

Friends Life Limited

Annual PRA Insurance Returns for the year ended

31 December 2015

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

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

Global business

Financial year ended **31 December 2015**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	4096141	GL	31	12	2015	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising within the long-term insurance fund	11	5537099	5891317
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1383963	1696896
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	6921062	7588213

Guarantee fund

Guarantee fund requirement	21	785699	705945
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	6135363	6882268

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	1340090	1412104
Resilience capital requirement	32		
Base capital resources requirement	33	2657	2902
Individual minimum capital requirement	34	1340090	1412104
Capital requirements of regulated related undertakings	35	339002	235244
Minimum capital requirement (34+35)	36	1679092	1647348
Excess (deficiency) of available capital resources to cover 50% of MCR	37	6081516	6540311
Excess (deficiency) of available capital resources to cover 75% of MCR	38	5661743	6352702

Enhanced capital requirement

With-profits insurance capital component	39	3981705	4325826
Enhanced capital requirement	40	5660797	5973174

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	5660797	5973174
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1260265	1615039

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Components of capital resources

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	4096141	GL	31	12	2015	£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	702000
Profit and loss account and other reserves	12		1806823	1806823	2698914
Share premium account	13				
Positive valuation differences	14		4288326	4288326	4631288
Fund for future appropriations	15		679384	679384	696587
Core tier one capital in related undertakings	16		200758	200758	(1254471)
Core tier one capital (sum of 11 to 16)	19		7677291	7677291	7474318

Tier one waivers

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

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27		299167	299167	487848
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		7976458	7976458	7962166
Investments in own shares	32				
Intangible assets	33		17181	17181	18238
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		107369	107369	92095
Deductions from tier one (32 to 36)	37		124550	124550	110333
Total tier one capital after deductions (31-37)	39		7851908	7851908	7851833

Components of capital resources

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	4096141	GL	31	12	2015	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46		390257	390257	368765
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49		390257	390257	368765

Fixed term preference shares	51				
Other tier two instruments	52		661712	661712	661865
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		661712	661712	661865

Total tier two capital before restrictions (49+59)	61		1051969	1051969	1030630
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		1051969	1051969	1030630

Components of capital resourcesName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	4096141	GL	31	12	2015	£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	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		8903877	8903877	8882463
Inadmissible assets other than intangibles and own shares	73		1930371	1930371	1294250
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77		52444	52444	
Total capital resources after deductions (72-73-74-75-76-77)	79		6921062	6921062	7588213

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		6921062	6921062	7588213
Available capital resources for 50% MCR requirement	82		6921062	6921062	7363985
Available capital resources for 75% MCR requirement	83		6921062	6921062	7588213

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92		1151	1151	9102
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		1151	1151	9102

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 2015**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	4096141	GL	31	12	2015	£000
				This financial year 1			Previous year 2	
Gross premiums written			11	302975			325883	
Premiums taxes and levies (included in line 11)			12					
Premiums written net of taxes and levies (11-12)			13	302975			325883	
Premiums for classes 11, 12 or 13 (included in line 13)			14					
Premiums for "actuarial health insurance" (included in line 13)			15	58873			51417	
Sub-total A (13 + 1/2 14 - 2/3 15)			16	263726			291605	
Gross premiums earned			21	306278			330442	
Premium taxes and levies (included in line 21)			22					
Premiums earned net of taxes and levies (21-22)			23	306278			330442	
Premiums for classes 11, 12 or 13 (included in line 23)			24					
Premiums for "actuarial health insurance" (included in line 23)			25	60913			54681	
Sub-total H (23 + 1/2 24 - 2/3 25)			26	265669			293988	
Sub-total I (higher of sub-total A and sub-total H)			30	265669			293988	
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	47820			52918	
	Excess (if any) over 61.3M EURO x 0.02		33	4433			4918	
Sub-total J (32-33)			34	43387			48000	
Claims paid in period of 3 financial years			41	642961			593449	
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	470380			414126	
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	359694			370936	
Sub-total C (41+42+43-44-45)			46	753647			636639	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	275949			258190	
Sub-total D (46-47)			48	477698			378449	
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49	0.63			0.59	
Premiums amount (Sub-total J x reinsurance ratio)			50	27501			28533	
Provision for claims outstanding (before discounting and net of reinsurance)			51	344000			306468	
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	28533			26788	
Greater of lines 50 and 53			54	28533			28533	

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

Global business

Financial year ended **31 December 2015**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	4096141	GL	31	12	2015	£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	642961			593449	
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	470380			414126	
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	359694			370936	
Claims incurred in reference period (21+22+23-24-25)			26	753647			636639	
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28	134536			108714	
Sub-total E (26 +1/2 27 - 2/3 28)			29	663956			564163	
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	221319			188054	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	57543			48894	
	Excess (if any) over 42.9M EURO x 0.03		33	5715			4632	
Sub-total G (32-33)			39	51828			44262	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	32851			26311	
Higher of premiums amount and brought forward amount (11.54)			42	28533			28533	
General insurance capital requirement (higher of lines 41 and 42)			43	32851			28533	

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	1
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21	206506	599319
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	2587	2018
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	553480	415536
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	33127	27398
	Other	46	247395	336078
Variable interest securities	Approved	47		
	Other	48	12961	48671
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		40516
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	57429	57855
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	34959	111208
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4804	6720
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	1153248	1645319
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	1
				As at end of this financial year		As at end of the previous year	
				1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1153248	1645319
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94	339002	235244
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95	52444	
Inadmissible assets of regulated related undertakings	96	1293849	490710
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(93298)	1346566
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	79444	(8384)
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	2824689	3709455
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 2015**

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	2015	£000	10
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	1114356			1329269

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	262535	668751
	Debts and loans	26		228867
Other group undertakings	Shares	27	52803	54897
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	3738433	5211594
Other shares and other variable yield participations		42	320377	415232
Holdings in collective investment schemes		43	4422752	2118495
Rights under derivative contracts		44	368656	447678
Fixed interest securities	Approved	45	7090469	8688719
	Other	46	11795607	8719900
Variable interest securities	Approved	47	2034139	1284154
	Other	48	38215	103632
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	12541	12629
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	25441	27043
	More than one month withdrawal	55	3218	
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	1223669	847091
	Property linked	59	26302866	29015726

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	10
				As at end of this financial year		As at end of the previous year	
				1		2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	28539	25659
	Intermediaries	72	13360	2809
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		1250
	Ceded	75	14354	13507
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	527038	467292
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	331967	446770
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	289001	234262
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	5603	3962

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	60015939	60369188
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	10
				As at end of this financial year		As at end of the previous year	
				1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	60015939	60369188
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	138441	135056
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	6975	3915
Book value of related ancillary services undertakings	97		1
Other differences in the valuation of assets (other than for assets not valued above)	98	51043	48289
Deferred acquisition costs excluded from line 89	99	582888	772220
Reinsurers' share of technical provisions excluded from line 89	100	7470023	11850039
Other asset adjustments (may be negative)	101	(533676)	(179089)
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	67731632	72999619
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	11
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	176034			334202

