only reinsurance		1748308	8166	1767173	1747425		1747425

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / 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
700	Life property linked single premium	1172	19613		18773	18773	232	19005
710	Life property linked whole life regular premium	1289	189042	1357	23438	23438	160	23598
715	Life property linked endowment regular premium - savings	75667	1130334	77145	356555	351405	135261	486666
720	Life property linked endowment regular premium - target cash	31	1646	32	834	834	1	835
725	Individual pensions property linked	528	13151	399	13092	13092	39	13131
794	Property linked investment only reinsurance		99493		99493	99493		99493
795	Miscellaneous property linked	258	491	301	491	491	1	492
800	Additional reserves property linked						26941	26941

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Non Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 Overseas / Reinsurance ceded intra-group

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				

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FP With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]



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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLC New With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
905	Index linked annuity(CPA)	989	905		21126	21126	942	22068

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLC Old With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment		99		1053	1053		1053
905	Index linked annuity(CPA)	207	4886		147631	147631	286	147917
910	Miscellaneous index linked	2	18		9	9	7	16

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 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
905	Index linked annuity(CPA)		1802		60129	60129		60129
915	Additional reserves index linked							

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

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)		2953		86031	86031	19	86050

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLAS With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>FLAS With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **FLAS With Profit Fund**  
 Financial year ended **31 December 2014**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity(CPA)		21		337	337		337



Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>WL With Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]

**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 2014**  
 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	14	5065		32354	32354		32354
902	Group index linked income protection claims in payment		5883		35385	35385		35385
905	Index linked annuity	376	9132		116199	116199	(124)	116075
910	Accelerated Critical Illness (guaranteed premiums)	73	6221	47	229	229		229
910	Group Income Protection	41714		10415	4869	4869		4869
910	Income Protection non-profit	6345	124712	4044	(14275)	(14275)		(14275)
910	Long Term care policy - Future Care	1032	67071	720	14903	14903		14903
910	Long Term care policy - Future Care claims in payment	104	1465		4559	4559		4559
910	Long Term care policy - Immediate Care	4	141		654	654		654
910	Individual PHI	2418	47039	1503	(3335)	(3335)		(3335)
910	Miscellaneous non profit	1	4		5	5		5
910	Miscellaneous protection rider	7156	9658	159	(636)	(636)		(636)
910	Stand alone Critical Illness (guaranteed premiums)	180	20090	275	193	193		193
910	Miscellaneous index linked	4415	312361	3023	141126	141126	16471	157597

**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 2014**  
 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
901	Index linked income protection claims in payment		1344		9610	9610		9610
902	Group index linked income protection claims in payment				12621	12621		12621
910	Accelerated Critical Illness (guaranteed premiums)		4887		100	100		100
910	Group Income Protection			1402	978	978		978
910	Income Protection non-profit		70147	112	(4530)	(4530)		(4530)
910	Long Term care policy - Future Care		56896	82	3895	3895		3895
910	Long Term care policy - Future Care claims in payment		1319		4103	4103		4103
910	Individual PHI		20562	19	(286)	(286)		(286)
910	Miscellaneous protection rider		(2084)	21	(85)	(85)		(85)
910	Stand alone Critical Illness (guaranteed premiums)		16698		189	189		189
910	Miscellaneous index linked		195700	1410	45347	45347	195	45542

**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 2014**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment		99		1053	1053		1053

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

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>Non Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
UK Pension / Gross	

[illegible]

**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 2014**  
 Units **£000**  
 UK Pension / 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
905	Index linked annuity		18232		95463	95463		95463

**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 2014**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

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		26546		432563	432563	7659	440222

Name of insurer	<b>Friends Life Limited</b>
Total business / subfund	<b>Non Profit Fund</b>
Financial year ended	<b>31 December 2014</b>
Units	<b>£000</b>
Overseas / Gross	

[illegible]



**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 2014**  
 Units **£000**  
 Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment		41		145	145		145
910	Miscellaneous index linked		2829	7	40	40	1	41

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

Name of insurer **Friends Life Limited**  
Total business  
Financial year ended **31 December 2014**  
Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Fixed Interest	01 - life - stock market managed fund	143082	Cross Holdings		2.4355	2.7261	11.93
Life Monthly Distribution	01 - life - stock market managed fund	342500	Cross Holdings		1.1604	1.1848	2.10
Life Monthly Distribution Accumulation	01 - life - stock market managed fund	114632	FP Accumulation 0.75% - FP	0.75	1.6964	1.7692	4.30
Life Managed	04 - life - other managed fund	626636	FP Accumulation 0.75% - PR	0.75	8.1387	8.6259	5.99
Life Equity	05 - life - UK equity	331687	Cross Holdings		2.4334	2.4347	0.05
Life Stewardship	05 - life - UK equity	243331	FP Accumulation 0.75% - PR	0.75	11.5406	12.0839	4.71
Life European	06 - life - overseas equity	131649	Cross Holdings		2.6769	2.7605	3.13
Life International	06 - life - overseas equity	223954	Cross Holdings		2.1302	2.4824	16.53
Life - Commercial Property	07 - life - property	162518	Accumulation SY		5.5780	6.4098	14.91
Life Property	07 - life - property	147675	FP Accumulation 0.75% - FP	0.75	4.7479	5.4154	14.06
Pension - Managed	14 - individual pension - other managed fund	489974	Accumulation C	1.00	59.5740	63.0307	5.80
Pension - UK Equity	15 - individual pension - UK equity	182363	Accumulation SY		1.0000	0.9922	(0.78)
Pension - Commercial Property	17 - individual pension - property	699539	Accumulation SY		7.6071	8.8206	15.95
Managed Fund L	02 - life - balanced managed fund	779023	Issue 83	1.00	17.9530	18.6710	4.00
Reserve Fund L	03 - life - defensive managed fund	289689	Issue 90	1.00	1.2910	1.4000	8.44
Distribution Fund L	04 - life - other managed fund	4382045	Issue 73	1.00	3.9400	3.8920	(1.22)
Deferred Distribution L	04 - life - other managed fund	3026000	Issue 72	1.00	5.4720	5.8320	6.58
High Yield Dist L	04 - life - other managed fund	485670	Issue 90	1.00	0.9060	0.9030	(0.33)

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

Name of insurer **Friends Life Limited**  
Total business  
Financial year ended **31 December 2014**  
Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Defensive Dist L	04 - life - other managed fund	244880	Issue 90	1.00	1.1900	1.2400	4.20
Monthly Distribution L	04 - life - other managed fund	195802	Issue 90	1.00	1.0260	1.0130	(1.27)
UK Equity Fund L	05 - life - UK equity	105236	Issue 83	1.00	28.1220	28.1860	0.23
Higher Income Fund L	05 - life - UK equity	131635	Issue 72	1.00	38.2540	38.0690	(0.48)
Global Distribution L	06 - life - overseas equity	140358	Issue 90	1.00	1.8970	2.0610	8.65
Property Fund L	07 - life - property	245643	Issue 90	1.00	1.3820	1.5860	14.76
Global Managed P	11 - individual pension - stock market managed fund	144099	Issue 23	1.00	4.8910	5.2090	6.50
Retirement 2015 P	11 - individual pension - stock market managed fund	121849	Issue 66	1.00	1.5930	1.8010	13.06
Retirement 2020 P	11 - individual pension - stock market managed fund	197594	Issue 66	1.00	1.5970	1.7330	8.52
Retirement 2025 P	11 - individual pension - stock market managed fund	258898	Issue 66	1.00	1.6700	1.7340	3.83
Retirement 2030 P	11 - individual pension - stock market managed fund	279035	Issue 66	1.00	1.6710	1.7350	3.83
Retirement 2035 P	11 - individual pension - stock market managed fund	245730	Issue 66	1.00	1.6660	1.7300	3.84
Retirement 2040 P	11 - individual pension - stock market managed fund	264597	Issue 66	1.00	1.6610	1.7240	3.79
Managed Fund P	12 - individual pension - balanced managed fund	3624588	Issue 21	1.00	31.7280	33.1150	4.37
Reserve Fund P	13 - individual pension - defensive managed fund	154852	Issue 66	1.00	1.8290	2.0270	10.83
Rosenberg Amer Eq P	14 - individual pension - other managed fund	119268	Issue 21	1.00	13.5270	16.4810	21.84
Fixed Interest P	14 - individual pension - other managed fund	193285	Issue 21	1.00	14.1740	15.8250	11.65
Cash Fund P	14 - individual pension - other managed fund	269704	Issue 21	1.00	7.8150	7.7780	(0.47)

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

Name of insurer **Friends Life Limited**  
Total business  
Financial year ended **31 December 2014**  
Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Retirement Dist P	14 - individual pension - other managed fund	2015562	Issue 21	1.00	5.8940	6.3040	6.96
Aquila Global Eq 50/50 P	14 - individual pension - other managed fund	127606	Issue 66	1.00	2.1940	2.2980	4.74
UK Equity Fund P	15 - individual pension - UK equity	897267	Issue 21	1.00	59.9550	60.0610	0.18
Higher Income Fund P	15 - individual pension - UK equity	232916	Issue 23	1.00	13.5200	13.4500	(0.52)
Rosenberg Global Eq P	16 - individual pension - overseas equity	197150	Issue 21	1.00	15.8650	17.6840	11.47
Rosenberg Pacific P	16 - individual pension - overseas equity	108841	Issue 21	1.00	15.5860	16.7930	7.74
Rosenberg European P	16 - individual pension - overseas equity	165960	Issue 21	1.00	7.5840	7.5400	(0.58)
Global Distribution P	16 - individual pension - overseas equity	102731	Issue 66	1.00	2.0450	2.2650	10.76
Property Fund P	17 - individual pension - property	332871	Issue 66	1.00	1.9720	2.2960	16.43
Group Mixed	22 - group managed fund - balanced managed fund	102979	Group Managed Fund	1.00	74.2752	79.2497	6.70
FL Unit EL	02 - life - balanced managed fund	358985	The Unit Fund 0.75%	0.75	42.0564	44.2195	5.14
FL Rainbow Managed EP	12 - individual pension - balanced managed fund	974330	Colonial Rainbow Managed I	1.00	23.2085	24.3900	5.09
FL Rainbow Equity EP	11 - individual pension - stock market managed fund	397681	Colonial Rainbow Equity I Inv	1.00	58.8611	60.0836	2.08
FL Aberdeen Multi-Asset EP	14 - individual pension - other managed fund	224648	FL Aberdeen Multi-Asset IE	0.60		1.0754	
FL Schroder Managed EP	12 - individual pension - balanced managed fund	453850	FL Schroder Managed IE	0.95		1.0531	
FL Baillie Gifford Managed EP	12 - individual pension - balanced managed fund	135217	FL Baillie Gifford Managed IE	0.80		1.0464	

**Long-term insurance business : Index linked business**

Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2014**

Units **£000**

Value of assets	Mean Term
1	2

**Analysis of assets**

Approved variable interest securities	11	379629	16.18
Other variable interest securities	12	390130	11.50
Approved fixed interest securities	13	10237	10.66
Other fixed interest securities	14	62706	9.17
Cash and deposits	15		
Equity index derivatives	16	27	
Inflation swaps	17		
Other assets	18	4362	
Variation margin	19		
<b>Total (11 to 19)</b>	<b>20</b>	<b>847091</b>	

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

AAA/Aaa	31	9620	9.98
AA/Aa	32	33964	7.78
A/A	33	310078	11.69
BBB/Baa	34	94045	11.31
BB/Ba	35	1055	9.70
B/B	36	495	9.42
CCC/Caa	37	38	10.22
Other (including unrated)	38	3541	0.01
<b>Total other fixed interest and other variable interest securities</b>	<b>39</b>	<b>452837</b>	<b>11.18</b>

**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 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA WP	698143	1.80	2.25	2.34
UK F51 L&GA NP	76791	1.70	2.13	2.23
UK F52 L&GA	857733	1.80	2.25	2.34
UK F53 L&GA NL	5490	1.70	2.13	2.23
UK F51 Pensions WP	1458655	n/a	2.30	2.38
UK F51 Pensions NP	225927	n/a	2.10	2.18
UK F51 Pensions NP - Annuities	1993533	n/a	2.68	2.76
UK F52 Pensions	2450293	n/a	2.30	2.39
UK F53 Pensions NL	26684	n/a	2.10	2.18
OS F52	119555	n/a	2.30	2.37
Miscellaneous	246943	n/a	n/a	0.27
<b>Total</b>	8159747			

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

Name of insurer **Friends Life Limited**

Subfund **FPLAL With Profit Fund**

Financial year ended **31 December 2014**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA WP	71441	2.10	2.63	2.57
UK F51 L&GA NP	1750	1.70	2.13	2.57
UK F51 Pensions WP	70715	n/a	2.70	2.91
UK F51 Pensions NP	70325	n/a	2.10	2.21
Miscellaneous	1724	n/a	n/a	0.63
<b>Total</b>	215955			

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Friends Life Limited**Subfund **FLC New With Profit Fund**Financial year ended **31 December 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 Pensions NP	633164	n/a	2.60	2.93
UK F51 L&GA WP	414773	2.50	3.13	3.99
UK F51 Pensions WP	150672	n/a	2.60	2.93
UK F52 Pensions	780533	n/a	2.25	2.96
UK F52 L&GA	1022092	2.25	2.81	3.64
UK F52 Pensions Guaranteed 4%	634744	n/a	4.00	4.45
Miscellaneous	278176	n/a	n/a	3.09
<b>Total</b>	3914154			



**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Friends Life Limited**Subfund **FLC Old With Profit Fund**Financial year ended **31 December 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 Pensions NP	113812	n/a	2.60	2.93
UK F51 L&GA WP	163255	2.50	3.13	3.99
UK F51 Pensions WP	43199	n/a	2.60	2.93
UK F52 Pensions	147795	n/a	2.25	2.96
UK F52 L&GA	196523	2.25	2.81	3.64
UK F52 Pensions Guaranteed 4%	253040	n/a	4.00	4.45
Miscellaneous	40995	n/a	n/a	3.04
<b>Total</b>	958618			

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

Name of insurer **Friends Life Limited**

Subfund **FLAS With Profit Fund**

Financial year ended **31 December 2014**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	196825	2.25	2.81	3.22
UK F51 Pensions NP	667707	n/a	2.65	2.95
UK F51 Pensions WP	329604	n/a	3.25	3.86
UK F52 Pensions	1340449	n/a	2.25	2.83
UK F52 L&GA	381255	2.25	2.81	3.49
Miscellaneous	169486	n/a	n/a	3.61
<b>Total</b>	3085326			

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

Name of insurer **Friends Life Limited**

Subfund **WL With Profit Fund**

Financial year ended **31 December 2014**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	18305	1.45	1.81	1.88
UK F51 L&GA WP	175006	1.75	2.19	2.86
UK F51 Pensions NP	74341	n/a	1.80	1.88
UK F51 Pensions WP	59086	n/a	2.75	2.86
UK F51 Pensions WP - Deferred Annuity	146013	n/a	1.30	2.03
UK F52 L&GA WP	11309	1.75	2.19	2.86
UK F52 Pensions WP	95205	n/a	2.15	2.86
Miscellaneous	9634	n/a	n/a	1.73
<b>Total</b>	588899			

**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Friends Life Limited**Subfund **Non Profit Fund**Financial year ended **31 December 2014**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK F51 L&GA NP	149394	1.50	1.87	1.78
UK F51 L&GA NP - PHI	186548	n/a	2.09	1.32
UK F51 L&GA NP - ex-FLC	120805	1.35	1.69	1.86
UK F51 L&GA NP - GAF ex-FLC	51034	n/a	1.70	1.86
UK F51 L&GA NP - PHI ex-FLC	175142	n/a	1.70	1.86
UK F51 L&GA NP - ex-FLWL	20665	1.65	2.06	2.15
UK F51 Pensions NP	1743587	n/a	2.08	2.11
UK F51 Pensions NP - ex-FLC	1639101	n/a	2.75	2.94
UK F51 Pensions NP - ex-FLWL	640775	n/a	2.70	2.88
UK F53 L&GA NL - ex-FLC	495343	n/a	2.60	2.79
UK F53 Pensions NL	66838	0.01	1.69	1.86
UK F53 Pensions NL - ex-FLC	(22178)	n/a	2.10	2.20
OS F53 NL	124272	n/a	1.70	1.86
UK F54 L&GA NL - PHI ex-FLC				
Miscellaneous	16381	n/a	n/a	1.86
<b>Total</b>	5407709			

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

Name of insurer **Friends Life Limited**  
 Total business / subfund **Summary**  
 Financial year ended **31 December 2014**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	52839441	52126675
Bonus payments in anticipation of a surplus	12	712023	688414
Transfer to non-technical account	13	336213	419237
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	53887677	53234325
Mathematical reserves	21	52339678	51687876
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1547999	1546449

**Composition of surplus**

Balance brought forward	31	356686	99053
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		149062
Surplus arising since the last valuation	34	1191314	1298334
Total	39	1548000	1546449

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	712023	688414
Cash bonuses	42	9	9
Reversionary bonuses	43	79378	82104
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	791411	770527
Net transfer out of fund / part of fund	47	336213	419237
Total distributed surplus (46+47)	48	1127624	1189764
Surplus carried forward	49	420377	356686
Total (48+49)	59	1548000	1546449

**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 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Valuation result**

Fund carried forward	11	8209493	8141782
Bonus payments in anticipation of a surplus	12	294436	336904
Transfer to non-technical account	13	12879	22811
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8516808	8501497
Mathematical reserves	21	8201371	8134659
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	315437	366838

**Composition of surplus**

Balance brought forward	31		(219053)
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	315437	585890
Total	39	315437	366838

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	294436	336904
Cash bonuses	42		
Reversionary bonuses	43	8122	7123
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	302558	344027
Net transfer out of fund / part of fund	47	12879	22811
Total distributed surplus (46+47)	48	315437	366838
Surplus carried forward	49		
Total (48+49)	59	315437	366838

**Percentage of distributed surplus allocated to policyholders**

Current year	61	95.92	93.78
Current year - 1	62	93.78	94.88
Current year - 2	63	94.88	94.77
Current year - 3	64	94.77	96.68

**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 2014**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	240954	222940
Bonus payments in anticipation of a surplus	12	5058	7033
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	246012	229973
Mathematical reserves	21	214231	196309
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	31781	33663

**Composition of surplus**

Balance brought forward	31	24999	24999
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	6782	8664
Total	39	31781	33663

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	5058	7033
Cash bonuses	42		
Reversionary bonuses	43	1724	1632
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	6782	8665
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	6782	8665
Surplus carried forward	49	24999	24999
Total (48+49)	59	31781	33663

**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 2014**  
 Units **£000**

Financial year 1	Previous year 2
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**Valuation result**

Fund carried forward	11	3985921	4138919
Bonus payments in anticipation of a surplus	12	235745	187566
Transfer to non-technical account	13	27375	22357
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4249041	4348842
Mathematical reserves	21	3924657	4064022
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	324384	284820

**Composition of surplus**

Balance brought forward	31	61254	83611
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	263130	201209
Total	39	324384	284820

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	235745	187566
Cash bonuses	42	9	9
Reversionary bonuses	43	10622	13634
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	246376	201209
Net transfer out of fund / part of fund	47	27375	22357
Total distributed surplus (46+47)	48	273751	223566
Surplus carried forward	49	50633	61254
Total (48+49)	59	324384	284820

**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 2014**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	962287	970393
Bonus payments in anticipation of a surplus	12	50165	40656
Transfer to non-technical account	13	5998	4994
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1018450	1016043
Mathematical reserves	21	958471	966100
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	59979	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	59979	49943
Total	39	59979	49943