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	86139	67569
	Debts and loans	26		228867
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	622592	1845748
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	2104890	390500
Rights under derivative contracts		44	91215	161066
Fixed interest securities	Approved	45	3231068	3893370
	Other	46	2643689	2998139
Variable interest securities	Approved	47	24204	160662
	Other	48	3516	2382
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		24431
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	45810	49746
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	1639	1648
	Intermediaries	72	474	498
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	43103	53345
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	90472	46453
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	75272	88659
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	860	129

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	9240977	10347414
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	11
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	9240977	10347414
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	8082	5673
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	17913	10806
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3882277	4027537
Other asset adjustments (may be negative)	101	99221	202367
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	13248470	14593797
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	13
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares		41	18995	72261
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	58373	7619
Rights under derivative contracts		44	765	739
Fixed interest securities	Approved	45	172026	176995
	Other	46	8524	11123
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		1902
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	11	
	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	1368	104
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1186	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1256	1439
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	53	

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	262557	272182
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	13
				As at end of this financial year		As at end of the previous year	
				1		2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	262557	272182
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	68	68
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	844	927
Other asset adjustments (may be negative)	101	8292	10766
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	271761	283943
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	14
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	590372			599019

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	40223	39362
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	1566227	1695807
Other shares and other variable yield participations		42	186012	234400
Holdings in collective investment schemes		43	507223	266915
Rights under derivative contracts		44	111162	128574
Fixed interest securities	Approved	45	815574	884147
	Other	46	965349	1495214
Variable interest securities	Approved	47	125797	155529
	Other	48		32212
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	6690	6426
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	3340	
	More than one month withdrawal	55	706	
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		21126
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	128	567
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		369
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	13741	75400
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	31122	316384
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	25910	36993
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	4989576	5988444
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Analysis of admissible assets

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£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	4989576	5988444
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	43	34
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	12851	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	(113113)	(333990)
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	4889357	5669410
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	15
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	163615			168298

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	11129	14084
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	391461	476294
Other shares and other variable yield participations		42	50980	62816
Holdings in collective investment schemes		43	153326	78483
Rights under derivative contracts		44	36448	37163
Fixed interest securities	Approved	45	215158	237053
	Other	46	244741	339749
Variable interest securities	Approved	47	27900	43157
	Other	48		8920
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	1879	1832
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		3669
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	6	146
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		103
	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	38796	52116
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	12405	2413
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6557	8674
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	1354401	1534970
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Analysis of admissible assets

Name of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£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)	91	1354401	1534970
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	11	9
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	3560	4271
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	(32068)	(21994)
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	1325904	1517256
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	16
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	179950			224825

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	29972	27787
	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	1002308	964052
Other shares and other variable yield participations		42	83385	118016
Holdings in collective investment schemes		43	427050	765281
Rights under derivative contracts		44	65937	107772
Fixed interest securities	Approved	45	816431	910056
	Other	46	1261177	1373636
Variable interest securities	Approved	47	508638	229797
	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	173	277
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	1960	
	More than one month withdrawal	55	2512	
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	80001	85533
	Property linked	59	24711	27104

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	2398	4998
	Intermediaries	72	176	18
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	15	1348
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	75638	90049
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	75269	76388
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	29550	32238
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	406	430

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	4667657	5039605
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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)	91	4667657	5039605
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	119	119
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		1
Other differences in the valuation of assets (other than for assets not valued above)	98	8597	9228
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	56615	63452
Other asset adjustments (may be negative)	101	(1562)	(5691)
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	4731426	5106714
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	17
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings			11	4385			2925

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	136334	157094
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	110252	114921
Rights under derivative contracts		44	8930	8625
Fixed interest securities	Approved	45	273660	308895
	Other	46	107613	117653
Variable interest securities	Approved	47	41	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	3727	4020
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	904	710
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	169	188
	Property linked	59		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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
	Intermediaries	72	14	
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	168	325
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	6041	4594
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4429	4911
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	341	536

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	657008	725428
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	17
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	657008	725428
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	31585	33294
Other asset adjustments (may be negative)	101	602	818
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	689195	759540
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	146424	573395
	Debts and loans	26		
Other group undertakings	Shares	27	1451	1451
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	516	338
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	1061638	494776
Rights under derivative contracts		44	54199	3739
Fixed interest securities	Approved	45	1566552	2278203
	Other	46	6564514	2384386
Variable interest securities	Approved	47	1347559	694981
	Other	48	34699	60118
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	72	74
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	19237	
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	1097689	686829
	Property linked	59	26278155	28988622

Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	24357	18297
	Intermediaries	72	12696	2293
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		1147
	Ceded	75	14339	11790
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	354224	195953
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	115472	538
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	146027	61348
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	3943	2867

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	38843763	36461145
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Analysis of admissible assetsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£000	12
					As at end of this financial year		As at end of the previous year
					1		2

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	38843763	36461145
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	130119	129153
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	6975	3915
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	8121	9062
Deferred acquisition costs excluded from line 89	99	582888	772220
Reinsurers' share of technical provisions excluded from line 89	100	3498702	7724829
Other asset adjustments (may be negative)	101	(495048)	(31365)
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	42575520	45068959
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2015**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	52389050	52419055
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		9
Balance of surplus/(valuation deficit)		13	504602	420377
Long term insurance business fund carried forward (11 to 13)		14	52893652	52839441
Claims outstanding	Gross	15	341687	307077
	Reinsurers' share	16	30768	30536
	Net (15-16)	17	310919	276541
Provisions	Taxation	21	424280	144541
	Other risks and charges	22	174263	106863
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	34841	46500
	Reinsurance accepted	32	4092	5200
	Reinsurance ceded	33	42718	24296
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	269064	368061
	Other	38	808453	1072383
Accruals and deferred income		39	21161	14423
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	2089791	2058808
Excess of the value of net admissible assets		51	5032496	5470940
Total liabilities and margins		59	60015939	60369188

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	340841	225674
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	26302866	28948310

Total liabilities (11+12+49)	71	54478841	54477872
Increase to liabilities - DAC related	72	74601	89413
Reinsurers' share of technical provisions	73	7470023	11850039
Other adjustments to liabilities (may be negative)	74	3807949	4804117
Capital and reserves and fund for future appropriations	75	1900218	1778178
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	67731632	72999619

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

Global business

Financial year ended **31 December 2015**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		11	7650126	8209493
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	7650126	8209493
Claims outstanding	Gross	15	24767	16974
	Reinsurers' share	16	391	696
	Net (15-16)	17	24376	16278
Provisions	Taxation	21	9498	22228
	Other risks and charges	22	922	3293
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	10012	17741
	Reinsurance accepted	32		
	Reinsurance ceded	33	372	410
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	71609	149744
	Other	38	195015	412556
Accruals and deferred income		39	1257	1571
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	313061	623821
Excess of the value of net admissible assets		51	1277790	1514100
Total liabilities and margins		59	9240977	10347414

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	148911	44847
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	7963187	8833314
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		4027537
Other adjustments to liabilities (may be negative)	74		1509131
Capital and reserves and fund for future appropriations	75		223815
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		14593797

Long term insurance business liabilities and margins

Name of insurer **Friends Life Limited**
Global business
Financial year ended **31 December 2015**
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		11	200519	215955
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	25000	24999
Long term insurance business fund carried forward (11 to 13)		14	225519	240954
Claims outstanding	Gross	15	1050	943
	Reinsurers' share	16	28	
	Net (15-16)	17	1022	943
Provisions	Taxation	21	165	377
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	31	8
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	1302	4486
	Other	38	20230	13843
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	22750	19657
Excess of the value of net admissible assets		51	14288	11571
Total liabilities and margins		59	262557	272182

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2667	2064
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	223269	235612
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		927
Other adjustments to liabilities (may be negative)	74		44175
Capital and reserves and fund for future appropriations	75		3229
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		283943

Long term insurance business liabilities and margins

Name of insurer **Friends Life Limited**
Global business
Financial year ended **31 December 2015**
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		11	3073623	3935279
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		9
Balance of surplus/(valuation deficit)		13	39144	50633
Long term insurance business fund carried forward (11 to 13)		14	3112767	3985921
Claims outstanding	Gross	15		27012
	Reinsurers' share	16		
	Net (15-16)	17		27012
Provisions	Taxation	21	53179	78779
	Other risks and charges	22	1113	2133
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	39	57
	Reinsurance accepted	32	259	1873
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	128581	136931
	Other	38	53921	58965
Accruals and deferred income		39	4669	5958
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	241761	311708
Excess of the value of net admissible assets		51	1635048	1690815
Total liabilities and margins		59	4989576	5988444

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	16722	418
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	3315384	4246996
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		1236903
Capital and reserves and fund for future appropriations	75		185511
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		5669410

Long term insurance business liabilities and margins

Name of insurer **Friends Life Limited**
Global business
Financial year ended **31 December 2015**
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		11	826204	962287
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	826204	962287
Claims outstanding	Gross	15		1983
	Reinsurers' share	16		
	Net (15-16)	17		1983
Provisions	Taxation	21	11030	20534
	Other risks and charges	22	294	602
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	10	51
	Reinsurance accepted	32	2160	1912
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		434
	Other	38	16953	13357
Accruals and deferred income		39	2712	1623
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	33159	40496
Excess of the value of net admissible assets		51	495038	532187
Total liabilities and margins		59	1354401	1534970

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	7324	861
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	859363	1002783
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		451680
Capital and reserves and fund for future appropriations	75		62793
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		1517256

Long term insurance business liabilities and margins

Name of insurer **Friends Life Limited**
Global business
Financial year ended **31 December 2015**
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		11	2953142	3198755
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	2953142	3198755
Claims outstanding	Gross	15	91730	91517
	Reinsurers' share	16		
	Net (15-16)	17	91730	91517
Provisions	Taxation	21	18932	22623
	Other risks and charges	22	12656	27067
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	1413	375
	Reinsurance accepted	32	329	1415
	Reinsurance ceded	33	244	813
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	12002	18815
	Other	38	60041	48756
Accruals and deferred income		39	2385	2981
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	199732	214362
Excess of the value of net admissible assets		51	1514783	1626488
Total liabilities and margins		59	4667657	5039605

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

Total liabilities (11+12+49)	71	3152874	3413117
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		63452
Other adjustments to liabilities (may be negative)	74		1418801
Capital and reserves and fund for future appropriations	75		211344
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		5106714

Long term insurance business liabilities and margins

Name of insurer **Friends Life Limited**
Global business
Financial year ended **31 December 2015**
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		11	524028	589087
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	524028	589087
Claims outstanding	Gross	15	18441	19668
	Reinsurers' share	16		5
	Net (15-16)	17	18441	19663
Provisions	Taxation	21		
	Other risks and charges	22	109	1402
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	1029	1041
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	14964	15851
	Other	38	2643	2330
Accruals and deferred income		39	245	275
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	37431	40562
Excess of the value of net admissible assets		51	95549	95779
Total liabilities and margins		59	657008	725428

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

Total liabilities (11+12+49)	71	561459	629649
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		33294
Other adjustments to liabilities (may be negative)	74		86699
Capital and reserves and fund for future appropriations	75		9898
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		759540

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

Global business

Financial year ended **31 December 2015**Total business/Sub fund **Non Profit Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		11	37161408	35308199
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	440458	344745
Long term insurance business fund carried forward (11 to 13)		14	37601866	35652944
Claims outstanding	Gross	15	205699	148980
	Reinsurers' share	16	30349	29835
	Net (15-16)	17	175350	119145
Provisions	Taxation	21	331476	
	Other risks and charges	22	159169	72366
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	22307	27227
	Reinsurance accepted	32	1344	
	Reinsurance ceded	33	42102	23073
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	40606	41800
	Other	38	459650	522576
Accruals and deferred income		39	9893	2015
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1241897	808202
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	38843763	36461145

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	165218	174812
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	26278155	28921206

Total liabilities (11+12+49)	71	38403305	36116401
Increase to liabilities - DAC related	72		89413
Reinsurers' share of technical provisions	73		7724829
Other adjustments to liabilities (may be negative)	74		56728
Capital and reserves and fund for future appropriations	75		1081588
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		45068959

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

Global business

Financial year ended **31 December 2015**

Company registration number		GL/ UK/ CM	day month year			Units
R15	4096141	GL	31	12	2015	£000
			As at end of this financial year 1			As at end of the previous year 2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22	2013	
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		150000
	Other	49	106274	33667
Accruals and deferred income		51		
Total (19 to 51)		59	108287	183667
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	856136	856136
Total (59 to 63)		69	964423	1039803

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	77277	(160676)
Capital and reserves	84	1782989	2830328
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85	2824689	3709455

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

Global business

Financial year ended **31 December 2015**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	4096141	GL	31	12	2015	£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	(233932)			336213	
Investment income	Income		14	802157			108480	
	Value re-adjustments on investments		15	468			5693	
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17	574758			81049	
	Value re-adjustments on investments		18	589211			264035	
	Loss on the realisation of investments		19	2930			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	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	(598206)			89051	
Tax on profit or loss on ordinary activities			31	(10401)				
Profit or loss on ordinary activities after tax (29-31)			39	(587805)			89051	
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	(587805)			89051	
Dividends (paid or foreseeable)			51	260000			270000	
Profit or loss retained for the financial year (49-51)			59	(847805)			(180949)	