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	50165	40656
Cash bonuses	42		
Reversionary bonuses	43	3816	4293
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	53981	44949
Net transfer out of fund / part of fund	47	5998	4994
Total distributed surplus (46+47)	48	59979	49943
Surplus carried forward	49		
Total (48+49)	59	59979	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 2014**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	3198755	3986661
Bonus payments in anticipation of a surplus	12	109121	116255
Transfer to non-technical account	13	18028	19075
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3325904	4121991
Mathematical reserves	21	3145621	3931239
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	180283	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	180283	190752
Total	39	180283	190752

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	109121	116255
Cash bonuses	42		
Reversionary bonuses	43	53134	55422
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	162255	171677
Net transfer out of fund / part of fund	47	18028	19075
Total distributed surplus (46+47)	48	180283	190752
Surplus carried forward	49		
Total (48+49)	59	180283	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 2014**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	589087	609136
Bonus payments in anticipation of a surplus	12	17498	
Transfer to non-technical account	13	1933	
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	608518	609136
Mathematical reserves	21	587127	609136
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	21391	

**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	21391	
Total	39	21391	

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	17498	
Cash bonuses	42		
Reversionary bonuses	43	1960	
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	19458	
Net transfer out of fund / part of fund	47	1933	
Total distributed surplus (46+47)	48	21391	
Surplus carried forward	49		
Total (48+49)	59	21391	

**Percentage of distributed surplus allocated to policyholders**

Current year	61	90.96	90.91
Current year - 1	62	90.91	90.86
Current year - 2	63	90.86	90.64
Current year - 3	64	90.64	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 2014**  
 Units **£000**

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

**Valuation result**

Fund carried forward	11	35652944	34056844
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	270000	350000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	35922944	34406844
Mathematical reserves	21	35308199	33786411
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	614745	620433

**Composition of surplus**

Balance brought forward	31	270433	209496
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		149062
Surplus arising since the last valuation	34	344312	261875
Total	39	614745	620433

**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	270000	350000
Total distributed surplus (46+47)	48	270000	350000
Surplus carried forward	49	344745	270433
Total (48+49)	59	614745	620433

**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 2015**

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	7070	1498		UWP	N	7070
Endowment assurance	15	12484	3800		UWP	N	12484
Endowment assurance	20	17949	2862		CWP	N	21983
Endowment assurance	25	28324	9364		CWP	N	38281
Regular premium pension	5	14627	1931		UWP	N	14627
Regular premium pension	10	33308	7191		UWP	N	33308
Regular premium pension	15	58035	17514		UWP	N	58035
Regular premium pension	20	81692	11837		UWP	N	81692
Single premium pension	5	13971	3045		UWP	N	13971
Single premium pension	10	16803	5353		UWP	N	16803
Single premium pension	15	18561	5409		UWP	N	18561
Single premium pension	20	33033	7058		UWP	N	33033

**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 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	6454	1338		UWP	Y	12588
Endowment assurance	15	11346	3012		UWP	Y	14835
Endowment assurance	20	17293	3183		CWP	N	32407
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	16510	5362		UWP	Y	16621
Single premium pension	2	11539	990		UWP	Y	11539
Single premium pension	3	12361	1634		UWP	Y	12361
Single premium pension	5	13971	3045		UWP	Y	13971
Single premium pension	10	16803	5353		UWP	Y	16803

**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 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	11613	3310		UWP	N	11613
Endowment assurance	20	17891	6045		UWP	N	17891
Endowment assurance	25	36589	12033		CWP	N	36589
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	50444	14463		UWP	N	50444
Regular premium pension	20	77768	25940		UWP	N	77768
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	17222	5008		UWP	N	17222
Single premium pension	20	36177	19582		UWP	N	36177

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

Name of insurer **Friends Life Limited**  
 Original insurer **London and Manchester**  
 Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	11019	3110		UWP	Y	14533
Endowment assurance	20	17389	5810		UWP	Y	17775
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 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	34437	18784		CWP	N	34437
Endowment assurance	25	49059	24772		CWP	N	49059
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	117922	45577		CWP	N	117922
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 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	32227	17578		CWP	N	44390
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 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	13487	4249	n/a	UWP	N	14394
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	37510	10717	n/a	UWP	N	37510
Regular premium pension	15	61088	21677	n/a	UWP	N	61088
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	17437	4987	n/a	UWP	N	17437
Single premium pension	15	23904	8482	n/a	UWP	N	23904
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 **Friends Life Company Limited (formerly AXA Sun Life Limited)**  
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	10753	2326	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	14708	2029	n/a	UWP	Y	14708
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	15129	2660	n/a	UWP	Y	15129

**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 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	21629	7675	n/a	UWP	N	24935
Endowment assurance	25	33163	13185	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	102652	44294	n/a	UWP	N	102652
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	36210	15625	n/a	UWP	N	36210

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

Name of insurer **Friends Life Limited**  
Original insurer **AXA Equity & Law**  
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	18743	5727	n/a	UWP	Y	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 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	21013	5236	n/a	CWP	N	21013
Endowment assurance	25	35072	11332	n/a	CWP	N	35072
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	56929	10819	n/a	UWP	N	56929
Regular premium pension	20	96444	28150	n/a	UWP	N	96444
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	45304	22676	n/a	UWP	N	45304

**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 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	18644	4958	n/a	CWP	N	26265
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 **Winterthur Life UK Limited**  
Date of maturity value / open market option **01 March 2015**

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	15930	4829	n/a	UWP	N	15930
Endowment assurance	25	24547	8882	n/a	UWP	N	24547
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	79026	28755	n/a	UWP	N	79026
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	35336	18124	n/a	UWP	N	35336

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

Name of insurer **Friends Life Limited**  
Original insurer **Winterthur Life UK Limited**  
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	15352	4579	n/a	UWP	Y	15352
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 **Colonial Life (UK) Limited**  
Date of maturity value / open market option **01 March 2015**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10036	2316	n/a	UWP	N	10036
Endowment assurance	20	13095	2535	n/a	UWP	N	13095
Endowment assurance	25	22989	4450	n/a	CWP	N	22989
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	43819	10364	n/a	UWP	N	43819
Regular premium pension	20	64290	16603	n/a	UWP	N	64290
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	12552	2679	n/a	UWP	N	12552
Single premium pension	20	23735	9207	n/a	UWP	N	23156

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

Name of insurer **Friends Life Limited**  
Original insurer **Colonial Life (UK) Limited**  
Date of surrender value **01 March 2015**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 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	9863	2503	n/a	UWP	Y	9568
Endowment assurance	20	13448	3103	n/a	UWP	Y	12828
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 2014**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%	548595	548595		
Classes I (other), II and IX	12	0.1%	59274509	31825306	0.50	29637
Classes I (other), II and IX	13	0.15%	1532933	155416		1150
Classes I (other), II and IX	14	0.3%	96577308	32025807		144866
Classes III, VII and VIII	15	0.3%	11139807	11062519	0.99	33188
<b>Total</b>	16		169073152	75617644		208840

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

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					28533
						26788

**Insurance expense risk capital component**

ks

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	25245178	24598079	0.97	245981
Classes III, VII and VIII (investment risk)	33	1%	2833171	2647043	0.93	26470
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	3326492	3091160	0.93	30912
Classes III, VII and VIII (other)	35	25%				25164
Class IV (other)	36	1%	837911	555670	0.85	7122
Class V	37	1%				
Class VI	38	1%	9029	9029	1.00	90
<b>Total</b>	39					335739

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	15232	15232		
Classes I (other), II and IX	42	3%	25245178	24598079	0.97	737942
Classes III, VII and VIII (investment risk)	43	3%	2833171	2647043	0.93	79411
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	3326492	3091160		
Classes III, VII and VIII (other)	45	0%	31928978	25723413		
Class IV (other)	46	3%	837911	555670	0.85	21367
Class V	47	0%				
Class VI	48	3%	9029	9029	1.00	271
<b>Total</b>	49		64195991	56639627		838991

<b>Long term insurance capital requirement</b>	51					1412104
						1346582

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2014

#### **\*0201\* Waivers**

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.

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.

The Prudential Regulation Authority and the Financial Conduct Authority issued to the firm in March 2013 a direction under section 138A of the Act. This direction takes effect from 28 December 2013. The effect of this direction is explained in notes 1323, 1801 and 1901.

The Prudential Regulation Authority, on the application of the firm, made a direction under section 138A of the Financial Services and Markets Act 2000 in October 2014. 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.

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

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£000</b>	<b>£000</b>
Total admissible assets (long-term) – Form 13 line 89	60,369,188	61,581,483
Total admissible assets (other than long-term) – Form 13 line 89	1,645,319	1,823,925
Less:		
Mathematical reserves, after distribution of surplus (long-term) – Form 14 line 11	(52,419,055)	(51,769,980)
Cash bonuses – Form 14 Line 12	(9)	(9)
Total other insurance and non-insurance liabilities (long-term) - Form 14 line 49	(2,058,808)	(4,010,014)
Total liabilities (other than long-term) - Form 15 line 69	(1,039,803)	(1,495,964)
Net admissible assets	6,496,832	6,129,441
Add:		
Capital requirements of regulated related undertakings	235,244	254,546
Preference shares	-	300,000
Subordinated debt	856,136	856,136
Total capital resources after deductions – Form 3 line 79	7,588,212	7,540,123

#### **\*0306\* Financial reinsurance ceded**

The Company has entered into financial reinsurance agreements with Munich Reinsurance Company.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2014

As at the valuation date:

- Mathematical reserves in relation to this arrangement were not increased. Therefore the overall impact of the treaty is to increase available capital resources by £9.1m.
- The amount of the Company's contingent liability under this arrangement at the valuation date was £9.1m.
- 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>2014</u></b> <b><u>£000</u></b>	<b><u>2013</u></b> <b><u>£000</u></b>
Difference between mathematical and realistic reserves	4,808,145	4,871,217
Additional prefunding liability	48,615	39,083
Other valuation differences (including actuarial reserves)	112,828	50,801
Munich Re contingent loan	9,102	17,240
Tax valuation differences	4,516	(20,917)
Valuation differences on long term fund liabilities (Note 1405)	4,983,206	4,957,424
Relegation of core tier one capital to match guarantees on external debt held by FLH.	(151,587)	8,949
Foreseeable dividend	(150,000)	(273,000)
Asset valuation differences	(50,331)	(105,000)
Total equalling Form 3 Line 14	4,631,288	4,588,373

#### **\*0313\* Reconciliation of profit and loss account and other reserves**

	<b><u>2014</u></b> <b><u>£000</u></b>	<b><u>2013</u></b> <b><u>£000</u></b>
Profit and loss account reserves b/fwd	3,226,366	3,181,194
Profit and loss account reserves c/fwd	2,698,914	3,226,366
Movement	(527,452)	45,172
Remove PRA transfer from technical account to non technical account	336,213	419,238
Foreseeable dividend recognised in form 16 in 2013	273,000	(273,000)
Foreseeable dividend recognised in form 16 in 2014	(150,000)	-
Surplus arising on the long-term business technical account	(137,445)	(455,410)
Payment of 2005 STICS interest	24,735	24,184
Total equalling Form 16 line 59	(180,949)	(239,816)

#### **\*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.

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#### **\*1301\* & \*1308\* Aggregate value of investments**

Within the long-term funds:

- i) The company held unlisted investments valued at £1,453.6m (2013: £1,432.3m).
- ii) Lines 41, 42, 46 & 48 include assets to the value of £194.5m (2013: £269.9m) where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were £17.8m (2013: £14.2m) 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 £0.5m (2013: £6.1m) of unlisted investments.

#### **\*1302\* & \*1309\* Hybrid securities**

The Company held hybrid securities valued at £431.6m (2013: £244.6m) in the long-term fund and £117.6m (2013: £19.9m) 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.

#### **\*1305\* & \*1319\* Maximum permitted counterparty limits**

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.



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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 the Investment Manager and approved by the Client).

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

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)**

Exposure to sub-investment grade bonds is over 3% limit at 3.2%. Implementation of the ALM strategy and the calling of some bonds has reduced the sub-investment grade holdings in the FLL Annuity fund.

- **FLL FP With Profit (NP)**

Exposure to Asset Backed Securities is over 20%. For annuity funds, general de-risking in financials has led to an increase in ABS where our asset managers find value and there is new issuance. This is in line with the new business and backbook annuity strategies. Action to review the aggregate exposure to ABS in the 2015 annual review of investment risk limits due to changes in annuity strategy and Solvency II re-classification. Canary Wharf bond partial repayment and the repayment of the AXA US Scd Loan resulted in a reduction in the % holding of ABS in these funds.

- **FLL FLAS With Profit**

The exposure to sub-investment grade bonds has breached the 3% limit, due to 4.1% holding in private loans. This has been approved as part of the FLAS WPF Deferred Annuity strategy.

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- **FLL WL With Profit**

Single name exposure to sub-investment grade bonds breached the 1% limit at 1.4%. This was caused by a £6m large negative basis trade due to the relative size of the fund. The risk limit calculation does not consider the credit default swap derivative overlay.

### Cash breaches in the year

- **FLL FP & FLL FPLAL With Profit**

Counterparty cash exposure is over SNAV individual counterparty limits. HSBC and Blackrock cash positions above prescribed limits or no limit established. HSBC deposits in with profit funds are temporarily increased as part of the Schroders equity transition where cash was yet to be invested. Blackrock cash is also due to the transition. It should be noted that a review of the cash limits should look to expand counterparty limits beyond those used for the SNAV.

### \*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.

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.

On 24 November 2014, an amendment to the reinsurance arrangement was completed which saw the Company reacquire the investment risk in relation to the business but continue to cede the longevity risk. The amended reinsurance treaty requires the payment of a fixed schedule of monthly reinsurance premiums to the Swiss Re Group. In return the Company receives reinsurance recoveries from the Swiss Re Group equal to the actual payments made to annuitants. As part of implementing the new arrangement the previously held loan note was redeemed in exchange for the receipt of directly held assets (government gilts and cash). The move to the new arrangement also resulted in the derecognition of the amount due to reinsurers in respect of the agreement and of the reinsurance asset recognised in respect of the arrangement.

In overall terms the day one impact on profit after tax during 2014 was not material for the Company. However, this result included a £1.6bn credit in respect of outward reinsurance premiums offset by a £1.6bn debit in the change in reinsurer's share of the long term business provision.

### \*1307\* & \*1313\* Fully secured rights

The aggregate amount of fully secured rights in the long-term funds is £180.8m (2013: £44.1m). There were no such amounts in the other than long-term fund.

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#### **\*1318\* Other asset adjustments**

	<b><u>2014</u></b> <b><u>£000</u></b>	<b><u>2013</u></b> <b><u>£000</u></b>
<b>Long-term fund</b>		
Gross ups	(179,089)	(438,899)
Tax valuation differences	-	105,000
	<hr/> (179,089)	<hr/> (333,899)

#### **Other than long-term fund**

Gross ups	(8,384)	(90,698)
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#### **\*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 Prudential Regulation Authority and the Financial Conduct Authority issued to the firm in March 2013 a direction under section 138A 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) the support available to the FP With Profits Fund from the FP With Profits Support Account, the FLC New With Profits Fund from the FLC NPF Support Account and the WL With Profits Fund from the WL WPF Support Account. This additional amount corresponds to the support which the support account assets which have not been transferred to the relevant with profit fund give to the policies transferred under a scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000. These assets are also included in line 89 of Form 13 for the Non Profit Fund.

#### **\*1401\* & \*1501\* Provision for reasonably foreseeable adverse variations**

##### **Valuation adjustments**

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. Pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R, it was determined that valuation adjustments would be made in relation to specific asset types to reflect the degree of uncertainty in certain assumptions used in the models to value these asset types.

The valuation adjustments (which are detailed by fund in the table below) reduced the value of these asset types recorded in Form 13 below the fair value valuation reported in the Company's Report & Accounts. Where the valuation adjustments were made in respect of investments held by the With Profits Funds their impact has been reversed in Form 19 line 21 so that the realistic valuation of assets shown at Form 19 line 29 excludes them.

	<b><u>£000</u></b>
FP With Profit	17,389
FLC New With Profit	14,922
FLC Old With Profit	4,271
FLAS With Profit	9,228
Total With Profits Funds	<hr/> 45,810
Non Profit	1,739
Total Long Term Fund	<hr/> 47,549
Adjustment made to value of Friends Annuities Limited brought into Shareholder fund	2,904
Total Company valuation uncertainty adjustment	<hr/> 50,453

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#### Provision for reasonably foreseeable adverse variations

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 for reasonably foreseeable adverse variations 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 £128.3m (2013: £162.6m) 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 and Form 13 Line 93.

Current tax of £343.5m (2013: £367.4m) would arise if the insurer disposed of its unit linked assets. Provision for this amount is included in mathematical reserves and within Form 44 Line 15 and Form 13 Line 59.

No charge (2013: £2.6m) has been made in unit pricing for the change in the value of tax losses carried within the unit linked funds. No value is now held in respect of these losses. The value of these losses was previously included within Form 13 Line 59.

##### 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

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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 Holdings plc (FLH) (2003 STICS)

On 21 November 2003, Friends Life FPL Limited (FPL) 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 (FPG) was substituted for FPL as the issuer of the 2003 STICS. On 14 December 2010, as part of its restructuring of the Group, FLH was substituted for FPG 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 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 FLH (2005 STICS)

On 27 June 2005, FPL 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, FPG was substituted for FPL as the issuer of the 2005 STICS. On 14 December 2010, as part of its restructuring of the Group, FLH was substituted for FPG 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, FPL 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.

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On 6 July 2009, as part of its reorganisation of the Group, FPG was substituted for FPL as the issuer of the Notes. On 14 December 2010, as part of its restructuring of the Group, FLH was substituted for Friends Life FPG Limited as the issuer of the Notes.

- (1) FPL changed its name from Friends Provident Limited on 1 July 2011.
- (2) FPG changed its name from Friends Provident Group Limited on 1 July 2011.
- (3) FLH changed its name from Friends Provident Holdings (UK) plc on 1 July 2011.

#### (iii) Other guarantees in respect of FLH debt

The Company has guaranteed the £162 million subordinated debt issued by Friends Life FPG Limited in May 2009 but now transferred to FLH.

On 21 April 2011, FLH 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, FLH 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.

Given the strength of the Friends Life Group from a regulatory capital perspective the likelihood of the Company having to make payments under the guarantees is considered to be very low and as such no amounts for the guarantees are provided under FRS 26.

The Company has potential commitments of £229.9m (2013: £212.5m) 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 2014 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**

	<b><u>2014</u></b> <b><u>£000</u></b>	<b><u>2013</u></b> <b><u>£000</u></b>
Liability valuation differences (note 0310)	4,983,206	4,957,424
Gross ups	(179,089)	(438,899)
	<hr/> 4,804,117	<hr/> 4,518,525

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#### **\*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:

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>
	<b>£000</b>	<b>£000</b>
FP With Profit	705,266	273,570
FPLAL With Profit	29,134	(13,135)
FLC New With Profit	280,422	(184,313)
FLC Old With Profit	70,689	(28,098)
FLAS With Profit	302,218	(430,896)
WL With Profit	45,712	(2,020)

#### **\*1507\* Other adjustments**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£000</b>	<b>£000</b>
Gross ups	(8,384)	(90,697)
Foreseeable dividend	(150,000)	(273,000)
Other differences	(2,292)	-
	<u>(160,676)</u>	<u>(363,697)</u>

#### **\*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>2014</u></b>	<b><u>2013</u></b>
	<b>£000</b>	<b>£000</b>
Exceptional item – 2014 FLWL	8,009	-
Exceptional item – 2013 FLWL	-	87,759
Exceptional item – 2013 FLAS	-	8,000
	<u>8,009</u>	<u>95,759</u>

Following the transfers of business in 2014 FLC was deauthorised with effect from 7 February 2014, and FLWL was deauthorised with effect from 4 March 2014. Subsequent to de-authorisation the £8m residual assets retained in FLWL to cover minimum capital requirements were transferred to the Company under the terms of the 2013 Scheme. This generated a Part VII gain in the Company's shareholder fund of £8m which was offset by an £8m writedown in the Company's investment in FLWL. The £8m of residual assets retained in FLC to cover minimum capital requirements was transferred to FLP with no gain or loss being recognised in the Company.