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	2410	1492		174230		420956	
	Interest rates	12	133414	64109		3119426		2478854	
	Inflation	13	6081	206194		917261		638549	
	Credit index / basket	14							
	Credit single name	15	4874	3196				232540	
	Equity index	16	14319	2919		385295		142966	
	Equity stock	17							
	Land	18							
	Currencies	19	10382	55733		55061		1242654	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	75987			185200			
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	13364					54252	
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	619					591470	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	111455					1541839	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	372905	333643		4836473		7344080	
Adjustment for variation margin		52	(4249)	(7802)					
Total (51 + 52)		53	368656	325841					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	13464	29639		902159		722900	
	Inflation	13		5450				89449	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	11987	564		312592			
	Equity stock	17							
	Land	18							
	Currencies	19	179	7269		12574		255290	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34	13364					54252	
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41	506					528447	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	50644					524542	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	90144	42922		1227326		2174880	
Adjustment for variation margin		52	1071	(7101)					
Total (51 + 52)		53	91215	35821					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	40932	13846		639069		838160	
	Inflation	13		167787		436130		549100	
	Credit index / basket	14							
	Credit single name	15	4546	2672				181240	
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	8721	26145		1230		332242	
	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	54199	210450		1076429		1900742	
Adjustment for variation margin		52							
Total (51 + 52)		53	54199	210450					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	765	505	6000	32000			
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	765	505	6000	32000			
Adjustment for variation margin		52							
Total (51 + 52)		53	765	505					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	1743	1062		124504		308740	
	Interest rates	12	31921	1797		500421		98109	
	Inflation	13		6313		57169			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	413	1371		7314		93720	
	Equity stock	17							
	Land	18							
	Currencies	19	1482	14384		41257		423998	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	50067			122475			
	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	28103					587712	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	113729	24927		853140		1512279	
Adjustment for variation margin		52	(2567)	774					
Total (51 + 52)		53	111162	25701					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	548	294		34076		93766	
	Interest rates	12	10378	222		151827		22508	
	Inflation	13		1922		17448			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	40	451				31024	
	Equity stock	17							
	Land	18							
	Currencies	19		3711				106679	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	16689			40825			
	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	9512					221091	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	37167	6600		244176		475067	
Adjustment for variation margin		52	(719)	(719)					
Total (51 + 52)		53	36448	5881					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	119	136		15650		18450	
	Interest rates	12	27852	17303		849570		758627	
	Inflation	13	6081	24722		406514			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	1865	5		65079			
	Equity stock	17							
	Land	18							
	Currencies	19		4224				124445	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	9231			21900			
	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	22895					198506	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	68043	46390		1358713		1100029	
Adjustment for variation margin		52	(2106)	(146)					
Total (51 + 52)		53	65937	46244					

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

Analysis of derivative contractsName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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	2015	£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	8102	797		70380		6550	
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	328	524				51300	
	Equity index	16	14	528		310		18222	
	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	113					63023	
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44	301					9988	
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	8858	1849		70690		149083	
Adjustment for variation margin		52	72	(610)					
Total (51 + 52)		53	8930	1239					

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 fundName of insurer **Friends Life Limited**With-profits fund **FP With Profit Fund**Financial year ended **31 December 2015**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	9240977	10347416
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	2267539	2418817
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	96371	103435
	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	6877067	7825164
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5382587	5790676
	Regulatory current liabilities of the fund	22	313062	623823
	Total (21+22)	29	5695649	6414499
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	224384	241603
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	5920033	6656102
Regulatory excess capital (19-39)		49	957034	1169062

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	957034	1169062
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	165392	176023
Present value of other future internal transfers not already taken into account	65		34122
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	791642	958917

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 2015**

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	262557	272182
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	65970	72076
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	2651	2897
	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	193936	197209
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	134549	143880
	Regulatory current liabilities of the fund	22	22750	19657
	Total (21+22)	29	157299	163537
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	5470	5846
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	162769	169383
Regulatory excess capital (19-39)		49	31167	27826

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	31167	27826
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	31167	27826

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 2015**

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	4989576	5988444
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	243315	837997
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	10828	34706
	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	4735433	5115741
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	2830307	3097282
	Regulatory current liabilities of the fund	22	241761	311717
	Total (21+22)	29	3072068	3408999
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	116855	128241
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	3188923	3537240
Regulatory excess capital (19-39)		49	1546510	1578502

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	1546510	1578502
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	140958	129206
Present value of other future internal transfers not already taken into account	65	(22726)	(22286)
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	1428278	1471581

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 2015**

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	1354401	1534970
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	73443	146823
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	3077	6024
	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	1277881	1382123
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	752761	815464
	Regulatory current liabilities of the fund	22	33159	40496
	Total (21+22)	29	785920	855960
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	30879	33611
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	816799	889571
Regulatory excess capital (19-39)		49	461082	492552

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	461082	492552
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	43851	38625
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	417231	453927

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 2015**

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	4667657	5039605
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	953448	1020097
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	49687	54045
	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	3664522	3965463
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1999694	2178658
	Regulatory current liabilities of the fund	22	199732	214361
	Total (21+22)	29	2199426	2393019
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	81197	88549
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	2280623	2481568
Regulatory excess capital (19-39)		49	1383899	1483895

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	1383899	1483895
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	147012	145549
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	1236887	1338346

With-profits insurance capital component for the fundName of insurer **Friends Life Limited**With-profits fund **WL With Profit Fund**Financial year ended **31 December 2015**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	657008	725428
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	94350	94201
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	4567	4584
	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	558091	626643
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	429679	494886
	Regulatory current liabilities of the fund	22	37431	40564
	Total (21+22)	29	467110	535450
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	17288	19918
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	484398	555368
Regulatory excess capital (19-39)		49	73693	71275

Realistic excess capital

Realistic excess capital	51	(6851)	(9078)
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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	80544	80353
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	5001	6261
Present value of other future internal transfers not already taken into account	65	(957)	(1127)
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	76500	75219

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FP With Profit Fund**
 Financial year ended **31 December 2015**
 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	6877067	7825164
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	16907	17389
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	219434	231054
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	7113408	8073608
Support arrangement assets	27		16642
Assets available to the fund (26+27)	29	7113408	8090250

Realistic value of liabilities of fund

With-profits benefit reserve	31	5292141	5834114
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	322093
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	87
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	65717
	Future costs of contractual guarantees (other than financial options)	41	205905
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	583507
	Future costs of smoothing (possibly negative)	44	93895
	Financing costs	45	35048
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	204857
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1344540
Realistic current liabilities of the fund	51	339667	656079
Realistic value of liabilities of fund (31+49+51)	59	6976348	7890400

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FP With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	7113408	8073608
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	7113408	8073608
Risk capital margin for fund (62-59)	65	137060	183207
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		16642
Working capital for fund (29-59)	68	137060	199850
Working capital ratio for fund (68/29)	69	1.93	2.47

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

Additional amount potentially available for inclusion in line 62	81	860123	1110368
Additional amount potentially available for inclusion in line 63	82	544676	785096

Realistic balance sheet

Name of insurer **Friends Life Limited**
With-profits fund **FPLAL With Profit Fund**
Financial year ended **31 December 2015**
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	193936	197209
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	10090	11198
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	204026	208407
Support arrangement assets	27		
Assets available to the fund (26+27)	29	204026	208407