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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.

#### **\*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 £6.3m (2013: £nil). Variation margin of £35.3m (2013: £1.8m) 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 £6,450.3m. The amounts contributed to each line in Form 13 in respect of quasi derivatives is as follows:

	£m	£m
	Long term insurance business	Other than long term insurance business
Line 45 Fixed Interest Approved	445.4	5.1
Line 46 Fixed Interest Other	5,311.3	232.5
Line 47 Variable Interest Approved	143.9	-
Line 48 Variable Interest Other	264.7	47.4
	<hr/> 6,165.3	<hr/> 285.0

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.

#### **\*1801\* Capital support account assets**

The Prudential Regulation Authority and the Financial Conduct Authority issued to the firm in March 2013 a direction under section 138A 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 FP With Profits Fund of Friends Life Limited ("FLL") to the Shareholder Fund or Non Profit Fund in respect of any amounts outstanding under any Temporary Transfer from the FP With Profits Support Account (as established in connection with a number of schemes pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 by which certain policies were transferred to Friends Life Limited) made by the Non Profit Fund or Shareholder Fund to the FP With Profits Fund.

#### **\*1901\* Capital support account assets**

The Prudential Regulation Authority and the Financial Conduct Authority issued to the firm in March 2013 a direction under section 138A of the Act. The effect of this direction is to allow the firm to include in its realistic balance sheet (at line 27) the support available to the FP With Profits Fund from the FP With Profits Support Account, the FLC New With Profits Fund from the FLC NPF Support Account and the WL With Profits Fund from the WL WPF Support Account. This additional amount corresponds to the support which the support account assets which have not been transferred to the relevant with-profits fund give to the policies transferred



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under a scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000. These assets are also included in line 89 of Form 13 for the Non Profit Fund.

#### **\*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.

#### **\*1904\* Valuation adjustments**

As explained in note 1401 & 1501 where valuation adjustments have been made pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R in the Company's With Profit Funds, the impact in Form 13 has been reversed in Form 19 line 21 so that the realistic valuation of assets shown at Form 19 line 29 excludes the adjustments in respect of valuation uncertainty.

#### **\*4002\* Other income and expenditure**

Other income in Form 40 line 15 comprises of:

	<b><u>2014</u></b> <b><u>£000</u></b>	<b><u>2013</u></b> <b><u>£000</u></b>
FLP management charges	36,882	22,118
FLL management and other charges	28,337	21,128
Policy loan income	130	155
Rebated unit trust charges	1,631	1,859
Total other income	66,980	45,260

Other expenditure in Form 40 line 25 relates to:

	<b><u>2014</u></b> <b><u>£000</u></b>	<b><u>2013</u></b> <b><u>£000</u></b>
FLL management and other charges	26,568	43,760

#### **\*4004\* Business transfers-in**

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 £788.8m (2013: £1,959.0m) of annuity liabilities and £788.8m (2013: £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 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.

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#### **\*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.

Acquisition and administration expenses:

(i) The Company receives services from both Friends Life Management Services Limited and Friends Life Services Limited.

(ii) In respect of all expenses incurred by Friend Life Management Services Limited in relation to the insurance business carried on by the Company, a management service fee is charged to the Non Profit Fund. The Non Profit Fund is then able to charge a fee to the FLL and FPLAL With Profits Funds in connection with expenses relating to the administration of With Profits policies.

(iii) In respect of FLC and FLAS With Profits Fund business, Friend Life Services Limited charges acquisition and maintenance fees to the With Profits Funds using fixed maintenance and policy acquisition fees per policy. In addition, where Friends Life Service Limited incurs expenses on significant projects (which either meet a regulatory requirement or generate a clear benefit to FLC and FLAS With Profits policyholders) then additional fees are permitted to be charged to those With Profits Funds in respect of these project expenses.

(iv) Fees charged to the Non-Profit Fund are equal to the total costs incurred by Friends Life Services Limited relating to the business of the Company, less any amounts which have been charged to the FLC and FLAS With-Profits Funds. The Non-Profit Fund is then able to charge a fee (based on fixed per policy charges) to the WL With Profit Fund in connection with expenses relating to the administration of WL With Profits policies.

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, AXA Investment Managers UK Limited and by Schroders plc.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

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#### **\*4009\* Material connected party transactions**

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>2014</u></b>	<b><u>2013</u></b>
	<b><u>£000</u></b>	<b><u>£000</u></b>
FP With Profit	1,014	625
FPLAL With Profit	-	7
FLC New With Profit	1,363	1,455
FLC Old With Profit	298	295
FLAS With Profit	4,469	14,192
WL With Profit	2	

#### **\*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 £6.0m (2013:£7.9m) and liabilities of £19.5m (2013:£9.6m) under derivative contracts.

#### **\*4403\* Variation margin**

There is a liability to repay variation margin of £1.3m (2013: £0.4m) at the year end.

#### **\*4412\* Deferred taxation on unit linked funds**

The majority of 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. Those amounts not reported in the net unit liability are included in line 15 of Form 44.

## Returns under the Interim Prudential Sourcebook for Insurers

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Friends Life Limited

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#### **\*4502\* Other income and expenditure – Linked funds**

Other income and expenditure consists of

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£000</b>	<b>£000</b>
Part VII transfer in	-	608,415
Rebated unit trust charges	14,483	20,934
Other	-	341
Total other income	14,483	692,690
	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>£000</b>	<b>£000</b>
Investment related expenditure	5,255	5,031

#### **\*4801\* - Investment mix assumed in asset share calculations**

For certain with-profit policies in FLL FLC NWPf, FLL FLC OWPF and WL WPF

(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 2014 was as follows:

UK Equities	30.9%
Overseas Equities	15.1%
Properties	13.3%
Fixed Interest	36.1%
Other	4.6%

This applies to the following bonus series:

Conventional Life Series 1  
Conventional Life Series 2  
Conventional Pensions  
Top Flight, Moneysaver and Postal Staff Scheme

## Returns under the Interim Prudential Sourcebook for Insurers

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Friends Life Limited

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Financial year ended 31 December 2014

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 31 December 2014 was as follows:

UK Equities	41.5%
Overseas Equities	19.8%
Properties	17.7%
Fixed Interest	18.6%
Other	2.4%

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 31 December 2014 was as follows:

UK Equities	20.8%
Overseas Equities	9.9%
Properties	8.9%
Fixed Interest	53.6%
Other	6.9%

Within the WL WPF, conventional with-profits deferred annuities, the asset mix used as at 31 December 2014 was as follows:

Fixed Interest	88.6%
Collectives Overseas Debt	11.4%

This applies to the following bonus series:

Ex-Colonial deferred annuity

For the FP With Profits Fund, the investment returns shown in column 5 of Form 48 are the overall returns credited to asset shares. The investment strategies of pre and post demutualisation asset shares are determined separately, resulting in a different asset mix. The asset mix used to determine asset share investment returns at 31 December 2014 is as follows:

## Returns under the Interim Prudential Sourcebook for Insurers

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FP WPF asset mix at 31 December 2014	Pre-demutualisation business	Post-demutualisation business
UK Equity	18.7%	23.9%
Overseas Equity	17.5%	22.3%
Property	7.4%	7.4%
Gilts	33.0%	23.0%
Corporate Fixed Interest	21.0%	21.0%
Other Investments	2.4%	2.4%

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 £1,136m.

#### **\*4804\* Derivative yields**

Lines 28.1 and 25.2 for the With Profits Fund contain put options with a value of £66.6m. These combine with equity having a value of £805.6m with yield 6.24% to give a combined value of £872.2m with yield 4.51%.

#### **\*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 21-28 column 5 for FLL FLWL WPF, 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 21-28 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.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

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Financial year ended 31 December 2014

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. Where it was not possible to establish a credit rating from these sources, the bonds have 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 2014 was:

Form 51 – With Profit:	£
UK Life	36.8m
Form 51 – Non Profit:	£
UK Life	65.8m
UK Pension	59.1m
Form 52:	£
UK Life	75.9m
UK Pension	142.4m
Overseas	52.6m
Form 53 - Linked:	£
UK Life	4,458.4m
UK Pension	3,967.9m
Overseas	99.5m
Form 53 – Non-Linked:	£
UK Life	(1.9)m
UK Pension	6.3m
Form 54 - Linked:	£
UK Life	87.1m
UK Pension	6.2m
Form 54 – Non-Linked:	£
UK Life	0.0m

### **\*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	2 schemes
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## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

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Financial year ended 31 December 2014

#### **\*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.

#### **\*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 93 schemes
- 575 Ex FLWL Group Retirement Benefit Schemes 2 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 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



## Returns under the Interim Prudential Sourcebook for Insurers

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Friends Life Limited

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Financial year ended 31 December 2014

#### **\*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

#### **\*5601\* Rating agencies**

The majority of ratings used in Form 49 were provided by either Standard & Poor's, Moody's or Fitch where available. Where it was not possible to establish a credit rating from these sources, the bonds have 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 PRA, on application of the firm, made a direction under section 138 of the Financial Services and Markets Act 2000 in October 2014. 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.

## Returns under the Interim Prudential Sourcebook for Insurers

### Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2014

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	2.71%	2.34%	2.57%	2.57%		
UK F51 L&GA NP	2.23%	2.23%	2.81%	2.57%	2.41%	1.99%
UK F51 L&GA NP - Ex BHA					2.19%	2.19%
UK F51 L&GA NP - PHI					1.54%	1.33%
UK F51 L&GA NP - Additional Reserves					0.01%	0.01%
UK F51 L&GA NP					0.01%	0.01%
UK F52 L&GA	2.71%	2.34%			1.99%	1.66%
UK F53 L&GA NL	2.23%	2.23%			2.19%	2.19%
UK F51 Pensions WP	2.70%	2.38%	2.91%	2.91%		
UK F51 Pensions NP - Additional Reserves					0.01%	0.01%
UK F51 Pensions NP	2.18%	2.18%			2.19%	2.19%
UK F51 Pensions NP	3.10%	2.76%	2.21%	2.21%	2.13%	2.13%
UK F51 Pensions NP					1.45%	1.28%
UK F52 Pensions	2.71%	2.39%			2.86%	2.36%
UK F53 Pensions NL	2.18%	2.18%			2.10%	2.20%
OS F51 NP	2.18%	2.18%			2.19%	2.19%
OS F52	2.41%	2.37%			2.60%	2.36%
OS F53 NL	2.18%	2.18%			1.51%	1.32%
OS F53 NL					2.41%	2.26%
UK F51 L&GA NP – ex FLWL					3.29%	2.79%
UK F51 Pensions NP – ex FLWL					2.22%	2.15%

#### **\*5802\* Distribution of Surplus**

The amount in line 33, previous year 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 With-profit funds, 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.

#### **\*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 (£4,220.6m) are recaptured in Form 60 for the purpose of calculating the reinsurance ratio in accordance with INSPRU 1.1.92A.

**Additional information on derivative and quasi-derivative contracts  
(IPRU (INS) rule 9.29)  
Friends Life Limited  
Financial year ended 31 December 2014**

**Derivative Contracts**

The following information is included pursuant to IPRU (INS) 9.29.

a) Investment Guidelines.

Investment guidelines operated by the Company during 2014 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 2014**

<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.
<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 Holdings plc</b> Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Friends Life FPG Limited.
<b>FLG Holdings Limited</b> Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Life Holdings 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 FLG Holdings Limited.
<b>Friends Life Group 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 Friends Life Group 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.

## **1. Valuation date**

- (1) The actuarial investigation relates to a valuation date of 31 December 2014.
- (2) The valuation date of the previous investigation was 31 December 2013.
- (3) There have been no interim valuations (for the purpose of IPRU(INS) rule 9.4) since the previous valuation date.

## **2. Product Range**

### New products

A Group Cancer Cover product was launched in September 2014, which is based on the existing Group Critical Illness product, but where cover is restricted to cancer only.

### Changes to existing products

Initial/capital units and policy fees have removed from the following ex-FPLP products with effect from August 2014:

- Variable Premium Moneypurchase Plan
- Versatile Moneypurchase Plan
- Versatile Group Pension Plan
- Group AVC Plan
- Moneypurchase Plan
- FPLAL Money Purchase Group Scheme
- Executive Pension Plan
- FPLAL Executive Pension Plan

### Products Withdrawn

The following products have been withdrawn:

- The Options Critical Illness Cover was closed to new business with effect from the end of July 2014.
- The Options Terms Assurance was closed to new business with effect from the end of July 2014.
- The Options Investment Plan was closed to new business with effect from the end of July 2014, although the increment facility will continue.
- The International Protector Africa product was closed to new business with effect from the end of July 2014.
- The International Term Assurance was closed to new business with effect from the end of July 2014.
- The life insurance element of the 5 year loan PPI product with Alliance & Leicester was closed to new business with effect from September 2014.

### 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**

No market value reduction (MVR) factors were applied during 2014 on unitised with-profits contracts.

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

Changes to premiums on reviewable products are set out in the table below:

	<b>Number of reviewable policies during 2014</b>	<b>Minimum Premium Increase</b>	<b>Maximum Premium Increase</b>	<b>Proportion of reviewed policies unchanged</b>
Ex-BHA Critical Illness	230	-12.2%	9.7%	61%
Ex-BHA Accelerated Critical Illness	4425	4.4%	9.7%	44%

Ex-BHA Income Protection	193	-5.8%	223.1%	66%
Ex-FLC Long term Care	3443	-31%	126%	26%

### (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 2014 was 0.69%.

### (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 2015.

Product	Increase	Index
Ex-FPLP Series 1 Pensions	0.9%	AWE
Ex-FPLP Series 2 Pensions directly sold	0.9%	AWE
Ex-FPLP Series 2 Pensions sold through IFAs	2.3%	RPI
All ex-FPLMA unit linked products	2.3%	RPI
Ex-FPLAL Optimum Life Plan	2.3%	RPI
Ex-FPLAL Income Replacement Plan	2.3%	RPI
Ex-FPLAL Universal Pension Account	2.3%	RPI
Ex-FPLAL Personal Pension Scheme	0.9%	AWE
Ex-FPLP Retirement Investment Bond	0.9%	AWE
Ex-FLC Flexible Pensions (excluding paid up pensions)	-7.9% *	Lower of RPI and AWE
Ex-FLC Health Care Income Plan	2.5%	RPI
Ex-FLC Multiplan	2.5%	RPI
Ex-FLC Flexible Cover Plan	2.3%	RPI
Ex-FLC Flexible Mortgage Plan	-9.4% *	Lower of RPI and AWE
Ex-FLC Individual Lifetime Care Bond	2.3%	RPI
Ex-FLC Homebuyers' Investment Plan	Note 1	RPI
Ex-FLC private pension funds	0.7%	AWE
Ex-FLAS Flexible Pensions (except paid up pensions)	-8.5% *	Lower of RPI and AWE
Ex-FLAS Flexible Cover Plan	2.3%	RPI
Ex-FLAS Flexible Mortgage Plan (pre 1 January 1993)	2.3%	RPI
Ex-FLAS Flexible Mortgage Plan (post 1 January 1993)	-9.4% *	Lower of RPI and AWE

Ex-FLAS private pension funds	0.7%	AWE
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\* Includes adjustment for past erroneous increases

Note 1: increases in line with RPI, but actual increase depends on renewal date.

The policy fees on ex-FLWL linked policies changed in 2014 as follows:

Product	Change in 2014
Colonial Rainbow and Unity Pensions	2.8%
Winterthur Pensions	1.9%

Increases may be affected by rounding.

#### (5) Benefit charges on linked policies

Changes to premiums on reviewable products are set out in the table below:

	Number of policies affected	Range of changes
Directions	19800	-61% - 0%
Homebuyer Plus / Extra	34600	-58% - 0%
Lifespan	4300	-53% - 0%

#### (6) Fund management charges

Fund	Net Annual Management Charge		Fund size at 31/12/2014 £m
	Old	New	
Threadneedle Equity and Bond	1.36%	1.25%	5.5

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) Provision in respect of tax is made 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 charge in respect of tax 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 charges in respect of tax 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. Charges in respect of tax in the unit prices are calculated on a daily basis.

iv) Credit 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 policyholder (%)</b>	<b>Discount on management charge for benefit of 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
Clarion	0.5 - 0.5	0 - 0
Close	0.65 - 0.65	0 - 0
Deutsche Bank	0 - 0	-0.03 - 0
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
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
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.
- 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 based upon the 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 annualised 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 annualised 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:

	31/12/2014				31/12/2013			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Annuities in possession (Pre-July 2001)	1.70	2.68	2.68		2.50	3.76	3.76	
Annuities in possession (Post-July 2001)	1.70	2.72	2.72		2.50	3.76	3.76	
Other non-profit business	1.70	2.10	2.10	2.10	2.50	3.20	3.20	3.10
With-profits deferred annuities								
in deferment	1.80		2.30		2.60		3.30	
in possession	1.80		Variable*		2.60		Variable*	
With-profits deferred annuities (ex-FPLAL pre-2003)								
in deferment			1.90				3.00	
in possession		2.10	2.10				3.20	
With-profits assurances (ex-FPLAL pre-2003, With-Profit Fund)	2.10		2.70		2.50		3.20	
With-profits assurances (ex-FPLAL pre-2003, Other)	1.50		1.90		2.30		3.00	
Other conventional with-profits business	1.80		2.30		2.60		3.30	
Unitised with-profits	1.80	2.30	2.30		2.60	3.30	3.30	

\*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:

	31/12/2014				31/12/2013			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Low rate	1.20	1.60	1.60	1.60	2.00	2.70	2.70	2.70
High rate	3.20	3.20	3.20	3.20	4.40	4.40	4.40	4.40

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 2.8% 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.

	31/12/2014		31/12/2013	
	Policy as a Liability %	Policy as an Asset %	Policy as a Liability %	Policy as an Asset %
Accelerated Critical Illness (pre 31/01/2011)	1.60	3.10	2.70	4.20
Accelerated Critical Illness (post 31/01/2011)	1.60 (TP) 1.60 (I – E)	3.10 (TP) 3.10 (I – E)	2.70 (TP) 2.10 (I – E)	4.20 (TP) 4.20 (I – E)
Stand-alone Critical Illness (pre 31/01/2011)	1.60	3.10	2.70	4.20
Stand-alone Critical Illness (post 31/01/2011)	1.60	3.10	2.70	4.20
Life	1.60 (TP) 1.20 (I – E)	3.10 (TP) 3.10 (I – E)	2.70 (TP) 2.10 (I – E)	4.20 (TP) 4.20 (I – E)
Income Protection	1.60	3.10	2.70	4.20
Immediate Needs (Level)	1.60	n/a	2.70	n/a
Long Term Care	1.60	n/a	2.70	n/a
Claims in Payment	2.10	n/a	3.20	n/a

#### Ex-FLC

	31/12/2014 %	31/12/2013 %
<b><i>With Profit Business</i></b>		
Unitised With Profits (except Multipension Series 2) and Retirement Savings Scheme	2.25	2.75
Multipension Series 2	4.00	4.00
Conventional With Profits Life	2.50	3.00
Conventional With Profits Pensions	3.25	3.75
Annuity guarantees in payment (except where valued using stochastic methods)	2.35	3.05
<b><i>Non Profit Business written in WP funds</i></b>		
Over 50 Plan	1.65	2.35
NP Life (other than Over 50 Plan)	1.95	1.95
NP Pensions	2.60	3.40
<b><i>Non Profit Business written in NP funds</i></b>		
Over 50 Plan	1.35	1.95
Additional Life reserves	1.35	1.95
Other NP Life [see note below]	1.35	1.95



PHI business [see note below]	1.70	2.40
Pension Annuities in Payment reinsured to FAL (2007 reinsurance)	2.45	3.45
Pension Annuities in Payment (RPI-linked) reinsured to FAL (2007 reinsurance)	(0.55)	0.15
Pension Annuities in Payment reinsured to FAL (2009 reinsurance)	2.45	3.55
Pensions Annuities in Payment (RPI-linked) reinsured to FAL (2009 reinsurance)	(0.55)	0.1
Life Annuity business reinsured from FLAS	1.90	2.85
Unclassified Pension reserves	1.70	2.40
Other NP Pensions	1.70	2.40
RPI-linked benefits	(0.70)	(0.05)
Unit-linked life	1.35	1.95
Unit-linked pensions	1.70	2.40

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>31/12/2014</b> %	<b>31/12/2013</b> %
Unitised with profits and deposit administration	2.25	3.00
Conventional with profits life	2.50	3.00
Conventional with profits pensions and with profits annuities	3.25	4.00
Non-profit life	2.25	3.00
The proportion of non-profit pensions annuities in payment reinsured to FLC	2.45	3.55
The proportion of non-profit pensions annuities in payment (RPI-linked) reinsured to FLC	(0.55)	0.10
The proportion of non-profit pensions annuities in payment not reinsured to FLC	2.65	3.80
The proportion of non-profit pensions annuities in payment (RPI-linked) not reinsured to FLC	(0.30)	0.10
Non-profit deferred pensions and other annuities (in payment and deferred)	2.65	3.80
Life Annuity business reinsured to FLC	1.90	2.85
RPI-linked benefits	(0.30)	0.10
Unit-linked life	2.25	3.00
Unit-linked pensions	2.80	3.80
Annuity guarantees in payment (except where valued using stochastic methods)	2.35	3.05

### 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>31/12/2014</b>	<b>31/12/2013</b>
<b>Conventional WP Life:</b>		
Whole Life & Endowment	2.75	3.10
<b>Conventional WP Pensions:</b>		
Deferred Annuities	1.30	2.60
Pure Endowment	2.75	3.10
Other	2.75	3.10
<b>Conventional NP Life:</b>		
Annuities in Payment (WP Fund)	1.80	2.70
Annuities in Payment (NP Fund)	2.10	2.50
Other (WP Fund)	1.80	2.70
Other (NP Fund)	2.10	2.50
<b>Conventional NP Pensions and PHI:</b>		
Annuities in Payment (WP Fund)	1.80	2.70
Annuities in Payment (NP Fund)	2.60	3.65
Other (WP Fund)	1.80	2.70
Other (NP Fund)	2.10	2.50
<b>Unit Linked:</b>		
Life (WP Fund)	1.80	2.70
Life (NP Fund)	2.10	2.50
Pensions (WP Fund)	1.80	2.70
Pensions (NP Fund)	2.10	2.50
<b>Unitised With-Profits:</b>		
Life	2.15	3.10
Pensions	2.15	3.10
Irish Life	0.05	0.20
<b>Index Linked Annuities</b>		
WPF	-1.45	-1.40
NPF	-0.95	-0.05

### **(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 as well as Drax and Latam private loans 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 for credit risk deductions.

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 2014 the company held 2 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. (6.19% at 31st December 2014).

### 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	31/12/2014		31/12/2013	
	Males	Females	Males	Females
<b>Conventional Non Profits business- Ex FPLP and FPLAL</b>				
Accelerated Critical Illness- Non-smoker	30% CIBT02 mort	48% CIBT02 mort	45% CIBT02 mort	51% CIBT02 mort
Accelerated Critical Illness- Smoker	60% CIBT02 mort	90% CIBT02 mort	89% CIBT02 mort	111% CIBT02 mort
Term Assurances paying death benefits only- Non-smoker	82.5% TMN00 sel	71.5% TFN00 sel	82.5% TMN00 sel	71.5% TFN00 sel
Term Assurances paying death benefits only- Smoker	82.5% TMS00 sel	71.5% TFS00 sel	82.5% TMS00 sel	71.5% 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	82.5% TMN00 sel	71.5% TFN00 sel
Life- Smoker	82.5% TMS00 sel	71.5% TFS00 sel	82.5% TMS00 sel	71.5% TFS00 sel
Life- Non-differentiated <sup>(1)</sup>	110% TMN00 sel	110% TFN00 sel	110% TMN00 sel	110% TFN00 sel
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

Product group	31/12/2014		31/12/2013	
	Males	Females	Males	Females
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	82.5% TMN00 sel	71.5% TFN00 sel
Term assurance (Friends Life Protection Account)- Smoker	82.5% TMN00 sel	71.5% TFN00 sel	82.5% TMS00 sel	71.5% 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 utl
<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	31/12/2014		31/12/2013	
	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	105% AMC00 ult	110% 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				

Product group	31/12/2014		31/12/2013	
	Males	Females	Males	Females
In Payment, group contracts, pension business (pre-July 2001) <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
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>	94.3% PCMA00	98.9% PCFA00	96.6% PCMA00	98.9% PCFA00
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>	94.3% PCMA00	89.7% 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>				

Product group	31/12/2014		31/12/2013	
	Males	Females	Males	Females
In Payment, life and pensions business <sup>(2)</sup>	101.2% PCMA00	101.2% 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>	101.2% PCMA00	101.2% 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 2014 the core CMI 2013 model was used with the long term improvement factor set to 2% p.a. for males and 1.75% p.a. for females.

Where assurance mortality tables are described above as modified, the following are specimen mortality rates used at 31 December 2014 (the same rates were used at 31 December 2013):

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
<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



Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<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>						
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

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
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	31/12/2014		31/12/2013	
			Males years	Females years	Males years	Females years
Ex FPLP and FPLAL						
Annuities in payment-individual contracts- pension business (Pre-July 2001)	65	65	25.82	28.49	25.93	28.36
	75	75	16.20	18.56	16.23	18.17
Deferred annuities- group contracts – pension business (Post-July 2001)	45	65	29.07	30.14	28.88	30.68
	55	65	27.45	28.84	27.31	29.16
Annuities in payment– group contracts- pension business (Post-July 2001)	65	65	25.79	27.46	25.82	27.61
	75	75	16.20	17.60	15.93	17.51
Annuities in payment-Individual contract- life business	65	65	21.32	24.23	21.25	24.19
	75	75	13.00	14.92	12.95	14.88
Annuities in payment- group contracts- pension business (pre-July 2001)	65	65	25.56	27.16	24.92	27.30
	75	75	16.00	17.42	15.42	17.31
Deferred annuities-individual contracts– pension business (Post-July 2001)	45	65	29.31	31.08	29.33	31.18
	55	65	27.74	29.82	27.75	29.67
Annuities in payment– individual contracts- pension business (Post-July 2001)	65	65	26.14	28.49	26.25	28.12
	75	75	16.38	18.56	16.42	18.01

<b>Ex FLC and FLAS</b>						
Ex-FLC Pensions annuities in payment	65	65	26.36	27.57	24.92	26.67
	75	75	16.74	17.80	15.42	16.76
Ex-FLAS Pensions annuities in payment	65	65	26.36	27.38	25.61	27.30
	75	75	16.74	17.61	16.00	17.31
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	29.66	30.33	28.11	29.81
	55	65	28.02	28.99	26.47	28.26
Ex-FLAS Deferred pensions annuities and annuity guarantees valued using a stochastic model	45	65	29.66	30.12	28.81	30.44
	55	65	28.02	28.78	27.17	28.89
Ex-FLC Annuity guarantees valued using a deterministic method	45	65	24.76	26.55	24.44	27.19
	55	65	24.76	26.55	24.44	27.19
Ex-FLAS Annuity guarantees valued using a deterministic method	45	65	24.76	27.44	25.29	27.90
	55	65	24.76	27.44	25.29	27.90
<b>Ex-FLWL</b>						
Annuities in payment	65	65	24.71	26.35	24.71	26.67
	75	75	15.28	16.71	15.23	16.76
Deferred annuities	45	65	27.97	29.09	27.89	29.81
	55	65	26.36	27.75	26.25	28.26

\*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 (Including FPLMA group Income Protection)

- 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:

	31/12/2014	31/12/2013
Males Smokers	41%	41%
Males Non-smokers	36%	36%
Males Unclassified	37%	37%
Females Smokers	96%	96%
Females Non-smokers	83%	83%
Females Unclassified	87%	87%

The recovery rates have been adjusted by the following proportions:

Claim Year	31/12/2014	31/12/2013
1	32%	32%
2	72%	72%
3-5	59%	68%
6+	32%	41%

- b) The mortality and morbidity tables for critical illness used in the 2014 valuation are as follows:

	31/12/2014		31/12/2013	
	Male	Female	Male	Female
<b>Accelerated Critical Illness Mortality</b>				
- Smokers	60% CIBT02 (2) mort	90% CIBT02 (2) mort	89% CIBT02 (2) mort	111% CIBT02 (2) mort
- Non-Smokers	30% CIBT02 (2) mort	48% CIBT02 (2) mort	45% CIBT02 (2) mort	51% CIBT02 (2) mort
<b>Standalone Critical Illness Morbidity</b>				
- Smokers	84% CIBT02 (2)	72% 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>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
Males	0.5%	1.25%
Females	0.75%	1.50%

#### 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 31/12/2014</b>				<b>Inception Rates as Percentage of table CIBT02 at 31/12/2013</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	63.1	90.9	46.7	72.0	60.6	106.1
Accelerated Critical Illness – Nov 2001	CIBT02	46.7	72.0	63.1	90.9	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	93.6	53.3	93.6	58.5	74.1
Stand-alone Critical Illness – Nov 2001	CIBT02	53.3	93.6	58.5	93.6	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

Product Type	Table	Inception Rates as Percentage of table CIBT02 at 31/12/2014				Inception Rates as Percentage of table CIBT02 at 31/12/2013			
Sex Smoker		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Income Protection (pre 2006)	CMIR 12 Inceptions*	90	119.8	135	179.5	120	159.6	180	239.4
Income Protection – Jan 2006	CMIR 12 Inceptions*	88.7	124.1	168.5	235.8	118.2	165.5	224.6	314.4
Income Protection – Jul 2010	CMIR 12 Inceptions*	99.2	139.1	188.6	264.1	132.4	185.4	251.5	352.1

The following adjustments are made to income protection inception rates according to product series and occupational class.

Occupational Class	IP Loading % (pre 2006 start date)		IP Loading % (start date 2006 onwards)	
Valuation Date	31/12/2014	31/12/2013	31/12/2014	31/12/2013
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	31/12/2014	31/12/2013	31/12/2014	31/12/2013
4	100	100	25	25
8	100	100	32.5	32.5
13	100	100	40	40
26	100	100	70	70
52	100	100	195	195
104	100	100	215	215

b) Termination/Recovery rates

Product Type	Table	Recovery Rates as Percentage of table at 31/12/2014				Recovery Rates as Percentage of table at 31/12/2013			
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	51 y1 68 y2 63.75 y3-4 38.25 y5+	51 y1 68 y2 63.75 y3-4 38.25 y5+	51 y1 68 y2 63.75 y3-4 38.25 y5+	51 y1 68 y2 63.75 y3-4 38.25 y5+	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	51 y1 68 y2 63.75 y3-4 38.25 y5+	51 y1 68 y2 63.75 y3-4 38.25 y5+	51 y1 68 y2 63.75 y3-4 38.25 y5+	51 y1 68 y2 63.75 y3-4 38.25 y5+	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 117 y2- y3 108 y4- 5 90 y5+	77 y1 117 y2- y3 108 y4- 5 90 y5+	77 y1 117 y2- y3 108 y4- 5 90 y5+	77 y1 117 y2- y3 108 y4- 5 90 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. There are different 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	0.625	0.625
Accelerated Critical Illness – Nov 2001	0.625	0.625
Accelerated Critical Illness – Old series	0.625	0.625
Stand-alone Critical Illness – Apr 2007	0.625	0.625
Stand-alone Critical Illness – Nov 2001	0.625	0.625
Stand-alone Critical Illness – Old series	0.625	0.625
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 policies, (written before November 2001).

Accelerated CI Rates per £10,000 Sum Assured	31/12/2014				31/12/2013			
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	31/12/2014				31/12/2013			
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 2014 and 2013, 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 2014 and 2013, 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 2014 and 2013 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 2014	3ADL+ 2014	Cognitive 2014	2ADL 2013	3ADL+ 2013	Cognitive 2013
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 2014	3ADL+ 2014	Cognitive 2014	2ADL 2013	3ADL+ 2013	Cognitive 2013
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 2014	3ADL+ 2014	Cognitive 2014	2ADL 2013	3ADL+ 2013	Cognitive 2013
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 2014, 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 2014 and end 2013 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 2014	End 2013
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 2014	End 2013
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 2014	End 2013
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 2013.

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.

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	36.73	0.105	0	N/a	37.09	0.105	0
	Otherwise	N/a	25.71	0.105	0	N/a	25.96	0.105	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	36.73	0.105	0	N/a	37.09	0.105	0
	Otherwise	N/a	25.71	0.105 340	0	N/a	25.96	0.105	0

CWP Pensions (155 / 165)	Premium Paying	N/a	44.07	0.105	0	N/a	44.50	0.105	0
	Otherwise	N/a	33.06	0.105	0	N/a	33.38	0.105	0
Term Assurance (325 / 330)	Premium Paying	N/a	27.24	0.125	0	N/a	26.62	0.125	0
	Otherwise	N/a	20.24	0.125	0	N/a	19.86	0.125	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	27.24	0.125	0	N/a	26.62	0.125	0
	Otherwise	N/a	20.24	0.125	0	N/a	19.86	0.125	0
Annuity pre demutualisatio n(400)	All	N/a	16.04	0.105	0	N/a	17.16	0.105	0
Annuity post demutualisatio n(400)	All	N/a	16.04	0.105	0	N/a	17.16	0.105	0
UWP Bond (500)	All	N/a	11.58	0.105	0	N/a	11.04	0.105	0
UWP Savings Endowme nt (510)	Premium Paying	N/a	47.86	0.105	0	N/a	48.33	0.105	0
	Otherwise	N/a	11.58	0.105	0	N/a	11.04	0.105	0
UWP target Cash Endowment (515)	Premium Paying	N/a	47.86	0.105	0	N/a	48.33	0.105	0
	Otherwise	N/a	11.58	0.105	0	N/a	11.04	0.105	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	60.21	0.105	0	N/a	60.80	0.105	0
	Otherwise	N/a	48.17	0.105	0	N/a	48.64	0.105	0
UWP Single Premium Pension (525 / 545)	All	N/a	46.03	0.105	0	N/a	46.48	0.105	0

UWP Group Regular Premium Pension (535)	Premium Paying	N/a	94.17	0.105	0	N/a	95.09	0.105	0
	Otherwise	N/a	74.46	0.105	0	N/a	75.18	0.105	0
UWP Group Single Premium Pension (535)	All	N/a	67.14	0.105	0	N/a	67.80	0.105	0
UL Bond (700)	All	N/a	29.84	0.125	0	N/a	28.80	0.137	0
UL Savings Endowment (715)	Premium Paying	N/a	41.37	0.125	0	N/a	39.92	0.137	0
	Otherwise	N/a	29.84	0.125	0	N/a	28.80	0.137	0
UL Target Cash Endowment (720)	Premium Paying	N/a	41.37	0.125	0	N/a	39.92	0.137	0
	Otherwise	N/a	29.84	0.125	0	N/a	28.80	0.137	0
UL Regular Premium Pension (725)	Premium Paying	N/a	47.09	0.125	0	N/a	45.44	0.137	0
	Otherwise	N/a	37.54	0.125	0	N/a	36.23	0.137	0
UL Single Premium Pension (725)	All	N/a	35.13	0.125	0	N/a	33.90	0.137	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	25.19	0.125	0	N/a	24.31	0.137	0
	Otherwise	N/a	18.83	0.125	0	N/a	18.17	0.137	0
UL Group Single Premium Pension (735)	All	N/a	17.18	0.125	0	N/a	16.58	0.137	0

#### FLC With Profit Fund

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

At 31 December 2014, 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 2014 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 future Solvency II costs.

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	15.15	0.27	0	N/a	14.16	0.34	0
	Otherwise	N/a	13.73	0.27	0	N/a	12.83	0.34	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	39.50	0.27	0	N/a	36.94	0.34	0
	Otherwise	N/a	36.76	0.27	0	N/a	34.38	0.34	0
CWP Pensions (155 / 165)	Premium Paying	N/a	39.50	0.27	0	N/a	36.94	0.34	0
	Otherwise	N/a	36.76	0.27	0	N/a	34.38	0.34	0
UWP Bond (500)	All	N/a	33.44	0.27	0	N/a	31.27	0.34	0
UWP Savings Endowment (510)	Premium Paying	N/a	39.50	0.27	0	N/a	36.94	0.34	0
	Otherwise	N/a	36.76	0.27	0	N/a	34.38	0.34	0
UWP target Cash Endowment (515)	Premium Paying	N/a	39.50	0.27	0	N/a	36.94	0.34	0
	Otherwise	N/a	36.76	0.27	0	N/a	34.38	0.34	0
UWP Regular Premium Pension (525 /	Premium Paying	N/a	42.30	0.27	0	N/a	39.55	0.34	0

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
545)	Otherwise	N/a	37.91	0.27	0	N/a	35.45	0.34	0
UWP Single Premium Pension (525 / 545)	All	N/a	37.91	0.27	0	N/a	35.45	0.34	0
UWP Group Regular Premium Pension (535)	Premium Paying	N/a	60.42	0.27	0	N/a	56.50	0.34	0
	Otherwise	N/a	57.45	0.27	0	N/a	53.72	0.34	0
UWP Group Single Premium Pension (535)	All	N/a	57.45	0.27	0	N/a	53.72	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 2014. 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 2014, 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 2014 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 future ERCM implementation costs.



		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investmen t Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investmen t Expense % of Fund pa	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	15.15	0.19	0	N/a	14.16	0.21	0
	Otherwise	N/a	13.73	0.19	0	N/a	12.83	0.21	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	39.50	0.19	0	N/a	36.94	0.21	0
	Otherwise	N/a	36.76	0.19	0	N/a	34.38	0.21	0
CWP Pensions (155 / 165)	Premium Paying	N/a	39.50	0.19	0	N/a	36.94	0.21	0
	Otherwise	N/a	36.76	0.19	0	N/a	34.38	0.21	0
Annuity (400)	All	N/a	34.62	0.14	0	N/a	32.37	0.14	0
UWP Bond (500)	All	N/a	33.44	0.19	0	N/a	31.27	0.21	0
UWP Savings Endowm ent (510)	Premium	N/a	39.50	0.19	0	N/a	36.94	0.21	0
	Otherwise	N/a	36.76	0.19	0	N/a	34.38	0.21	0
UWP target Cash Endowment (515)	Premium Paying	N/a	39.50	0.19	0	N/a	36.94	0.21	0
	Otherwise	N/a	36.76	0.19	0	N/a	34.38	0.21	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	42.30	0.19	0	N/a	39.55	0.21	0
	Otherwise	N/a	37.91	0.19	0	N/a	35.45	0.21	0
UWP Single Premium Pension (525 / 545)	All	N/a	37.91	0.19	0	N/a	35.45	0.21	0

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investmen t Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investmen t Expense % of Fund pa	% of Premium
UWP Group Regular Premium Pension	Premium Paying	N/a	60.42	0.19	0	N/a	56.50	0.21	0
	Otherwise	N/a	57.45	0.19	0	N/a	53.72	0.21	0
UWP Group Single Premium Pension	All	N/a	57.45	0.19	0	N/a	53.72	0.21	0
UL Bond (700)	All	N/a	33.44	0.19	0	N/a	31.27	0.19	0
UL Savings Endowment (715)	Premium Paying	N/a	39.50	0.19	0	N/a	36.94	0.19	0
	Otherwise	N/a	36.76	0.19	0	N/a	34.38	0.19	0
UL Target Cash Endowment (720)	Premium Paying	N/a	39.50	0.19	0	N/a	36.94	0.19	0
	Otherwise	N/a	36.76	0.19	0	N/a	34.38	0.19	0
UL Regular Premium Pension (725)	Premium Paying	N/a	42.30	0.19	0	N/a	39.55	0.19	0
	Otherwise	N/a	37.91	0.19	0	N/a	35.45	0.19	0
UL Single Premium Pension	All	N/a	37.91	0.19	0	N/a	35.45	0.19	0
UL Group Regular Premium Pension (735)	Premium Paying	N/a	42.30	0.19	0	N/a	39.55	0.19	0
	Otherwise	N/a	37.91	0.19	0	N/a	35.45	0.19	0
UL Group Single Premium Pension	All	N/a	37.91	0.19	0	N/a	35.45	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 2014. 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 2013 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.