Realistic value of liabilities of fund

With-profits benefit reserve	31	76109	82228
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	72153
	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	(288)
	Future costs of contractual guarantees (other than financial options)	41	3982
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	22106
	Future costs of smoothing (possibly negative)	44	
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	2335
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	100864
Realistic current liabilities of the fund	51	22752	19657
Realistic value of liabilities of fund (31+49+51)	59	199725	205177

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FPLAL With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	204026	208407
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	204026	208407
Risk capital margin for fund (62-59)	65	4301	3231
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68	4301	3231
Working capital ratio for fund (68/29)	69	2.11	1.55

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

Additional amount potentially available for inclusion in line 62	81	860123	1110368
Additional amount potentially available for inclusion in line 63	82	544676	785096

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FLC New With Profit Fund**
 Financial year ended **31 December 2015**
 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	4735433	5115741
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	12851	14922
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	81764	93829
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	4830048	5224492
Support arrangement assets	27		
Assets available to the fund (26+27)	29	4830048	5224492

Realistic value of liabilities of fund

With-profits benefit reserve	31	2922401	3158251
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	1380244
	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	113619
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	184750
	Future costs of smoothing (possibly negative)	44	(116950)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	104223
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1665886
Realistic current liabilities of the fund	51	241761	311717
Realistic value of liabilities of fund (31+49+51)	59	4830048	5224492

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FLC New With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	4830048	5224492
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	4830048	5224492
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	860123	1110368
Additional amount potentially available for inclusion in line 63	82	544676	785096

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FLC Old With Profit Fund**
 Financial year ended **31 December 2015**
 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	1277881	1382123
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	3620	4271
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	25259	28013
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	1306760	1414407
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1306760	1414407

Realistic value of liabilities of fund

With-profits benefit reserve	31	764298	842033
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	400392
	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	34288
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	71224
	Future costs of smoothing (possibly negative)	44	(20602)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	17566
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	502868
Realistic current liabilities of the fund	51	39594	46576
Realistic value of liabilities of fund (31+49+51)	59	1306760	1414407

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FLC Old With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	1306760	1414407
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	1306760	1414407
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	860123	1110368
Additional amount potentially available for inclusion in line 63	82	544676	785096

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FLAS With Profit Fund**
 Financial year ended **31 December 2015**
 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	3664522	3965463
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	8596	9228
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	131458	120658
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	3804576	4095349
Support arrangement assets	27		
Assets available to the fund (26+27)	29	3804576	4095349

Realistic value of liabilities of fund

With-profits benefit reserve	31	2209718	2585971
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	1096677
	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	187200
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	102939
	Future costs of smoothing (possibly negative)	44	(35464)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	11605
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1362957
Realistic current liabilities of the fund	51	231901	246291
Realistic value of liabilities of fund (31+49+51)	59	3804576	4095349

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **FLAS With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	3804576	4095349
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	3804576	4095349
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	860123	1110368
Additional amount potentially available for inclusion in line 63	82	544676	785096

Realistic balance sheet

Name of insurer **Friends Life Limited**
With-profits fund **WL With Profit Fund**
Financial year ended **31 December 2015**
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	558091	626643
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	14442	17060
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	572533	643703
Support arrangement assets	27	2445	2144
Assets available to the fund (26+27)	29	574978	645847

Realistic value of liabilities of fund

With-profits benefit reserve	31	419088	480772
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	34528
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	6328
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	3739
	Future costs of contractual guarantees (other than financial options)	41	88275
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	5517
	Future costs of smoothing (possibly negative)	44	(548)
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	754
Total (32+34+41+42+43+44+45+46+47-(33+35+36))		49	118459
Realistic current liabilities of the fund	51	37431	40564
Realistic value of liabilities of fund (31+49+51)	59	574978	645847

Realistic balance sheet

Name of insurer **Friends Life Limited**
 With-profits fund **WL With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	579384	652781
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	579384	652781
Risk capital margin for fund (62-59)	65	4406	6934
Realistic excess capital for fund (26-(59+65))	66	(6851)	(9078)
Realistic excess available capital for fund (29-(59+65))	67	(4406)	(6934)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	860123	1110368
Additional amount potentially available for inclusion in line 63	82	544676	785096

Long-term insurance business : Revenue account

Name of insurer **Friends Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	4972614	2799416
Investment income receivable before deduction of tax	12	2146115	1957026
Increase (decrease) in the value of non-linked assets brought into account	13	47458	2140358
Increase (decrease) in the value of linked assets	14	(491530)	940827
Other income	15	58736	66980
Total income	19	6733393	7904607

Expenditure

Claims incurred	21	5954949	6046141
Expenses payable	22	595598	582295
Interest payable before the deduction of tax	23	11864	16447
Taxation	24	326927	184177
Other expenditure	25	23776	26568
Transfer to (from) non technical account	26	(233932)	336213
Total expenditure	29	6679182	7191841

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	54211	712766
Fund brought forward	49	52839441	52126675
Fund carried forward (39+49)	59	52893652	52839441

Long-term insurance business : Revenue account

Name of insurer **Friends Life Limited**
 Total business / subfund **FP With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	93450	101829
Investment income receivable before deduction of tax	12	428249	403865
Increase (decrease) in the value of non-linked assets brought into account	13	10503	705266
Increase (decrease) in the value of linked assets	14		
Other income	15	34850	36891
Total income	19	567052	1247851

Expenditure

Claims incurred	21	983291	1020157
Expenses payable	22	87740	62353
Interest payable before the deduction of tax	23	4224	3916
Taxation	24	10562	52035
Other expenditure	25	29917	28800
Transfer to (from) non technical account	26	10685	12879
Total expenditure	29	1126419	1180140

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(559367)	67711
Fund brought forward	49	8209493	8141782
Fund carried forward (39+49)	59	7650126	8209493

Long-term insurance business : Revenue account

Name of insurer **Friends Life Limited**
 Total business / subfund **FPLAL With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	1462	1978
Investment income receivable before deduction of tax	12	6167	8347
Increase (decrease) in the value of non-linked assets brought into account	13	(3812)	29134
Increase (decrease) in the value of linked assets	14		
Other income	15	106	119
Total income	19	3923	39578

Expenditure

Claims incurred	21	18658	19242
Expenses payable	22	499	1207
Interest payable before the deduction of tax	23	42	28
Taxation	24	159	1087
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	19358	21564

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(15435)	18014
Fund brought forward	49	240954	222940
Fund carried forward (39+49)	59	225519	240954

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 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	100319	119422
Investment income receivable before deduction of tax	12	121270	218254
Increase (decrease) in the value of non-linked assets brought into account	13	204939	280422
Increase (decrease) in the value of linked assets	14		
Other income	15	2704	1321
Total income	19	429232	619419

Expenditure

Claims incurred	21	628020	689142
Expenses payable	22	26299	27537
Interest payable before the deduction of tax	23	57	944
Taxation	24	5442	27419
Other expenditure	25		
Transfer to (from) non technical account	26	27966	27375
Total expenditure	29	687784	772417