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
CWP Savings Endowment (120)	Premium Paying	N/a	23.58	0.21	0	N/a	23.09	0.24	0
	Otherwise	N/a	12.19	0.21	0	N/a	11.94	0.24	0
CWP Target Cash Endowment (125)	Premium Paying	N/a	23.58	0.21	0	N/a	23.09	0.24	0
	Otherwise	N/a	12.19	0.21	0	N/a	11.94	0.24	0
CWP Pensions (155 / 165)	Premium Paying	N/a	30.33	0.21	0	N/a	29.70	0.24	0
	Otherwise	N/a	15.56	0.21	0	N/a	15.24	0.24	0
Term Assurance (325 / 330)	All	N/a	16.09	0.15	0	N/a	15.75	0.24	0
Income Protection (360 / 365)	All	N/a	17.05	0.15	0	N/a	16.70	0.24	0
Income Protection Claims in Payment (385)	All	N/a	30.96	0.15	0	N/a	30.31	0.24	0
Annuity (400)	All	N/a	30.96	0.15	0	N/a	30.31	0.24	0
UWP target Cash Endowment (515)	Premium Paying	N/a	51.17	0.21	0	N/a	50.11	0.24	0
	Otherwise	N/a	38.38	0.21	0	N/a	37.58	0.24	0

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	60.20	0.21	0	N/a	58.95	0.24	0
	Otherwise	N/a	45.15	0.21	0	N/a	44.21	0.24	0
UWP Single Premium Pension (525 / 545)	All	N/a	45.15	0.21	0	N/a	44.21	0.24	0
UL Savings Endowment (715)	Premium Paying	N/a	51.17	0.22	0	N/a	50.11	0.24	0
	Otherwise	N/a	38.38	0.22	0	N/a	37.58	0.24	0
UL Target Cash Endowment (720)	Premium Paying	N/a	51.17	0.22	0	N/a	50.11	0.24	0
	Otherwise	N/a	38.38	0.22	0	N/a	37.58	0.24	0
UL Regular Premium Pension (725)	Premium Paying	N/a	60.20	0.22	0	N/a	58.95	0.24	0
	Otherwise	N/a	45.15	0.22	0	N/a	44.21	0.24	0
UL Single Premium Pension	All	N/a	45.15	0.22	0	N/a	44.21	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

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
Term Assurance	Premium Paying	N/a	11.54	0.108	0	N/a	16.29	0.108	0

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
(325 / 330)	Otherwise	N/a	20.24	0.125	0	N/a	19.86	0.125	0
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	N/a	11.54	0.108	0	N/a	16.29	0.108	0
	Otherwise	N/a	20.24	0.125	0	N/a	19.86	0.125	0
Income Protection (360 / 365)	All	N/a	11.54	0.108	0	N/a	16.29	0.108	0
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	35.28	0.085	0	N/a	35.10	0.095	0
UWP Bond (500)	All	N/a	11.58	0.105	0	N/a	11.04	0.125	0
UWP Savings Endowment (510)	Premium Paying	N/a	47.86	0.105	0	N/a	48.33	0.125	0
	Otherwise	N/a	11.58	0.105	0	N/a	11.04	0.125	0
UWP Target Cash Endowment (515)	Premium Paying	N/a	47.86	0.105	0	N/a	48.33	0.125	0
	Otherwise	N/a	11.58	0.105	0	N/a	11.04	0.125	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	N/a	60.21	0.105	0	N/a	60.80	0.125	0
	Otherwise	N/a	48.17	0.105	0	N/a	48.64	0.125	0
UWP Single Premium Pension (525 / 545)	All	N/a	46.03	0.105	0	N/a	46.48	0.125	0
UWP Group Regular Premium Pension (525)	Premium Paying	N/a	35.42	0.105	0	N/a	33.50	0.125	0
	Otherwise	N/a	16.32	0.105	0	N/a	16.80	0.125	0
UWP Group Single Premium Pension	All	N/a	17.24	0.105	0	N/a	16.06	0.105	0

		31/12/2014				31/12/2013			
Class		Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium	Zillmer Adj. % SA	Annual Expense £	Investment Expense % of Fund pa	% of Premium
UL Bond (700)	All	N/a	75.43	0.19	0	N/a	83.14	0.19	0
UL Savings Endowment (715)	Premium Paying	N/a	41.37	0.19	0	N/a	39.92	0.19	0
	Otherwise	N/a	29.84	0.19	0	N/a	28.80	0.19	0
UL Target Cash Endowment (720)	Premium Paying	N/a	56.71	N/a*	0	N/a	52.36	N/a*	0
	Otherwise	N/a	28.34	N/a*	0	N/a	26.18	N/a*	0
UL Regular Premium Pension (725)	Premium Paying	N/a	60.20	N/a*	0	N/a	60.35	N/a*	0
	Otherwise	N/a	45.15	N/a*	0	N/a	36.21	N/a*	0
UL Single Premium Pension (725)	All	N/a	60.20	N/a*	0	N/a	60.35	N/a*	0
UL Group Regular Premium Pension (725)	Premium Paying	N/a	25.19	0.19	0	N/a	24.31	0.19	0
	Otherwise	N/a	18.83	0.19	0	N/a	18.17	0.19	0
UL Group Single Premium Pension (725)	All	N/a	17.18	0.19	0	N/a	16.58	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 2014.

\*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:

	31/12/2014		
	Unit Growth % p.a.		Expense Inflation % p.a.
	Gross	Net	
Ex FLC, Ex FLWL & FLAS	N/a	N/a	4.55/4.05

annuities			(note 1)
Other Conventional Ex-FLC & FLAS	N/a	N/a	4.3/3.8 (note 1)
Conventional Non Profit Ex-FPLMA	N/a	N/a	3.60
Conventional Non Profit Other	N/a	N/a	4.30
Conventional With Profit Ex-FPLMA	N/a	N/a	3.60
Conventional With Profit Other	N/a	N/a	4.30
Unitised Ex- FLC, Ex- FLWL &FLAS	3.30	2.80	4.30/3.80 (note 1)
Ex-FLWL Deposit investments	0.50	0.43	4.30
Unitised Other	3.30	2.60	4.30

Note 1: the lower rate applies to costs subject to an outsourcing arrangement, the higher rate applies to other costs.

Other inflation assumptions:

Ex FPLP & FPLAL charge increases – 2.8%p.a. where linked to RPI and 3.8%p.a. where linked to AWE

Ex FLC & FLAS charge increases- 3.3%p.a on non-annuity business and 3.55%p.a. on annuity business where linked to RPI.

However, expense inflation in the ex- FLWL With-Profits Fund is fixed by the Scheme at RPI. An additional reserve of £1.7m 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

		% p.a.
<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 business (post June 2002 single premiums) (with 0.8% amc)	0.80 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	8.0	4.8	3.5	3.5
Level term (incl. Critical Illness) – High Rate	Lapse	15.4	9.4	6.9	6.9
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	7.5	5.3	4.1	4.1
Accelerated Critical Illness – High Rate	Lapse	15.3	10.2	7.7	7.7
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
UWP Bond	Surrender	6.0	6.0	4.1	3.0
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

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.
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	3.9	3.9	3.9
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.

Product	IP (individual)	IP (group)	CI	Life
Reserve	40% of the average premiums in force over the last 6 months	24% of the average premiums in force over the last 6 months	13% 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. The company holds equity futures within ex-FLC and FLAS. For the purpose of interest rate setting, 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 (£35.3m), the FLL Old With Profits Fund (£5.1m), and the FLL FLAS With Profits Fund (£8.1m).

The company holds credit default swaps to hedge the credit risk on a holding of corporate bonds. For FLL FLWL With Profits fund, this represented a net liability of £0.9m. The valuation interest rates take into account the holdings of credit default swaps. 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.

The Company held swaptions in FLL FLWL With Profits Fund with a net market value of £0.3m and interest rate swaps with a net market value of -£7.0m 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 £0.5m, 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.

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 and for the heritage FP Non-cashable deferred annuity product) 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 24 years.

Product Name (i)	Basic Reserve (ii) £m	Guarantee Reserve (iv) £m	Guaranteed Rate (v)	Increments allowed (vi)	Annuity Form (vii)	Retirement Ages (viii)
Ex-FLC endowment plans	99	125	11.0%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-FLC Multipension	230	179	9.4%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-FLAS Pension Builder	81	92	11.1%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	At specified NRD only
Ex-FLAS Retirement Annuity (1976 series)	27	29	11.1%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	At specified NRD only

Winterthur pure endowment	20	17	10.0%	No	Single life, monthly in advance, guaranteed 5 years	At specified NRD only
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<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	237	248	11.6%	No	Single life, annual in arrears, no guarantee	60-70
Ex-UKP Self Employed Deferred Annuities	186	210	12.2%	No	Single life, annual in arrears, no guarantee	60-75
Ex-FP Group Deferred Annuities (other than EBP below)	282	200	10.0%	No	Single life, monthly in advance, guaranteed 5 years	55-75
Ex-FP Executive Benefit Plan (EBP)	140	115	10.0%	No	Single life, monthly in advance, guaranteed 5 years	at specified NRD only
Ex-UKP Executive Pensions	43	42	11.1%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-LMA Retirement Annuity Contracts	15	9	10.8%	No	Single life, annual in arrears, no guarantee	60-75
Ex-NM Conventional Deferred Annuities	36	37	10%	No	Single Life; monthly in advance, guaranteed 5 years	60-75
Ex-NM Personal Pension (pre Series D)	15	4	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 £147m 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 Condition s (vi)	In-force Premiums (vii) £m	Increments (viii)
Friends Flexible Savings Plan and Planned Investment	74	Up to 25 years	1	On surrender - Scheduled proportion of the maturity benefit (including declared bonuses).	n/a	1	No
Friends Plan German pension products	261	Up to 70 years	110	Return of the total premiums paid on the policy at the policyholder's normal retirement date.	n/a	85	Yes, providing they occur more than 12 years before the policyholder's normal retirement date
Ex-FLAS Flexible Mortgage Plans	11	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	68	Up to 20 years	149	At maturity - GMP in respect of contracting out of SERPS	n/a	nil	No
Ex-FP Pension Transfer Plan	41	Up to 26 years	20	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. 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

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. 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.

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	30.8	7,426.8
Level Accelerated Critical Illness	29.1	5,168.8
Level Income Protection	6.3	218.7
Level Stand Alone Critical Illness	11.7	1080.8
Decreasing Term Assurance	3.6	2,023.9
Level Term Assurance	12.6	6,102.6

#### **(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 £329.4m. 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	1.5	0.2	0.2	1.9
Unitised Overseas (Post July 2001)	0.0	1.8	3.6	3.9	9.3
Ex FPLP Unitised Life (Pre July 2001)	0.0	1.7	2.9	0.0	4.6
Ex-FPLP Unitised Pensions (Pre July 2001)	0.0	2.9	5.9	0.0	8.8
All Expenses Attributable (excluding Ex-FLC and Ex-FLAS and Ex-FLWL)	0.2	15.0	77.4	0.0	92.6
Unit-linked business (Ex-FLC and Ex-FLAS)	0.0	35.9	42.6	22.9	101.4
Ex-FLC UWP business	8.7	-	24.0	-	32.7
Ex-FLAS UWP business	3.3	-	13.6	-	16.9
All Expenses Attributable (Ex-FLC and Ex-FLAS)	2.5	12.9	27.5	0.0	42.9
Unit-linked business (Ex-FLWL NPF)		4.4	4.6	3.7	12.7
All Expenses Attributable (Ex-FLWL NPF)		0.5	2.1	n/a	2.6
Unit-linked business ( Ex-FLWL WPF)		0.5	0.4	0.3	1.2
All Expenses Attributable (Ex-FLWL WPF)		0.9	0.9	n/a	1.8
<b>Total</b>	<b>14.7</b>	<b>78.0</b>	<b>205.7</b>	<b>31.0</b>	<b>329.4</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**

The introduction of Financial Reporting Standard 26 in 2006 requires initial transaction costs on assets to be shown as investment expenses in the statutory accounts and, these expenses, amounting to £12.7m, 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 £331.6m. After allowing for initial transaction costs on assets, the amount of maintenance expenses (£318.9m) included in line 14 of Form 43 is lower than the expense loadings (£329.4m) disclosed in section 6.(1) above.

## **(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 2015 if the Company ceased to transact new business on 1st January 2015. Estimated expenses in 2015, on this basis, are less than the loadings expected from in-force business in 2015 and therefore no additional reserve is required.

## **(6) Non attributable expenses**

At 31 December 2014, 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>
Immediate Annuities	1.5
Conventional Pensions	5.9
UL Pensions	5.0
Term Assurances	3.2
Unit Linked Savings	10.2
Individual Health	0.1

## **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	23,195	30,998
Euro	174	74
US Dollar	32	345
Australian Dollar	0	8
Other	(9)	126
<b>Total</b>	<b>23,392</b>	<b>31,550</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 £42.1m is held in respect of premium rate guarantees on Lifespan unit-linked whole of life policies.

#### FLL Investment Expenses

A reserve of £10m to cover investment expenses, amounting to c£1m p.a., that have not been attributed to policies.

#### FpB provision

A reserve of £10m is held to cover possible increases in lapses on German Pension as a result of the review of FpB AG, the distributor of business in Germany.

#### Expense provision

A reserve of £25m is held to meet the expected shortfall of maintenance expense allowance relative to forecast expenses in 2015.

#### 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 £107.6m. 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.

#### FLWL Data provision

At 31 December 2014, a reserve of £10m is held as a prudent estimate of the impact of data issues that have been identified in respect of ex-FLWL business.

#### Solvency II/ECRM (Economic Capital Reporting and Modelling)

At 31 December 2014, a reserve of £39.7m was held in FLL to cover future Solvency II costs.

#### New World Retirement

A provision of £13m is held within FLL to cover future costs of the New World Retirement project in light of the 2014 announced changes to retirement and pensions legislation.

## 9. Reinsurance

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

No premiums for reinsurance ceded on a facultative basis were paid during 2014 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 2014 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 2014 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:

Reinsurer	Amount (£m)
Munich Reinsurance Co	0.2
<b>Total</b>	<b>0.2</b>

- j) The mathematical reserves ceded under the treaty are quoted in the table. Apart from any reserves ceded internally, these have been reduced to allow for credit risk.
- 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 £20m 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) 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. 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 2014 is 3.4m EUR in respect of the 2011 loan, and 8.4m EUR for the 2012 loan.
- (ii) No additional reserve was required in respect in respect of any outstanding repayments due on the loan, largely due to changes in persistency assumptions used to value the contracts as at 31 December 2014.



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.	50.6	Closed	123.6	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 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					

Swiss Re Europe S.A., UK branch	some cases (except nil for D4 business). Max retention £125,000 p.a. plus £50,000 for NI and pension contributions.		Closed	123.6	N/A	Not Connected
	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 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					

Swiss Re Europe S.A., UK branch	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.		Closed	123.6	N/A	Not Connected
	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.	52.8	Closed	27.3	N/A	Not Connected
	1 <sup>st</sup> surplus reinsurance for £2m for Individual Life (excluding commodity term assurance and Milestones Term Assurance) and Group Life.					
	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					

Munich Re	maximum sum reinsured of £2m.	43.0	Closed	81.4	N/A	Not Connected
	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 annum Closed to new business with effect from November 2007.					
Munich Re	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	53.7	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.	15.1	Closed	27.0	N/A	Not Connected
RGA Global	Life cover treaty with retention of 50%.	15.5	Closed	31.2	N/A	Not Connected

Reinsurance Limited						
Swiss Reinsurance Co Ltd	The majority of in-payment annuities written or ceded prior to 31 December 2006	115.6	Closed	(55.9)	N/A	Not Connected
Friends Life Pensions Ltd	All investment benefits under unit linked pension contracts, originally written by FPLO or UK Provident.	55.1	Closed	3,991.7	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.					
	All pension business written in the Non-Profit Fund prior to 31 December 2001.	16.6	Closed	747.3	N/A	
Friends Life Pensions Ltd	Deferred and in–payment annuities under Investment Trust Retirement Annuity plans on original terms.	0	Closed	22.0	N/A	Wholly Owned Subsidiary
	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	Closed	92.3	N/A	
ex-FLC Business						
Swiss Re Europe	<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			86.3		

S.A., UK branch	£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.	3.7	Closed		N/A	Not Connected
Swiss Re Europe S.A., UK branch	<u>Individual Permanent Health Insurance</u> Benefits on an original terms, quota share and surplus basis. The cover is 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..	3.7	Closed Closed	8.9	N/A	Not Connected
	<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.	1.1		28.6		
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	1.5	Closed	35.5	N/A	Not Connected

	covered by the original premium.					
SCOR Global Life Reinsurance UK 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 50% of the first £10m.	9.4	Closed	40.1	N/A	Not Connected
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.	7.9	Closed	18.8	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.	7.2	Closed	35.0	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.	4.1	Closed	12.2	N/A	Not Connected
FAL (2007 reinsurance)	Reinsurance of the non-profit pensions annuities in payment business directly written in FLC.	208.5	Open	2,308.1	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.	0.1	Open	24.2	N/A	Not Connected

Unit Reassurance	Linked benefits where the member has chosen to invest in the funds of Blackrock Asset Management on a 100% quota share basis.	0.1	Open	25.4	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.	135.0	Closed	(36.2)	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	62.5	N/A	Not Connected
FAL (2009 reinsurance)	Reinsurance of the non-profit pensions annuities in payment business reinsured to FLC from FLAS.	0	Closed	1,840.7	N/A	Wholly Owned Subsidiary
<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	355.6	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	1,744.2	Open	1,744.2	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	33.0	N/A	Wholly Owned Subsidiary
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## 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 2014 %
		2014 %	2013 %	
Conventional With-Profits Life Policies				
Life Main Series (All except Series 9)	580	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	83	1.00/1.00	1.00/1.00	0.00/0.00
Conventional With-Profits Pension Policies				
Individual Plans	485	Nil/Nil	Nil/Nil	0.00/0.00
Group Cashable Annuities	473	1.25/1.25	2.25/2.25	0.00/0.00
Executive Benefit Scheme Cashable Annuities	178	Nil/Nil	Nil / Nil	0.00/0.00
UKP Series – Pension and Deferred Annuities	493	Nil/Nil	Nil / Nil	0.00/0.00
Unitised With-Profits Life Policies (note 1)				
Series 1,21	313	3.00	3.00	3.00
Series 2,3,6	448	2.00	1.00	0.00
Series 4		1.50	1.50	0.00
Series 9,10,24	16	1.00	1.00	0.00
Series 11, 22, 23, 26		2.50	1.75	0.00
Series 12		2.50	2.50	0.00
Series 14	31	2.75	2.75	0.00
Unitised With-Profits Pension Policies				
Series 1	1347	4.00	4.00	4.00
Series 2,4	341	2.50	2.00	0.00
Series 9,10,22,24	63	3.00	3.00	0.00
Series 21	249	3.00	3.00	0.00
Series C (FPLAL)	11	1.50	1.00	0.00
Demutualisation Terminal Bonus	31	3.75	3.75	0.00
Pre Demutualisation New Generation	209	3.75	3.75	Not less than amc
Post Demutualisation New Generation		3.75	3.75	Not less than amc
Unitised OLAB Policies				
Main Series 1,2	117	2.25	1.50	0.00
Unitised Ex-FPLMA Policies				

Life Assurance	46	3.75	2.50	0.00
Individual and Group Deferred Annuities	226	4.25	3.75	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 2014 %
		2014 %	2013 %	
Conventional Life Policies	72	2.25/2.25	2.00/2.00	0.00/0.00
Conventional Pension Policies	70	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 2014 %
		2014 %	2013 %	
Conventional With-Profits				
Conventional Life Series 1	16	1.00/0.00	1.00/0.00	(note 1)
Conventional Life Series 2	55	0.00	0.00	0.00
Top Flight and Moneysaver	485	2.00	2.00	0.00
Conventional Pensions	140	0.00	0.00	0.00
Unitised With-Profits (note 2)				
Investment Bond and Flexible Bond	823	2.75	2.75	0.00
Individual Savings Account (notes 4 and 8)	11	3.50	3.50	0.00
Low-Cost Homebuyers' Plan	321	3.00	3.00	3.00
Multiplan	16	3.00	3.00	0.00
Multipension Series 2	968	4.00	4.00	4.00
Multipension Series 3	241	2.50	1.50	0.00
Flexible Pensions:				
with GMP guarantee	14	2.50	1.75	0.00
Other (note 6)	70	3.00	2.25	0.00
Pensions 1997 series (note 7)	87	3.00	2.00	0.00
Pensions 1999 series	26	2.00	2.00	0.00
Pensions 2000 & 2002 series (note 4)	56	3.00	3.00	0.00
Retirement Savings Schemes (note 9)	347	1.50	0.50	0.00
AXA Isle of Man Bonds: (note 3)				
Series 3 (Sterling)	73	4.00	3.00	0.00
Series 3 (Euro)	14	2.50	2.50	0.00
Series 3 (Dollar)	14	4.00	4.00	0.00

**Notes:**

- 1) For Conventional Life Series 1, 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 2014 (0.5% in 2013). 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 2014 (5% in 2013). 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 2014 and 2013.
- 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 2014 (5% in 2013). This is in addition to the bonus rates in the table above.
- 9) For RSS a guaranteed rate of 3% for 2014 (3% for 2013) applies to new premiums. The additional interest rate for 2014 is 0% (0% for 2013). These are in addition to the bonus rates in the table above.
- 10) Guaranteed bonus rates are included in the corresponding regular bonus rates reported in this table.

**FLAS With Profits Funds**

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2014 %
		2014 %	2013 %	
Conventional With-Profits				
Life Compound Series	58	0.25	0.25	0.00
Ten Plus Series 2	31	1.00/1.00	0.75/1.00	0.00/0.00
Pension Builder and Retirement Annuity (1976 Series)	248	0.25	0.00	0.00
With profits Annuity	65	4.00	5.00	0.00
Unitised With-Profits				
Life (note 1)	340	1.25	1.25	0.00
Pensions:				
Group WP fund (note 5)	20	3.50	3.00	0.00
with GMP guarantee	202	3.00	2.50	0.00
Other (notes 1, 2)	846	3.50	3.00	0.00
AXA Isle of Man Bonds: (note 3)				
Series 1	33	3.00	3.00	0.00
Series 2 (Sterling)	16	3.75	2.75	0.00
Deposit Administration				
Deposit Administration Plan (note 4)	231	4.00	5.00	(note 4)

**Notes:**

- 1) The rates stated above are for accumulation units. The corresponding rates for capital units were 0.00% for 2014 and 2013.
- 2) For certain Personal Pension and life assurance 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. An additional regular bonus of 5% (3% in 2013) applies to these policies, and this is not included in the above numbers.
- 5) For Pensions in the Group WPF, an Additional Regular Bonus (ARB) of 5% applies in 2014 (5% in 2013). This is in addition to the above bonus rate.

**WL With Profits Funds**

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2014 %
		2014 %	2013 %	
Conventional With-Profits				
Ex-Colonial Life Portfolio Whole Life and Endowment excl. Homelink (notes 1 & 3)	167	Not available	1.00	Not available
Ex-Colonial Life Portfolio Homelink – Bonus on Sum Assured/Bonus on Regular Bonus (note 1)		Not available	0.50/1.50	Not available
Ex-Colonial Life Portfolio Personal Accident K series (notes 1 & 2)		Not available	4.00	Not available
Ex-Colonial Life Portfolio Personal Accident Other (notes 1 & 2)		Not available	2.00	Not available
Ex-Winterthur Pensions Portfolio (note 1)	28	Not available	0.00	Not available
Ex-Colonial Pensions Portfolio (note 1)	178	Not available	0.00	Not available
Unitised With-Profits				
Ex-Colonial Pensions (note 1)				
Old World (accumulation units)	78	Not available	1.00	Not available
Old World (initial units)		Not available	0.00	Not available
Unity		Not available	1.00	Not available
New World		Not available	1.25	Not available

**Notes:**

- 1) The rates for these policies in respect of 2014 will be declared on April 1<sup>st</sup> 2015.
- 2) Regular bonus rate applies to sum assured only
- 3) Regular bonus applies to accrued bonus only

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.

## 1. Introduction

- (1) The actuarial investigation relates to a valuation date of 31 December 2014.
- (2) The valuation date of the previous valuation was 31 December 2013.
- (3) An interim valuation was carried out on 30 June 2014.

## 2. Assets

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

<b>31 December 2014</b>	<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)	2.2% pa	Note 1		
Future expense inflation	3.8% pa	RPI +1%*	RPI +1%*	RPI*
Corporation tax rate	21.50%	21.00	21.00	21.00

Note 1: Risk-free rate calibrated to the gilt yield curve. For fixed interest assets matching FLAS WPF annuities in payment, a liquidity premium of 45 bp has been added to the risk-free rate. 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). For FLC WPF a reduction in PVFP has been applied to Immediate Annuity business to reflect the pricing terms on which this business is expected to be transferred to the FLL non profit fund during 2015.

<b>31 December 2013</b>	<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 2			
Investment returns before tax (all assets)	3.4 % pa	Note 2		
Future expense inflation	4.3% pa	RPI +1%*	RPI +1%*	RPI*
Corporation tax rate	23.25%	21.00	21.00	21.00

Note 2: 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 (55 bp FLAS WPF, 35 bp 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).

\* For benefits and expenses linked to future RPI, an inflation curve is applied, based on difference between the real and nominal yields.

- (2) No amounts have been included in the realistic value of assets under INSPRU 1.3.33R(2).
- (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.

### 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	7	13	0
Conventional Pension	13	9	25
<b>Total</b>	<b>60</b>	<b>22</b>	<b>26</b>
<b>FP WPF</b>			
Conventional Whole of Life pre demutualisation	185	0	9
Conventional Savings pre demutualisation	27	715	23
Conventional Pension pre demutualisation	183	658	732
UWP Savings pre demutualisation	0	675	14
UWP Bonds pre demutualisation	0	498	29
UWP Pensions pre demutualisation	0	2,545	136
UWP Bonds post demutualisation	0	112	1
UWP Savings post demutualisation	0	35	2
UWP Pensions post demutualisation	0	201	2
<b>Total</b>	<b>395</b>	<b>5,439</b>	<b>948</b>
<b>FLC OWPF</b>			
UWP Bonds (no MVR-free date)	0	144	51
UWP Regular Premium Life	0	75	33
UWP Pensions (no minimum bonuses or GARs)	0	153	64
UWP Pensions with minimum bonuses but no GARs	0	172	80
UWP Pensions with minimum bonuses and GARs	0	74	78
Conventional Life	0	214	92
Conventional Pensions	0	8	25
ISA	0	2	0
<b>Total</b>	<b>0</b>	<b>842</b>	<b>423</b>



	With-Profits Benefits Reserve (£m)		Future Policy Related Liabilities (£m)
	Prospective	Retrospective	
<b>FLC NWPF</b>			
UWP Bonds (no MVR-free date)	0	824	334
UWP Regular Premium Life	0	347	154
UWP Pensions (no minimum bonuses or GARs)	0	567	238
UWP Pensions with minimum bonuses but no GARs	0	627	290
UWP Pensions with minimum bonuses and GARs	0	208	229
Conventional Life	0	548	202
Conventional Pensions	0	29	62
ISA	0	8	0
<b>Total</b>	<b>0</b>	<b>3,158</b>	<b>1,509</b>
<b>FLAS WPF</b>			
UWP Bonds (no MVR-free date)	0	440	180
UWP Regular Premium Life	0	176	64
UWP Pensions (no guarantees)	0	1,164	435
UWP Pensions with minimum guaranteed pensions (but no minimum bonuses or GARs)	0	131	111
Conventional Life	0	215	-37
Conventional Pensions	0	120	166
DA77	0	266	52
With-Profits Annuity	0	74	13
<b>Total</b>	<b>0</b>	<b>2,586</b>	<b>984</b>
<b>WL WPF</b>			
UWP Bonds (no MVR-free date)	0	13	2
UWP Regular Premium Life	0	10	0
UWP Pensions (no minimum bonuses or GARs)	0	132	8
Conventional Life	0	243	14
Conventional Pensions	0	83	99
<b>Total</b>	<b>0</b>	<b>481</b>	<b>123</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)	60	395	0	0	0	0
Total Retrospective With-Profits Benefits Reserves from 3 (1) (b)	22	5,439	2,586	3,158	842	481
<b>Total With-Profits Benefits Reserve</b>	<b>82</b>	<b>5,834</b>	<b>2,586</b>	<b>3,158</b>	<b>842</b>	<b>481</b>
L31 of Form 19: With-Profits Benefits Reserve	82	5,834	2,586	3,158	842	481

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)	26	948	984	1509	423	123
Enhancement to WPBR not yet allocated to specific policies	75	238	267	129	83	0
Future costs of smoothing	0	107	0	0	0	0
Financing cost of contingent loan	0	35	0	0	0	0
Operational risk provision	0	20	0	0	0	0
Additional tax provision	0	3	13	22	6	1
Reorganisation Bonus	0	0	0	94	14	0
Other	2	49	0	0	0	1
<b>Total Future Policy Related Liabilities</b>	<b>103</b>	<b>1,400</b>	<b>1,264</b>	<b>1,754</b>	<b>526</b>	<b>125</b>
L49 of Form 19: Future Policy Related Liabilities	103	1,400	1,264	1,754	526	125

- (3) For WL WPF, the business not required to be separately disclosed in accordance with 3(3) has aggregate With-Profits Benefit Reserve of £5.7m and future policy related liabilities are estimated to be £1.2m. For this business the Peak 1 reserve is taken as a proxy for WPBR.

For all other funds, all products that are included in the realistic value of the liabilities have been included in the table above.

#### 4. With-Profits Benefits Reserve – Retrospective Method

(1) (a) and (b)

Retrospective Reserves	Proportion of With-Profits Benefits Reserve					
	FPLAL WPF	FP WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
Individual Basis	100%	93.15%	100%	100%	100%	100%
Grouped Basis – by year of entry	0%	2.48%	0%	0%	0%	0%
Grouped Basis – by year of premium payment	0%	4.37%	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) 411 model points were used to represent 3,747 policies for the first method and 370 model points were used to represent 753 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 2014.

(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 be reviewed in 2015. 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 continued 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. A further review to have effect from 1 January 2015 is currently underway.

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 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”. 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 and 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 2014 are shown below. The fee arrangements were reviewed in 2013 and the changes came into effect on 1 January 2014. The options and guarantees are fully disclosed.

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 2014, 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-Profits Fund is set out in Schedule 7 of the 2014 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 31 December 2014.

Maintenance expenses in respect of investment services are subject to an overall cap of 0.2% divided by 12 of the With-Profits Fund assets each month. For 2014 the aggregate expenses are calculated as 0.19% of the fund.

- (a) Expense investigations were carried out for all funds during 2014. Previous expense reviews were performed in:  
 FP WPF: 2010  
 FPLAL WPF: 2010  
 FLC NWPF and FLC OWPF: 2013  
 FLAS WPF: 2013  
 WL WPF: 2012.
- (b) Expense investigations are carried out each year for all funds. Frequency of expense reviews for each with-profits fund is as follows:  
 FP WPF: The review to have effect from 1 January 2015 is currently underway. The next review will take effect from 1 January 2019 and then reviews will take place every 5 years.  
 FPLAL WPF: The scheme expenses will be reviewed in 2015 and the next review within 5 years.  
 FLC NWPF and FLC OWPF: every 5 years.  
 FLAS WPF: every 5 years.  
 WL WPF: full expense review every 5 years.
- (c) The table below shows the total expenses allocated to the with-profits benefits reserve during 2014.

	<b>FPLAL WPF</b>	<b>FP WPF</b>	<b>FLAS WPF</b>	<b>FLC NWPF</b>	<b>FLC OWPF</b>	<b>WL WPF</b>
Initial fees chargeable to asset shares	0	0	0.4	0.2	0.0	0
Maintenance fees chargeable to asset shares	0.1	23.1	10.6	12.0	2.0	2.4
Other expenses chargeable to asset shares	0	0	0.0	0.0	0.0	0.0

Other expenses not chargeable to asset shares	1.1	36.5	11.1	12.3	2.5	3.4
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- (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)	
	2014	2013
Pre demutualisation	-	-
Post demutualisation	0.3	0.3

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 2014. 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 pm	0.0%
Unit Linked PHI		
standalone	£ 1.50 pm	0.0%
rider	£ 0.50 pm	0.0%
Personal Pensionplus		
In-force	£ 2.50 pm	0.0%
Paid-up	£ 1.50 pm	0.0%
Other Unit Linked Pension (Closed Block)		
In-force	£ 1.67 pm	0.0%
Paid-up	£ 1.00 pm	0.0%

ex-Colonial Policy Fees		
	Amount	Escalation Rate
Rainbow Plus	£36.07 pa	RPI

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

<b>ex-Colonial Fund Management Charges</b>	
Colonial Mortgage and Savings Plans	
Series A	1.20%
Series B	0.50%
UWP Bond	0.50%
Unit Linked Pensions	
Capital Units	4.50%
Accumulation Units (Old World)	1.00%
Accumulation Units (New World and 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:

<b>Year</b>	<b>FPLAL WPF</b>	<b>FP WPF</b>	<b>FLAS WPF</b>	<b>FLC NWPF</b>	<b>FLC OWPF</b>	<b>WL WPF</b>
2014	178%	104%	120%	125%	125%	102%
2013	175%	101%	117%	121%	121%	102%
2012	187%	101%	111%	118%	118%	105%

Note that the table above is using asset shares for FP and FPLAL WPF before any additional enhancements to the With-Profits Benefit reserve.

- (7) The investment return allocated to the With-Profits Benefits Reserve for the period 1 January to 31 December 2014 before deduction of tax and expenses were as follows:

<b>Fund</b>		<b>Gross investment return</b>
FPLAL WPF		7.3%
FP WPF	Pre Demutualisation	7.3%
	Post Demutualisation	7.1%
FLC WPFs	E-Fund	9.11%
	F-Fund	9.73%
	Conventional	9.31%
FLAS WPF		9.32%
WL WPF	Life-styling element of policies close to maturity	1.8%
	Colonial Deferred Annuities	7.2%
	All other business	4.6%

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 2014, the overall investment return before tax and expenses for both FLC NWPF and FLC OWPF was 9.29%, though this does not get directly applied to any particular policies. For most UWP policies, the gross return applied to asset shares was 9.11% (E-Fund return). For such policies approaching the end of their policy term, a different rate was applied. This varied from 9.11% (E-Fund return) to 9.73% (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.

## 5. With-Profits Benefits Reserve – Prospective Method

### FLC, FLAS and WL WPFs

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

#### (1) FP WPF and FPLAL WPF

(a), (b) and (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	2.1	2.0
Discount rate – Pensions Business	2.2	2.2
Gross Investment Return	2.2	2.2
Expense Inflation	3.8	3.8

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>FPLAL WPF</b>	<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>
Life Closed Fund	2.25	-	120	102	71	75
Former 'New' WP Business fund (Life)	1.80	-	120	102	71	75
Pensions Closed Fund	0.25	-	63	71	37	32
Former 'New' WP Business fund (Pensions)	0.20	-	63	71	37	32

<b>FP WPF</b>	<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>
UKP Life Series	1.00*	-	0	110	88	82
UKP Pension Series (Regular)	0.00	-	0	0	0	30
UKP Pension Series (Single)	0.00	-	0	0	0	80
Main Series Endowments	0.25	1,030	245	165	82	72
Main Series Low Cost Endowments 03/12/90-20/02/91	0.25	-	-	129	-	-
Main Series Low Cost Endowments 21/02/91 - 31/12/91	0.25	-	-	129**	-	-
Main Series Low Cost Endowments 31/12/91 onwards	0.25	575	113	-	-	-
Main Series Low Cost Endowments increments (homebuyer)	0.25*	515	-	-	-	-
Main Series regular premium SEDA	0.00	0	57	72	38	48

<b>FP WPF</b>	<b>Rates applying to attaching bonuses</b>	
	<b>Annual</b>	<b>Final Bonus by Term (%)</b>

	<b>Bonus (% pa)</b>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
Main Series single premium SEDA	0.00	576	453	75	37	145
Main Series life with guarantee surrender basis	0.25	0	0	170	170	170
LMA life series	3.00*	30*	40*	49*	59*	89*
FPLP Group Employer's Retirement Schemes	1.25*	-	-	-	-	-
FPLP Executive Benefit Schemes single premium	0.00	35	35	35	35	35
FPLP Executive Benefit Schemes regular premium	0.00	95	95	95	95	95

\* This rate also applies to sum assured.

\*\* This rate applies to a 24 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%, for all business, excluding ex FPLMA business where expenses increase in line with RPI.

<b>Fund</b>	<b>2014 Expenses</b>	<b>Regular Premium</b>	<b>Paid-Up</b>	<b>Single Premium</b>
FPLAL WPF	All	£31.50	£31.50	£31.50
FP WPF	Life	£28.20	£19.74	n/a
	Pension (Individual)	£33.85	£25.38	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.

(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.