Business transfers - in	31		
Business transfers - out	32	614602	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(873154)	(152998)
Fund brought forward	49	3985921	4138919
Fund carried forward (39+49)	59	3112767	3985921

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 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	21464	25514
Investment income receivable before deduction of tax	12	47382	58939
Increase (decrease) in the value of non-linked assets brought into account	13	56935	70689
Increase (decrease) in the value of linked assets	14		
Other income	15	717	356
Total income	19	126498	155498

Expenditure

Claims incurred	21	178639	142882
Expenses payable	22	2464	4804
Interest payable before the deduction of tax	23	22	233
Taxation	24	(5055)	9687
Other expenditure	25		
Transfer to (from) non technical account	26	13483	5998
Total expenditure	29	189553	163604

Business transfers - in	31		
Business transfers - out	32	73028	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(136083)	(8106)
Fund brought forward	49	962287	970393
Fund carried forward (39+49)	59	826204	962287

Long-term insurance business : Revenue account

Name of insurer **Friends Life Limited**
 Total business / subfund **FLAS With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	80341	83247
Investment income receivable before deduction of tax	12	105161	187531
Increase (decrease) in the value of non-linked assets brought into account	13	127286	302218
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	312788	572996

Expenditure

Claims incurred	21	550650	509782
Expenses payable	22	9056	24147
Interest payable before the deduction of tax	23	399	1681
Taxation	24	4535	18435
Other expenditure	25		
Transfer to (from) non technical account	26	20311	18028
Total expenditure	29	584951	572073

Business transfers - in	31		
Business transfers - out	32	(26550)	788829
Increase (decrease) in fund in financial year (19-29+31-32)	39	(245613)	(787906)
Fund brought forward	49	3198755	3986661
Fund carried forward (39+49)	59	2953142	3198755

Long-term insurance business : Revenue account

Name of insurer **Friends Life Limited**
 Total business / subfund **WL With Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	5297	7420
Investment income receivable before deduction of tax	12	14146	27272
Increase (decrease) in the value of non-linked assets brought into account	13	(59)	45712
Increase (decrease) in the value of linked assets	14		
Other income	15	246	203
Total income	19	19630	80607

Expenditure

Claims incurred	21	81447	95817
Expenses payable	22	(2593)	6114
Interest payable before the deduction of tax	23		
Taxation	24	3467	(3409)
Other expenditure	25	745	201
Transfer to (from) non technical account	26	1623	1933
Total expenditure	29	84689	100656

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(65059)	(20049)
Fund brought forward	49	589087	609136
Fund carried forward (39+49)	59	524028	589087

Long-term insurance business : Revenue account

Name of insurer **Friends Life Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	4670281	2460006
Investment income receivable before deduction of tax	12	1423740	1052818
Increase (decrease) in the value of non-linked assets brought into account	13	(348334)	706917
Increase (decrease) in the value of linked assets	14	(491530)	940827
Other income	15	50031	56890
Total income	19	5304188	5217458

Expenditure

Claims incurred	21	3514244	3569119
Expenses payable	22	472133	456133
Interest payable before the deduction of tax	23	7120	9645
Taxation	24	307817	78923
Other expenditure	25	23033	26367
Transfer to (from) non technical account	26	(308000)	270000
Total expenditure	29	4016347	4410187

Business transfers - in	31	661081	788829
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1948922	1596100
Fund brought forward	49	35652944	34056844
Fund carried forward (39+49)	59	37601866	35652944

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11	858492	467909	83992	1410393	1434950
Single premiums	12	71210	347341	3335	421886	478494

Reinsurance - external

Regular premiums	13	254260	209336	1340	464936	411081
Single premiums	14	2486	114127		116613	(1611539)

Reinsurance - intra-group

Regular premiums	15	11786	60103		71889	43252
Single premiums	16	1747	(3795203)	(317)	(3793773)	271234

Net of reinsurance

Regular premiums	17	592446	198470	82652	873568	980617
Single premiums	18	66977	4028417	3652	4099046	1818799

Total

Gross	19	929702	815250	87327	1832279	1913444
Reinsurance	20	270279	(3411637)	1023	(3140335)	(885972)
Net	21	659423	4226887	86304	4972614	2799416

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 2015**
 Units **£000**

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

Gross

Regular premiums	11	76063	68579	2774	147416	171392
Single premiums	12	236	12103	59	12398	10254

Reinsurance - external

Regular premiums	13	4926	20	13	4959	5369
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	14124	33472	1506	49102	51683
Single premiums	16	192	12102	9	12303	22765

Net of reinsurance

Regular premiums	17	57013	35087	1255	93355	114340
Single premiums	18	44	1	50	95	(12511)

Total

Gross	19	76299	80682	2833	159814	181646
Reinsurance	20	19242	45594	1528	66364	79817
Net	21	57057	35088	1305	93450	101829

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 2015**
 Units **£000**

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

Gross

Regular premiums	11	697	126		823	936
Single premiums	12		640		640	1044

Reinsurance - external

Regular premiums	13	1			1	2
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	696	126		822	934
Single premiums	18		640		640	1044

Total

Gross	19	697	766		1463	1980
Reinsurance	20	1			1	2
Net	21	696	766		1462	1978

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 2015**
 Units **£000**

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

Gross

Regular premiums	11	79329	16243	1051	96623	116101
Single premiums	12	929	2759	8	3696	3321

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	79329	16243	1051	96623	116101
Single premiums	18	929	2759	8	3696	3321

Total

Gross	19	80258	19002	1059	100319	119422
Reinsurance	20					
Net	21	80258	19002	1059	100319	119422

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 2015**
 Units **£000**

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

Gross

Regular premiums	11	18387	1757	45	20189	23964
Single premiums	12	72	1203		1275	1550

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	18387	1757	45	20189	23964
Single premiums	18	72	1203		1275	1550

Total

Gross	19	18459	2960	45	21464	25514
Reinsurance	20					
Net	21	18459	2960	45	21464	25514

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 2015**
 Units **£000**

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

Gross

Regular premiums	11	45344	61441	350	107135	119754
Single premiums	12	4745	57957		62702	60426

Reinsurance - external

Regular premiums	13	3935	85		4020	4208
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	5922	46547		52469	58273
Single premiums	16	2406	30601		33007	34452

Net of reinsurance

Regular premiums	17	35487	14809	350	50646	57273
Single premiums	18	2339	27356		29695	25974

Total

Gross	19	50089	119398	350	169837	180180
Reinsurance	20	12263	77233		89496	96933
Net	21	37826	42165	350	80341	83247

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 2015**
 Units **£000**

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

Gross

Regular premiums	11	5112	573		5685	7557
Single premiums	12	22	10		32	19

Reinsurance - external

Regular premiums	13	177			177	156
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15		243		243	
Single premiums	16					

Net of reinsurance

Regular premiums	17	4935	330		5265	7401
Single premiums	18	22	10		32	19

Total

Gross	19	5134	583		5717	7576
Reinsurance	20	177	243		420	156
Net	21	4957	340		5297	7420