			Policies before grouping	Policies after grouping	Compression
<b>FPLAL WPF</b>	Conventional Life	WOL	5,146	211	4.10%
		Savings	2,515	182	7.24%
	Conventional Pensions		2,966	433	14.60%
	<b>Total</b>		<b>10,627</b>	<b>826</b>	<b>7.77%</b>
<b>FP WPF</b>	Conventional Life (Pre demut)	WOL	17,463	379	2.17%
		Savings	44,457	864	1.94%
	Conventional Pensions (Pre demut)		39,775	1,103	2.77%
	UWP Life (Pre demut)	Bonds	46,854	183	0.39%
		Savings	45,020	495	1.10%
	UWP Pensions (Pre demut)		303,858	2,098	0.69%
	UWP Life (Post demut)	Bonds	2,450	77	3.14%
		Savings	5,104	239	4.68%
	UWP Pensions (Post demut)		18,936	683	3.61%
	<b>Total</b>		<b>523,917</b>	<b>6,121</b>	<b>1.17%</b>
<b>FLAS WPF</b>	Conventional		27,146	1,008	3.71%
	Bonds		12,014	740	6.16%
	UWP Life		10,081	412	4.09%
	UWP Pensions		71,260	1,394	1.96%
	<b>Total</b>		<b>120,501</b>	<b>3,554</b>	<b>2.95%</b>
<b>FLC NWPF</b>	Conventional		109,015	717	0.66%
	Bonds		25,147	670	2.66%
	UWP Life		27,767	587	2.11%
	UWP Pensions		87,943	1,533	1.74%
	<b>Total</b>		<b>249,872</b>	<b>3,507</b>	<b>1.40%</b>
<b>FLC OWPF</b>	Conventional		36,384	459	1.26%
	Bonds		3,978	157	3.95%
	UWP Life		5,965	245	4.11%
	UWP Pensions		28,406	661	2.33%
	<b>Total</b>		<b>74,733</b>	<b>1,522</b>	<b>2.04%</b>
<b>WL WPF</b>	Conventional		40,155	1,044	2.60%
	Bonds		565	146	25.84%
	UWP Life		770	222	28.83%
	UWP Pensions		12,989	280	2.16%
	<b>Total</b>		<b>54,479</b>	<b>1,692</b>	<b>3.11%</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

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 £3.9m 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 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. No adjustments are made for the other funds.

(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.

For FLC and FLAS WPFs a change has been made to the modelling of guarantees during 2014. The cost of guarantees is now calculated after allowing for planned enhancements to the asset share, rather than before allowing for planned enhancements as was the case in 2013.

For WL, FP and FPLAL WPFs, no changes were made to the method of modelling of financial options and guarantees during 2014.

- (3) For FLC and FLAS WPFs a change has been made to the modelling of guarantees during 2014. The cost of guarantees is now calculated after allowing for planned enhancements to the asset share, rather than before allowing for planned enhancements as was the case in 2013.

For WL, FP and FPLAL WPFs, no changes were made to the method of modelling of financial options and guarantees during 2014.

(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	2	86	18	15	9	88
	Time	2	31	3	1	0	0
Conventional Life	Intrinsic	0	0	25	19	6	1
	Time	0	7	2	3	1	6
Unitised With-Profits Pension	Intrinsic	n/a	38	115	50	9	0
	Time	n/a	73	21	71	13	2
Unitised With-Profits Life	Intrinsic	n/a	10	3	0	0	0
	Time	n/a	6	0	1	0	0
<b>Total</b>	Intrinsic	<b>2</b>	<b>134</b>	<b>161</b>	<b>84</b>	<b>24</b>	<b>89</b>
	Time	<b>2</b>	<b>117</b>	<b>26</b>	<b>76</b>	<b>14</b>	<b>8</b>
	<b>Total</b>	<b>4</b>	<b>251</b>	<b>187</b>	<b>160</b>	<b>38</b>	<b>97</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	21	623	106	43	16	7
	Time	0	0	1	0	0	0
Unitised With-Profits Pension	Intrinsic	0	0	0	154	57	0
	Time	0	0	0	0	0	0
<b>Total</b>		<b>21</b>	<b>623</b>	<b>107</b>	<b>197</b>	<b>73</b>	<b>7</b>

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

Equity excess returns are modelled using Moody'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 13.1% pa has been assumed for property excess return.

Inflation is modelled using Moody's proprietary InflationPlus model. This model assumes an expected component of inflation implied by the underlying nominal and real curves, plus an unexpected stochastic component of inflation. The unexpected inflation has a mean of zero and constant volatility of 0.923%.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2014. Sample rates are shown in the table in (iii) below.

Sample volatilities are shown below for the main asset classes. These are derived from the asset model output and show the at-the-money implied volatilities for Equities and 10-Year tenor Swaptions as well as the excess return volatility for Property. The equivalent figures for 31 December 2013 are shown in parentheses ().

Volatility over period (years)	Equity option ATM IV	Property	10-Year Swaption ATM IV
5	21% (19%)	13% (15%)	32% (20%)
10	22% (22%)	13% (15%)	27% (18%)
20	24% (26%)	13% (15%)	26% (17%)

The correlations assumed between the main asset 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	0.13	0.18	0.14	0.50	0.46
<b>Equity Total Return</b>	0.13	1.00	0.03	0.32	0.34	0.10
<b>RPI</b>	0.18	0.03	1.00	0.14	-0.22	-0.25
<b>Property Total Return</b>	0.14	0.32	0.14	1.00	0.13	0.01
<b>15 Year Corporate Bond Return Index (h-FP)</b>	0.50	0.34	-0.22	0.13	1.00	N/A
<b>15 Year Corporate Bond Return Index (h-AXA)</b>	0.46	0.10	-0.25	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.

K  
n

**FPLAL and FP WPF**  
**Asset type (all UK assets)**

0.75				1.0				1.5			
5	15	25	35	5	15	25	35	5	15	25	35

**Strikes**

p	1.0	£795,584	£1,048,466	£1,433,827	£1,834,285	£1,060,779	£1,397,954	£1,911,769	£2,445,713	£1,591,168	£2,096,931	£2,867,653	£3,668,570
	0.8	£786,295	£981,102	£1,261,218	£1,536,652	£1,048,393	£1,308,137	£1,681,624	£2,048,870	£1,572,589	£1,962,205	£2,522,436	£3,073,305
r	Annualised compound equivalent of the risk free rate assumed for the period	1.19%	2.26%	2.63%	2.59%	*	*	*	*	*	*	*	*
1	Risk-free zero coupon bond	£942,704	£715,331	£523,076	£408,879	*	*	*	*	*	*	*	*
2	FTSE All Share Index (p=1)	£79,655	£204,404	£306,825	£389,397	£182,627	£344,222	£472,088	£570,414	£524,111	£686,875	£845,305	£963,356
3	FTSE All Share Index (p=0.8)	£76,859	£180,678	£252,406	£307,039	£176,780	£305,943	£389,940	£451,285	£509,384	£614,688	£704,873	£767,702
4	Property (p=1)	£21,957	£87,397	£166,224	£242,360	£117,351	£214,857	£315,839	£408,365	£513,028	£585,375	£693,510	£798,345
5	Property (p=0.8)	£20,207	£68,783	£121,825	£172,297	£111,060	£177,522	£239,395	£297,553	£496,618	£505,324	£548,729	£600,553
6	15 year risk-free ZCBs (p=1)	£13,289	£23,849	£20,724	£39,287	£93,867	£106,886	£107,495	£146,392	£503,462	£499,464	£507,404	£532,322
7	15 year risk-free ZCBs (p=0.8)	£12,139	£16,356	£9,175	£14,643	£87,883	£77,514	£54,863	£68,471	£486,410	£408,583	£340,713	£323,492
8	15 year corporate bonds (p=1)	£9,381	£20,579	£37,009	£75,601	£87,148	£110,460	£145,423	£203,026	£509,925	£521,561	£546,817	£590,519
9	15 year corporate bonds (p=0.8)	£8,423	£13,094	£17,385	£37,010	£80,941	£78,311	£83,043	£113,337	£492,666	£429,536	£384,307	£386,592
10	Portfolio of 65% equity and 35% property (p=1)	£43,168	£136,857	£225,891	£306,863	£136,532	£262,079	£377,947	£476,589	£507,351	£609,838	£744,826	£861,841
11	Portfolio of 65% equity and 35% property (p=0.8)	£41,029	£116,904	£178,654	£231,287	£130,680	£226,341	£301,404	£364,056	£491,140	£534,206	£604,765	£668,564
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)	£36,784	£112,297	£189,013	£261,284	£125,316	£230,410	£328,405	£419,403	£502,378	£571,963	£684,019	£786,218
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)	£34,879	£94,685	£147,218	£193,693	£119,655	£196,261	£256,995	£313,953	£485,819	£496,322	£546,346	£601,031
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)	£18,171	£66,392	£128,383	£192,097	£97,244	£172,754	£256,463	£339,813	£501,950	£533,958	£616,429	£708,714
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)	£16,816	£52,447	£93,032	£133,698	£91,554	£140,293	£188,988	£239,999	£484,727	£451,692	£474,392	£520,282

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16	Receiver swaptions	24.24%	18.76%	14.46%	10.79%	30.34%	23.47%	18.06%	13.46%	35.89%	27.74 %	21.31%	15.87%
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**FLC, FLAS and WL WPF**  
**Asset type (all UK assets)**

0.75				1.0				1.5			
5	15	25	35	5	15	25	35	5	15	25	35

**Strikes**

p	1.0	£795,584	£1,048,466	£1,433,827	£1,834,285	£1,060,779	£1,397,954	£1,911,769	£2,445,713	£1,591,168	£2,096,931	£2,867,653	£3,668,570
	0.8	£786,295	£981,102	£1,261,218	£1,536,652	£1,048,393	£1,308,137	£1,681,624	£2,048,870	£1,572,589	£1,962,205	£2,522,436	£3,073,305
r	Annualised compound equivalent of the risk free rate assumed for the period	1.19%	2.26%	2.63%	2.59%	*	*	*	*	*	*	*	*
1	Risk-free zero coupon bond	£942,704	£715,331	£523,076	£408,879	*	*	*	*	*	*	*	*
2	FTSE All Share Index (p=1)	£79,655	£204,404	£306,825	£389,397	£182,627	£344,222	£472,088	£570,414	£524,111	£686,875	£845,305	£963,356
3	FTSE All Share Index (p=0.8)	£76,859	£180,678	£252,406	£307,039	£176,780	£305,943	£389,940	£451,285	£509,384	£614,688	£704,873	£767,702
4	Property (p=1)	£21,957	£87,397	£166,224	£242,360	£117,351	£214,857	£315,839	£408,365	£513,028	£585,375	£693,510	£798,345
5	Property (p=0.8)	£20,207	£68,783	£121,825	£172,297	£111,060	£177,522	£239,395	£297,553	£496,618	£505,324	£548,729	£600,553
6	15 year risk-free ZCBs (p=1)	£13,289	£23,849	£20,724	£39,287	£93,867	£106,886	£107,495	£146,392	£503,462	£499,464	£507,404	£532,322
7	15 year risk-free ZCBs (p=0.8)	£12,139	£16,356	£9,175	£14,643	£87,883	£77,514	£54,863	£68,471	£486,410	£408,583	£340,713	£323,492
8	15 year corporate bonds (p=1)	£17,029	£33,390	£40,048	£62,632	£101,562	£124,148	£138,483	£175,965	£505,580	£506,402	£517,227	£552,303
9	15 year corporate bonds (p=0.8)	£15,713	£23,856	£20,909	£30,588	£95,479	£93,442	£82,524	£94,755	£488,662	£418,879	£358,852	£351,399
10	Portfolio of 65% equity and 35% property (p=1)	£43,168	£136,857	£225,891	£306,863	£136,532	£262,079	£377,947	£476,589	£507,351	£609,838	£744,826	£861,841
11	Portfolio of 65% equity and 35% property (p=0.8)	£41,029	£116,904	£178,654	£231,287	£130,680	£226,341	£301,404	£364,056	£491,140	£534,206	£604,765	£668,564
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)	£36,784	£112,297	£189,013	£261,284	£125,316	£230,410	£328,405	£419,403	£502,378	£571,963	£684,019	£786,218
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)	£34,879	£94,685	£147,218	£193,693	£119,655	£196,261	£256,995	£313,953	£485,819	£496,322	£546,346	£601,031
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)	£17,161	£61,158	£120,027	£181,876	£94,681	£165,172	£245,085	£326,652	£500,498	£527,013	£604,077	£693,311
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)	£15,841	£47,748	£86,008	£125,903	£89,090	£133,021	£179,117	£228,420	£483,288	£443,864	£461,281	£505,409

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16	Receiver swaptions	24.24%	18.76%	14.46%	10.79%	30.34%	23.47%	18.06%	13.46%	35.89%	27.74 %	21.31%	15.87%
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(iv) The average initial equity and property rental yields are:

Description	Yield (pa)
Initial UK equity yield assumed	3.54%
Initial UK property rental yield assumed	4.30%
Initial EUR equity yield assumed	2.86%

(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	€1,008,078	€1,191,065	€1,555,625	€2,016,633
r	Annualised compound equivalent of the risk free rate assumed for the period	0.16%	1.17%	1.78%	2.02%
1	Risk-free zero coupon bond	€991,987	€839,585	€642,828	€495,876
2	FTSE EUR Index (p=1)	€185,940	€309,855	€413,609	€517,679

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.

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	0	0	0	0	0	0	2
	Time	0	1	1	0	0	0	0	0	2
<b>Total</b>		<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>FP WPF</b>										
Conventional Pension	Intrinsic	25	29	19	9	3	1	0	0	86
	Time	9	11	7	3	1	0	0	0	31
Conventional Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	2	3	1	0	0	0	1	0	7
Unitised With-Profits Pension	Intrinsic	0	6	13	12	6	1	0	0	38
	Time	9	23	21	13	6	1	0	0	73
Unitised With-Profits Life	Intrinsic	0	0	2	3	3	1	1	0	10
	Time	2	3	1	0	0	0	0	0	6
<b>Total</b>	Intrinsic	25	35	34	24	12	3	1	0	134
	Time	22	40	30	16	7	1	1	0	117
	<b>Total</b>	<b>47</b>	<b>75</b>	<b>64</b>	<b>40</b>	<b>19</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>251</b>
<b>FLAS WPF</b>										
Conventional Pension	Intrinsic	6	6	5	1	0	0	0	0	18
	Time	1	1	1	0	0	0	0	0	3
Conventional Life	Intrinsic	4	6	7	5	2	1	0	0	25
	Time	0	0	0	0	1	1	0	0	2
Unitised With-Profits Pension	Intrinsic	56	26	20	9	3	1	0	0	115
	Time	2	6	6	4	2	1	0	0	21
Unitised With-Profits Life	Intrinsic	2	1	0	0	0	0	0	0	3
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>	Intrinsic	68	38	31	16	6	2	0	0	161
	Time	3	7	7	4	3	2	0	0	26
	<b>Total</b>	<b>71</b>	<b>45</b>	<b>38</b>	<b>20</b>	<b>9</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>187</b>
<b>FLC NWPF</b>										
Conventional Pension	Intrinsic	7	5	2	0	0	0	0	0	15
	Time	1	0	0	0	0	0	0	0	1
Conventional Life	Intrinsic	2	3	3	3	4	1	1	2	19
	Time	0	0	0	0	0	1	1	1	3
Unitised With-Profits Pension	Intrinsic	14	11	10	7	4	2	1	0	50
	Time	4	18	19	15	8	5	3	1	71
Unitised With-Profits Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	0	1	0	0	0	0	0	0	1
<b>Total</b>	Intrinsic	23	19	15	10	8	3	2	2	84
	Time	5	19	19	15	9	6	4	2	76
	<b>Total</b>	<b>28</b>	<b>38</b>	<b>34</b>	<b>25</b>	<b>16</b>	<b>9</b>	<b>6</b>	<b>4</b>	<b>160</b>
<b>FLC OWPF</b>										
Conventional Pension	Intrinsic	4	3	1	1	0	0	0	0	6
	Time	0	0	0	0	0	0	0	0	1
Conventional Life	Intrinsic	0	1	1	0	1	1	1	1	9
	Time	0	0	0	0	0	0	0	1	0
Unitised With-Profits Pension	Intrinsic	5	2	2	0	0	0	0	0	9
	Time	1	3	4	4	1	0	0	0	13
Unitised With-Profits Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>	Intrinsic	9	6	4	1	1	1	1	1	24
	Time	1	3	4	4	1	0	0	1	14
	<b>Total</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>38</b>



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>WL WPF</b>										
Conventional Pension	Intrinsic	47	30	10	1	0	0	0	0	88
	Time	0	0	0	0	0	0	0	0	0
Conventional Life	Intrinsic	1	0	0	0	0	0	0	0	1
	Time	0	0	1	1	1	1	1	1	6
Unitised With-Profits Pension	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	0	1	1	0	0	0	0	0	2
Unitised With-Profits Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>	Intrinsic	48	30	11	1	0	0	0	0	90
	Time	0	1	1	1	1	1	1	1	7
	<b>Total</b>	<b>48</b>	<b>31</b>	<b>12</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>97</b>

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	7	7	4	2	1	0	0	0	21
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>7</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>
<b>FP WPF</b>										
Conventional Pension	Intrinsic	330	172	82	30	7	2	0	0	623
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>330</b>	<b>172</b>	<b>82</b>	<b>30</b>	<b>7</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>623</b>
<b>FLAS WPF</b>										
Conventional Pension	Intrinsic	63	28	13	2	0	0	0	0	106
	Time	1	0	0	0	0	0	0	0	1
<b>Total</b>		<b>64</b>	<b>28</b>	<b>13</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107</b>
<b>FLC NWPF</b>										
Conventional Pension	Intrinsic	29	11	3	0	0	0	0	0	43
	Time	0	0	0	0	0	0	0	0	0
Unitised With-Profits Pension	Intrinsic	107	35	10	2	0	0	0	0	154
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>136</b>	<b>46</b>	<b>13</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>197</b>
<b>FLC OWPF</b>										
Conventional Pension	Intrinsic	11	4	1	0	0	0	0	0	16
	Time	0	0	0	0	0	0	0	0	0
Unitised With-Profits Pension	Intrinsic	36	14	6	1	0	0	0	0	57
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>47</b>	<b>18</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73</b>
<b>WL WPF</b>										
Conventional Pension	Intrinsic	5	2	0	0	0	0	0	0	7
	Time	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>5</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(vii) The economic scenario generator produces discount factors 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 Moody's ESG 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-Profits 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 2014, **£2m** of additional resources are required from the WL WPF Support accounts to fund the realistic liabilities of the fund.

### **Bonus Rules**

#### **FP WPF and FPLAL WPF - "Dynamic bonus decision rule"**

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.

For each simulation, the model projects the guaranteed benefits allowing for future regular and final bonuses.

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 and 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.

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

For 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.
- 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, typically either 95% or 100% depending on the business it relates to.

For unitised with-profits business in FLC, FLAS and 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 and 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 and 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.