Long-term insurance business : Analysis of premiums

Name of insurer **Friends Life Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11	644762	354068	81817	1080647	1061661
Single premiums	12	67591	303270	3268	374129	436324

Reinsurance - external

Regular premiums	13	245221	209231	1327	455779	401346
Single premiums	14	2486	114127		116613	(1611539)

Reinsurance - intra-group

Regular premiums	15	2960	14719	521	18200	(289)
Single premiums	16	1534	(3807305)	(326)	(3806097)	248461

Net of reinsurance

Regular premiums	17	396581	130118	79969	606668	660604
Single premiums	18	63571	3996448	3594	4063613	1799402

Total

Gross	19	712353	657338	85085	1454776	1497985
Reinsurance	20	252201	(3469228)	1522	(3215505)	(962021)
Net	21	460152	4126566	83563	4670281	2460006

Long-term insurance business : Analysis of claims

Name of insurer **Friends Life Limited**
Total business / subfund **Summary**
Financial year ended **31 December 2015**
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	706622	68106	6616	781344	804360
Disability periodic payments	12	115573		138	115711	100386
Surrender or partial surrender	13	1509341	2129417	80600	3719358	3748636
Annuity payments	14	10794	931280	41	942115	893661
Lump sums on maturity	15	805643	913570	10527	1729740	1762977
Total	16	3147973	4042373	97922	7288268	7310019

Reinsurance - external

Death or disability lump sums	21	153306	584	1150	155040	165977
Disability periodic payments	22	22773			22773	20243
Surrender or partial surrender	23	75			75	(68)
Annuity payments	24	23	372802		372825	270499
Lump sums on maturity	25	15			15	80
Total	26	176192	373386	1150	550728	456731

Reinsurance - intra-group

Death or disability lump sums	31	6592	8157		14749	10891
Disability periodic payments	32					249
Surrender or partial surrender	33	51452	426843	8154	486449	473761
Annuity payments	34		197349		197349	317801
Lump sums on maturity	35	7895	76149		84044	4445
Total	36	65939	708498	8154	782590	807147

Net of reinsurance

Death or disability lump sums	41	546724	59365	5466	611555	627492
Disability periodic payments	42	92800		138	92938	79894
Surrender or partial surrender	43	1457814	1702574	72446	3232834	3274943
Annuity payments	44	10771	361129	41	371941	305361
Lump sums on maturity	45	797733	837421	10527	1645681	1758451
Total	46	2905842	2960489	88618	5954949	6046141

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 2015**
 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	55803	16895	1168	73866	79766
Disability periodic payments	12					
Surrender or partial surrender	13	239049	557934	24394	821377	782153
Annuity payments	14	1607	157492	25	159124	163624
Lump sums on maturity	15	272564	97868	5843	376275	394738
Total	16	569023	830189	31430	1430642	1420281

Reinsurance - external

Death or disability lump sums	21	3803			3803	4453
Disability periodic payments	22					
Surrender or partial surrender	23	55			55	45
Annuity payments	24	23			23	22
Lump sums on maturity	25					
Total	26	3881			3881	4520

Reinsurance - intra-group

Death or disability lump sums	31	14562	7480	242	22284	21786
Disability periodic payments	32					
Surrender or partial surrender	33	99244	262438	9298	370980	337377
Annuity payments	34		2114		2114	2173
Lump sums on maturity	35	25739	17924	4429	48092	34268
Total	36	139545	289956	13969	443470	395604

Net of reinsurance

Death or disability lump sums	41	37438	9415	926	47779	53527
Disability periodic payments	42					
Surrender or partial surrender	43	139750	295496	15096	450342	444731
Annuity payments	44	1584	155378	25	156987	161429
Lump sums on maturity	45	246825	79944	1414	328183	360470
Total	46	425597	540233	17461	983291	1020157

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 2015**
 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	2985	116		3101	2360
Disability periodic payments	12					
Surrender or partial surrender	13	1972	1767		3739	3764
Annuity payments	14	17	4092		4109	4075
Lump sums on maturity	15	6788	964		7752	9148
Total	16	11762	6939		18701	19347

Reinsurance - external

Death or disability lump sums	21	28			28	25
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25	15			15	80
Total	26	43			43	105

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	2957	116		3073	2335
Disability periodic payments	42					
Surrender or partial surrender	43	1972	1767		3739	3764
Annuity payments	44	17	4092		4109	4075
Lump sums on maturity	45	6773	964		7737	9068
Total	46	11719	6939		18658	19242

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 2015**
 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	65172	4000	334	69506	67798
Disability periodic payments	12					
Surrender or partial surrender	13	91160	50516	10126	151802	153294
Annuity payments	14	11059	2819	8	13886	34168
Lump sums on maturity	15	250949	140716	1312	392977	434162
Total	16	418340	198051	11780	628171	689422

Reinsurance - external

Death or disability lump sums	21	151			151	280
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	151			151	280

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	65021	4000	334	69355	67518
Disability periodic payments	42					
Surrender or partial surrender	43	91160	50516	10126	151802	153294
Annuity payments	44	11059	2819	8	13886	34168
Lump sums on maturity	45	250949	140716	1312	392977	434162
Total	46	418189	198051	11780	628020	689142

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 2015**
 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	10599	1070		11669	10302
Disability periodic payments	12					
Surrender or partial surrender	13	13774	13094	1323	28191	27581
Annuity payments	14	(11046)	467	8	(10571)	5711
Lump sums on maturity	15	149126	640	117	149883	99588
Total	16	162453	15271	1448	179172	143182

Reinsurance - external

Death or disability lump sums	21	533			533	300
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	533			533	300

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	10066	1070		11136	10002
Disability periodic payments	42					
Surrender or partial surrender	43	13774	13094	1323	28191	27581
Annuity payments	44	(11046)	467	8	(10571)	5711
Lump sums on maturity	45	149126	640	117	149883	99588
Total	46	161920	15271	1448	178639	142882

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 2015**
 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	151777	14266		166043	156859
Disability periodic payments	12	953			953	1033
Surrender or partial surrender	13	215925	475768	9129	700822	561258
Annuity payments	14	6310	7195		13505	47326
Lump sums on maturity	15	17948	314462		332410	365840
Total	16	392913	811691	9129	1213733	1132316

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22	44			44	43
Surrender or partial surrender	23					(115)
Annuity payments	24		5		5	18
Lump sums on maturity	25					
Total	26	44	5		49	(54)

Reinsurance - intra-group

Death or disability lump sums	31	87949	8319		96268	90115
Disability periodic payments	32					
Surrender or partial surrender	33	172561	227220		399781	324226
Annuity payments	34	6567	55		6622	7561
Lump sums on maturity	35		160363		160363	200686
Total	36	267077	395957		663034	622588

Net of reinsurance

Death or disability lump sums	41	63828	5947		69775	66744
Disability periodic payments	42	909			909	990
Surrender or partial surrender	43	43364	248548	9129	301041	237147
Annuity payments	44	(257)	7135		6878	39747
Lump sums on maturity	45	17948	154099		172047	165154
Total	46	125792	415729	9129	550650	509782