(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 2014	As at 31 Dec 2019	As at 31 Dec 2024	As at 31 Dec 2014	As at 31 Dec 2019	As at 31 Dec 2024	As at 31 Dec 2014	As at 31 Dec 2019	As at 31 Dec 2024
<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%	4.05%	4.00%	4.00%	4.09%	4.00%	4.00%	4.02%
Pensions Regular Premium - Other	2.50%	1.18%	1.97%	2.50%	1.47%	2.35%	2.50%	0.92%	1.61%
Pensions Single Premium - Series 1	4.00%	4.01%	4.10%	4.00%	4.02%	4.17%	4.00%	4.00%	4.05%
Pensions Single Premium - Other	2.50%	1.96%	2.49%	2.50%	2.24%	2.84%	2.50%	1.71%	2.17%
OLAB Single Premium	2.25%	2.85%	3.19%	2.25%	3.24%	3.61%	2.25%	2.48%	2.78%
Life Regular Premium - Series 1	3.00%	3.00%	3.09%	3.00%	3.01%	3.14%	3.00%	3.00%	3.04%
Life Regular premium - Other	1.50%	0.79%	1.47%	1.50%	0.96%	1.79%	1.50%	0.65%	1.18%
Life Single Premium	2.00%	2.19%	2.66%	2.00%	2.47%	2.98%	2.00%	1.93%	2.35%
<b>FPLAL WPF</b>									
Equity Backing Ratio	40%	40%	40%	40%	40%	40%	40%	40%	40%
Equity + Property ratio	50%	50%	50%	50%	50%	50%	50%	50%	50%
<b>FLC WPFs</b>									
Equity Backing Ratio	47%	47%	47%	47%	47%	47%	47%	47%	47%
Equity + Property ratio	61%	61%	61%	61%	61%	61%	61%	61%	61%
Investment Bond (RB Series 10)	2.25%	2.10%	2.38%	2.25%	1.51%	2.10%	2.25%	1.07%	1.52%
UWP Pension (RB series 20)	0.00%	0.34%	0.44%	0.00%	0.10%	0.26%	0.00%	0.02%	0.10%
<b>FLAS WPF</b>									
Equity Backing Ratio	42%	42%	42%	42%	42%	42%	42%	42%	42%
Equity + Property ratio	51%	51%	51%	51%	51%	51%	51%	51%	51%
Investment Bond (RB Series 1)	4.25%	2.68%	2.59%	4.25%	2.17%	2.33%	4.25%	1.77%	1.79%
UWP Pension (RB Series 8)	3.50%	3.61%	2.91%	3.50%	2.61%	2.52%	3.50%	2.02%	1.88%
<b>WL WPF</b>									
Equity Backing Ratio	49%	49%	49%	49%	49%	49%	49%	49%	49%
Equity + Property ratio	51%	51%	51%	51%	51%	51%	51%	51%	51%
UWP Pensions	1.0%	4.7%	4.4%	1.0%	4.3%	4.1%	1.0%	3.7%	3.2%
UWP Life	0.4%	2.1%	2.1%	0.4%	1.5%	1.5%	0.4%	1.1%	1.1%
UWP Bonds	1.2%	2.8%	2.9%	1.2%	2.6%	3.0%	1.2%	2.0%	2.3%

Note: Equity backing ratio includes UK and overseas equities only.

For FP WPF and 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-profits 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	5.7	2.5	2.5
CWP target cash endowment	surrender	8.7	8.6	3.0	3.0
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	17.3	6.5	6.5
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	0.9	0.5	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	2.6	3.0	9.8
UWP individual pension single premium	surrender	2.6	4.8	4.0	10.8

<b>FLC WPF</b>		<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>
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	6.1	4.5
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>		<u>1-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>
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

<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.

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	6.1	4.5
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	5.0	5.0	6.5	8.8
UWP individual pension single premium	surrender	5.0	5.0	6.5	8.8
<b>WL WPF</b>		<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>
CWP savings endowment	surrender	N/A	1.8	4.4	3.4
CWP target cash endowment	surrender	N/A	1.8	4.4	3.4
UWP savings endowment	surrender	3.6	6.0	4.0	4.0
UWP target cash endowment	surrender	20.0	13.2	6.0	4.0
UWP Bond	surrender	5.0	10.7	12.5	12.5
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	4.45	5.0	5.0	5.0
UWP individual pension single premium	surrender	4.45	5.0	5.0	5.0

The average surrender/paid up rates for policy years 16-20 include an allowance for early retirement rates.

The assumed take-up rates for guaranteed annuity options are as follows:

Product	Take up rate
UKP Executive Conventional Pensions	73%
FP and 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 mortality assumption in possession of any guaranteed annuity option is assumed to be 86%-100% of PCMA00 (CMI 2013) for males, and 80%-95% of PCFA00 (CMI 2013) for females. Improvement factors are based on CMI 2013 tending to 1.5% pa for males and 1.25% for females over the long term.

For FLC WPFs, the mortality assumption in possession of any GAR is assumed to be 102.5% of PCMA00 for males, and 107.5% of PCFA00 for females. Improvement factors are based on CMI 2013 tending to 1.5% pa for males and 1.25% pa for females over the long term.

For FLAS WPF, the mortality assumption in possession of any GAR is assumed to be 102.5% of PCMA00 (CMI 2011) for males, and 97.5% of PCFA00 for females. Improvement factors are based on CMI 2013 tending to 1.5% pa for males and 1.25% pa for females over the long term.

For WL WPF, the mortality assumption in possession of any GAR is assumed to be 110% of PCMA00 (CMI 2011) for males, and 110% of PCFA00 for females. Improvement factors are based on CMI 2013 tending to 1.5% pa for males and 1.25% pa for females 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, FLAS 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 £53.1m. 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 2014 the balance of the contingent loan lent by the Non Profit Fund to the FP WPF was £36.5m. This position reflects the partial loan repayment of £28.8m made during December 2014.

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 2014 there is a further contingent loan of £16.6m available to include in Form 19 Line 27.

- This arrangement provides the FP WPF with up to £53.1m 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.

### **WL WPF**

The 2013 Scheme which governs the With-Profits Fund provides for a transfer from the Shareholders Fund to the With-Profits Fund of such amount, if any, as is necessary to ensure that the aggregate of the assets allocated to the With-Profits 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-Profits 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-Profits Fund, which in each case are properly attributable to the With-Profits Fund and which are not provided for in the mathematical reserves to be discharged out of the With-Profits Fund in accordance with the provisions of the 2013 Scheme as and when they fall due; and
- the aggregate cost of all bonuses; and
- such amount as the Board and the Actuarial Function Holder shall consider in light of regulatory requirements is necessary to be able to meet and may be necessary to meet, on the basis of a range of normally expected outcomes for the With-Profits 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.

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<sup>3</sup> The capital support reduces by 10% at the end of each year.

Any amount so transferred to the With-Profits Fund, together with an appropriate investment return, are transferable to the Non Profit Fund should there be sufficient statutory surplus within the With-Profits 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.

## 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		42				
UWP Provision		107				
Additional manual liabilities		43				
Operational risk provision		20				
Additional tax provision		3	12	23	6	0
Reorganisation Bonus				94	14	
Deferred Maturity guarantees	2	6				
Mortgage Endowment Provision		4	0			
Other		1				1
<b>Total With-Profits Benefits Reserve</b>	<b>2</b>	<b>226</b>	<b>12</b>	<b>117</b>	<b>20</b>	<b>1</b>
L47 of Form 19: With-Profits Benefits Reserve	2	226	12	117	20	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: These are the manual liabilities that are calculated for WP/UWP business. These are 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.

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.



## 9. Realistic Current Liabilities

The realistic current liabilities comprise:

Form 19 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	20	624	214	312	41	41
Provisions for Shareholder Tax	0	32	32	0	6	0
Total	20	656	246	312	47	41

Provisions for Shareholder Tax: this represents the tax that will be payable on future transfers to the Non Profit Fund and the Shareholder Fund.

## 10. Risk Capital Margin

(a)

	FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Risk Capital Margin	3	183	0	0	0	7

For FLC and 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%.

	FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Long term yield (annualised)	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
Movement in yields	+0.38%	-0.38%	-0.38%	-0.38%	-0.38%	-0.38%

(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:

	Average change in spread (bp)	Percentage change in asset values
FPLAL WPF With-profits Portfolio	45	-1.04%
FPLAL WPF Non profit Portfolio	-	-
FP WPF With-profits Portfolio	86	-7.52%
FP WPF Non profit Portfolio	76	-6.67%

	Average change in spread (bp)	Percentage change in asset values
FLC WPF With-profits Portfolio	74	-4.73%
FLC WPF Non profit Portfolio	90	-7.33%
FLAS WPF With-profits Portfolio	66	-4.13%
FLAS WPF Non profit Portfolio	149	-9.34%
WL WPF Whole Portfolio	93	-2.9%

(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 and 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.

Description	FLC NWPF	FLC OWPF	WL WPF
Change in spread (bp)	124	124	110
Change in value	-191%	-191%	-146%

No other asset values are adjusted in the credit risk scenario.

(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, after equity, property and credit market stresses, but before the yield stress.

Fund	Change in liabilities
FP WPF	1.50%
FPLAL WPF	1.09%
FLAS WPF	0.43%
FLC NWPF	0.31%
FLC OWPF	0.14%
WL WPF	0.57%

(v) Not applicable.

(b) (i) For FLC and 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	267	135	56	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 2014. 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 2014 Scheme. The assets chosen to back the risk capital margin represent a proportionate share of the assets in those funds.

(ii) In respect of support provided by the WL WPF Support Account, assets would be transferred into the With-Profits Fund in the form of a permanent transfer

## 11. Tax

(i) For all funds, life tax is charged to life asset shares and pension tax is charged to pension asset shares. This treatment is in line with the new tax regime. There are no fund level tax calculations within 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.

## 12. Derivatives

### FPLAL WPF

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
Russell 2000	Bought	Increase economic exposure to US equities in WP benefits reserve	20 Mar 2015	£1.5m
MSCI Emerging Markets	Bought	Increase economic exposure to emerging markets equities in WP benefits reserve	20 Mar 2015	£1.7m

A Sterling interest rate receiver swap is held for the purpose of hedging interest rate risk. The swap held has expiry date of 2037, a notional value of £6.0m, and a market value of £0.8m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates from 2016 to 2022, total notional value of £32.0m, and total market value of -£0.7m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure in WP benefits reserve back to Sterling. There is £1.6m exposure to Euro, USD and JPY hedged back to Sterling.

### 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	20 Mar 2015	£190m

DJ Eurostoxx50	Bought	Increase economic exposure to European equities in WP benefits reserve	20 Mar 2015	£18.9m
Russell 2000	Bought	Increase economic exposure to US equities in WP benefits reserve	20 Mar 2015	£31.6m
MSCI Emerging Markets	Bought	Increase economic exposure to emerging markets equities in WP benefits reserve	20 Mar 2015	£38.7m
S&P 500	Bought	Increase economic exposure to US equities in WP benefits reserve	19 Mar 2015	£57.6m
Nikkei 225	Bought	Increase economic exposure to Japanese equities in WP benefits reserve	12 Mar 2015	£10.8m
FTSE 100	Bought	Managing UK equity risk component of maturity guarantees	20 Mar 2015	£129m
S&P 500	Bought	Managing US equity risk component of maturity guarantees	20 Mar 2015	£20.1m

Over the counter FTSE 100 put options with a market value of £51.7m are held to match the strike and term of the equity component of maturity guarantees. The fund currently holds 65,983 equity capital return put options with strikes ranging from 3,988 to 6,647 and expiry dates from 2015 to 2027; and 9,787 equity total return put options with strikes ranging from 3,000 to 8,000 and expiry dates from 2015 to 2027.

Listed equity put options are also held for the purpose of hedging equity risk and equity volatility risk. There are put options on FTSE 100 with expiry dates ranging from 2016 to 2021. They have total notional value of £55.4m and total market value of £4.8m. There are also put options on S&P 500 with expiry dates ranging from 2016 to 2021. They have total notional value of £132m and total market value of £10.1m.

Swaptions with a market value of £1.8m are held to match financial options. These swaptions have a notional value of £608m and strikes ranging from 8.0% to 11.1%, and expiry dates from 2015 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, total notional value of £607m, and total market value of £97.4m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates from 2017 and 2035, total notional value of £795m, and total market value of -£103m.

Inflation swaps are used to hedge inflation risk. These swaps have total notional value of £104m and total market value of -£3.1m.

A set of asset swaps is held with an obligation to pay inflation linked cashflow in exchange for receiving fixed or floating 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 non-linked liabilities. The swaps held have expiry dates between 2029 and 2052, total notional value of £126m, and total market value of -£10.8m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure in WP benefits reserve back to Sterling. There is £120m exposure to Euro, USD and JPY hedged back to Sterling.

## **FLAS WPF**

Sterling interest rate receiver swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates between 2034 and 2064, total notional value of £512m, and total market value of £83.4m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates between 2015 and 2032, total notional value of £460m, and total market value of -£21.0m.

A set of asset swaps is held with an obligation to pay inflation linked cashflow in exchange for receiving fixed or floating 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 non-linked liabilities. The swaps held have expiry dates between 2032 and 2044, total notional value of £84.5m, and total market value of -£13.7m.

Sterling receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2015 to 2023, all have a tenor of 20 years and a strike rate of 5%. They have total notional value of £28.1m and total market value of £11.7m.

Equity put options are held for the purpose of hedging embedded equity risk and equity volatility risk in the asset portfolio. These are out of the money put options on FTSE 100 with expiry dates ranging from 2015 to 2021 and a strikes ranging from 5200 to 5775. There is a total notional value of £154m for a total market value of £10.8m.

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	20 Mar 2015	£1.5m
FTSE 100	Sold	Hedging UK equity risk	20 Mar 2015	£23.8m
DJ Eurostoxx50	Sold	Hedging European equity risk	20 Mar 2015	£2.8m
S&P 500	Sold	Hedging US equity risk	20 Mar 2015	£10.5m
TOPIX	Sold	Hedging Japanese equity risk	12 Mar 2015	£1.0m
UK 10yr Treasury	Sold	Reduce economic exposure to UK fixed interest in WP benefits reserve	27 Mar 2015	£59.0m

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £105m exposure to Euro and USD hedged back to Sterling.

## **FLC NWPF and FLC OWPF**

Sterling interest rate receiver swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2016 and 2063, total notional value of £401m, and total market value of £43.1m.

Sterling interest rate payer swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2016 and 2033, total notional value of £54.6m, and total market value of -£2.9m.

Inflation swaps are used to hedge inflation risk. These swaps have total notional value of £23.1m and total market value of -£0.4m.

An asset swap is held with an obligation to pay inflation linked cash flow in exchange for receiving floating 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 non-linked liabilities. The swap held has expiry date in 2029, a notional value of £66.0m, and a market value of -£8.2m.

Sterling receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2015 to 2032, all have a tenor of 20 years and a strike rate of 5%. They have total notional value of £187m and total market value of £74.3m.

Equity put options are held for the purpose of hedging equity risk and equity volatility 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 2015 to 2025, total notional value of £401m and total market value of £11.3m.

- Listed Equity Options on FTSE 100. Out of the money options with expiry dates ranging from 2016 to 2021, with total notional value of £357m and total market value of £23.9m.
- Listed Equity Options on S&P 500. Out of the money options with expiry dates ranging from 2016 to 2020, with total notional value of £116m and total market value of £6.8m.

Single name credit default swaps are held to hedge against credit risk on identified bonds. There is £89.2m of notional bought protection. They have expiry dates between 2015 and 2019 and total market value of -£1.9m.

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	20 Mar 2015	£2.6m
FTSE 100	Sold	Hedging UK equity risk	20 Mar 2015	£57.4m
DJ Eurostoxx50	Sold	Hedging European equity risk	20 Mar 2015	£17.6m
S&P 500	Sold	Hedging US equity risk	20 Mar 2015	£44.2m
TOPIX	Sold	Hedging Japanese equity risk	12 Mar 2015	£6.3m
UK 10yr Treasury	Sold	Reduce economic exposure to UK fixed interest in WP benefits reserve	27 Mar 2015	£614m
German 10yr Treasury	Bought	Increase economic exposure to German fixed interest in WP benefits reserve	6 Mar 2015	£98.3m
Australia 10yr Treasury	Bought	Increase economic exposure to Australian fixed interest in WP benefits reserve	16 Mar 2015	£78.0m
UK 10yr Treasury	Sold	Duration management of assets backing guarantees	27 Mar 2015	£20.3m

Cross currency swaps are held to hedge overseas currencies exposure. They have total notional value of £80.6m and total market value of -£16.6m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £401m exposure to Euro and USD 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, total notional value of £70.4 m, and total market value of £7.8m.

A Sterling interest rate payer swap is held for the purposes of hedging interest rate risk. The swap held has expiry date in 2039, notional value of £6.6m, and market value of -£0.8m.

Sterling payer swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2015 to 2034, and tenors of 20 years to 26 years, and a strike rate of 8%. They have total notional value of £72.1m and total market value of £0.3m.

Equity put options are also held for the purpose of hedging equity risk. The put options are on FTSE 100 and have expiry dates ranging from 2015 to 2017. They have total notional value of £15.8m and total market value of £0.5m.

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 total notional value of £56.3m and total market value of -£0.9m.

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	20 Mar 2015	£0.2m
FTSE 100	Sold	Hedging UK equity risk	20 Mar 2015	£19.2m

### 13. Analysis of Change in Working Capital

The following shows an approximate analysis of change in working capital between 31 December 2013 and 31 December 2014 for the With-Profits Funds.

	FP WPF	FPLAL WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
Opening position at start of year on a closed fund basis	£m	£m	£m	£m	£m	£m
	125	3	0	0	0	0
Move to open fund basis	209	77	170	185	113	1
Expected investment return on opening working capital on open fund basis	2	1	1	1	0	0
Modelling changes and opening adjustments	40	-2	63	-41	-26	16
Mismatch profits on assets backing future policy related liabilities	44	0	-19	-8	-2	9
Assumption changes						
Economic	0	0	0	0	0	0
Non-economic	19	0	22	-3	1	1
Other variances						
Economic	-34	4	0	0	0	0
Non-economic	-11	-6	5	0	0	0
Change in support arrangement assets	17	0	0	0	0	2
Changes in other liabilities of lines 47 and 51 of Form 19	0	0	0	0	0	0
Other	27	2	25	7	-15	-5
<b>Closing position at end of year</b>	<b>421</b>	<b>79</b>	<b>267</b>	<b>141</b>	<b>71</b>	<b>24</b>
Move to closed fund basis	-238	-75	-267	-141	-71	-24
<b>Closing position at end of year as per line 68 of Form 19</b>	<b>200</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 FP WPF and FPLAL WPF, the excess is allocated to planned enhancements such that in the RCM most onerous scenario, the working capital is reduced to zero.

### 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 2014**

The Company has requested Michael Robert Kipling, the With Profits Actuary throughout 2014, to provide particulars specified in IPRU (INS) Rule 9.36 and the following details for the full year to 31 December 2014 have been furnished pursuant to that request.

- (a) As at 31 December 2014, Mr Kipling had the following interests in the ordinary shares of no nominal value of the ultimate parent Company, Friends Life Group Limited:
- 1,865 shares as a result of his participation in the Share Incentive Plan;
  - 5,974 shares awarded under the Deferred Share Award Plan (DSAP), which are due to vest on 4 April 2016. Dividend equivalents will also be earned on this award;
  - 10,726 shares awarded under the DSAP, which are due to vest on 28 March 2017. Dividend equivalents will also be earned on this award;
  - 17,400 shares awarded under the Restricted Share Plan. This award will vest on 16 May 2017, subject to performance conditions being met. Dividend equivalents will also be earned on this award; and
  - In addition, Mr Kipling had an interest in 34 units (prior to time pro-rating) in the Friends Life Group plc Long Term Incentive Plan (LTIP), operational details of which are included in the accounts of the ultimate parent Company, Friends Life Group 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 2014, including pension allowance, was £323,198. This amount includes the bonus in respect of 2014 performance which was paid in March 2015.

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 2014**  
**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 28 December 2012, 28 December 2013 and 8 October 2014 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) from the beginning of financial year in question until 18 June 2014, the insurer has complied in all material respects with the requirements of PRIN;
  - (iii) from 19 June 2014 until the end of the financial year in question, the insurer has complied in all material respects with the Fundamental Rules; and
  - (iv) it is reasonable to believe that the insurer has continued so to comply with the requirements of SYSC, the Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU subsequently, and will continue so 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  
25 March 2015

**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 2014**

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 28 December 2012, 28 December 2013 and 8 October 2014 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 25 March 2015. 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

25 March 2015

**CERTIFICATE OF THE WITH PROFITS COMMITTEE OF THE FLC OLD WITH PROFITS FUND**

**Financial Period 1 January 2013 to 31 December 2014**

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 1 January 2013 to 31 December 2014 ('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 2014 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 2015.

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 capital support for the OWPF at 31 December 2014 was made by FLL in accordance with the provisions of the FLL 2013 Scheme. There was no formal review of the Special Scheme Bonus during the period covered by this certificate.

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

10 March 2015