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 2015**
 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	3454	277		3731	3707
Disability periodic payments	12	50			50	51
Surrender or partial surrender	13	538	9739		10277	9190
Annuity payments	14	40	2133		2173	2303
Lump sums on maturity	15	50148	17568		67716	80577
Total	16	54230	29717		83947	95828

Reinsurance - external

Death or disability lump sums	21	15			15	11
Disability periodic payments	22	12			12	
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	27			27	11

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33		2473		2473	
Annuity payments	34					
Lump sums on maturity	35					
Total	36		2473		2473	

Net of reinsurance

Death or disability lump sums	41	3439	277		3716	3696
Disability periodic payments	42	38			38	51
Surrender or partial surrender	43	538	7266		7804	9190
Annuity payments	44	40	2133		2173	2303
Lump sums on maturity	45	50148	17568		67716	80577
Total	46	54203	27244		81447	95817

Long-term insurance business : Analysis of claims

Name of insurer **Friends Life Limited**
Total business / subfund **Non Profit Fund**
Financial year ended **31 December 2015**
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	514221	39650	5739	559610	587529
Disability periodic payments	12	114570		138	114708	99302
Surrender or partial surrender	13	1174260	1240946	44926	2460132	2619705
Annuity payments	14	9374	761438		770812	648451
Lump sums on maturity	15	76558	498980	8811	584349	611237
Total	16	1888983	2541014	59614	4489611	4566224

Reinsurance - external

Death or disability lump sums	21	148776	584	1150	150510	160908
Disability periodic payments	22	22717			22717	20200
Surrender or partial surrender	23	20			20	2
Annuity payments	24		372797		372797	270459
Lump sums on maturity	25					
Total	26	171513	373381	1150	546044	451569

Reinsurance - intra-group

Death or disability lump sums	31	1489	542	382	2413	3112
Disability periodic payments	32					249
Surrender or partial surrender	33	6934	155060	8154	170148	220218
Annuity payments	34		199536		199536	320064
Lump sums on maturity	35	594	55505	1127	57226	1893
Total	36	9017	410643	9663	429323	545536

Net of reinsurance

Death or disability lump sums	41	363956	38524	4207	406687	423509
Disability periodic payments	42	91853		138	91991	78853
Surrender or partial surrender	43	1167306	1085886	36772	2289964	2399485
Annuity payments	44	9374	189105		198479	57928
Lump sums on maturity	45	75964	443475	7684	527123	609344
Total	46	1708453	1756990	48801	3514244	3569119

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	16512	2517	1636	20665	13438
Commission - other	12	21896	13626	3074	38596	39465
Management - acquisition	13	17710	23167	10251	51128	67666
Management - maintenance	14	159366	130250	11468	301084	323246
Management - other	15	118852	50266	15197	184315	138675
Total	16	334336	219826	41626	595788	582490

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	12	1	6	19	24
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	12	1	6	19	24

Reinsurance - intra-group

Commission - acquisition	31	2	146	23	171	171
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	2	146	23	171	171

Net of reinsurance

Commission - acquisition	41	16510	2371	1613	20494	13267
Commission - other	42	21884	13625	3068	38577	39441
Management - acquisition	43	17710	23167	10251	51128	67666
Management - maintenance	44	159366	130250	11468	301084	323246
Management - other	45	118852	50266	15197	184315	138675
Total	46	334322	219679	41597	595598	582295

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 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	884	122	12	1018	358
Commission - other	12	862	719	188	1769	2512
Management - acquisition	13					
Management - maintenance	14	1624	15762	443	17829	27879
Management - other	15	35553	(1292)	(14)	34247	415
Total	16	38923	15311	629	54863	31164

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	3	1		4	5
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	3	1		4	5

Reinsurance - intra-group

Commission - acquisition	31	2	132	23	157	148
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	(8755)	(24039)	(244)	(33038)	(31342)
Management - other	35					
Total	36	(8753)	(23907)	(221)	(32881)	(31194)

Net of reinsurance

Commission - acquisition	41	882	(10)	(11)	861	210
Commission - other	42	859	718	188	1765	2507
Management - acquisition	43					
Management - maintenance	44	10379	39801	687	50867	59221
Management - other	45	35553	(1292)	(14)	34247	415
Total	46	47673	39217	850	87740	62353

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 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	1			1	
Commission - other	12	1			1	2
Management - acquisition	13					
Management - maintenance	14	574	230		804	804
Management - other	15	(307)			(307)	401
Total	16	269	230		499	1207

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	1			1	
Commission - other	42	1			1	2
Management - acquisition	43					
Management - maintenance	44	574	230		804	804
Management - other	45	(307)			(307)	401
Total	46	269	230		499	1207

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 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	420	104	763	1287	1385
Commission - other	12	1987	148	26	2161	1589
Management - acquisition	13	2	83		85	235
Management - maintenance	14	19352	3414		22766	24328
Management - other	15					
Total	16	21761	3749	789	26299	27537

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	420	104	763	1287	1385
Commission - other	42	1987	148	26	2161	1589
Management - acquisition	43	2	83		85	235
Management - maintenance	44	19352	3414		22766	24328
Management - other	45					
Total	46	21761	3749	789	26299	27537

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 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	(129)	(117)	111	(135)	(99)
Commission - other	12	430	50	1	481	323
Management - acquisition	13	1	17		18	40
Management - maintenance	14	1018	1082		2100	4540
Management - other	15					
Total	16	1320	1032	112	2464	4804

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	(129)	(117)	111	(135)	(99)
Commission - other	42	430	50	1	481	323
Management - acquisition	43	1	17		18	40
Management - maintenance	44	1018	1082		2100	4540
Management - other	45					
Total	46	1320	1032	112	2464	4804

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 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	377	1408	198	1983	2254
Commission - other	12	1693	4803	22	6518	6172
Management - acquisition	13	2368	2894		5262	3581
Management - maintenance	14	16645	20344		36989	54073
Management - other	15					
Total	16	21083	29449	220	50752	66080

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31	328	1304		1632	1860
Commission - other	32	1112	4146		5258	5711
Management - acquisition	33					2261
Management - maintenance	34	15663	19143		34806	32101
Management - other	35					
Total	36	17103	24593		41696	41933

Net of reinsurance

Commission - acquisition	41	49	104	198	351	394
Commission - other	42	581	657	22	1260	461
Management - acquisition	43	2368	2894		5262	1320
Management - maintenance	44	982	1201		2183	21972
Management - other	45					
Total	46	3980	4856	220	9056	24147

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 2015**
Units **£000**

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

Gross

Commission - acquisition	11	(95)			(95)	(89)
Commission - other	12	181	9		190	216
Management - acquisition	13					
Management - maintenance	14	(1397)	(2996)	(44)	(4437)	3840
Management - other	15	1402	347		1749	2147
Total	16	91	(2640)	(44)	(2593)	6114

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41	(95)			(95)	(89)
Commission - other	42	181	9		190	216
Management - acquisition	43					
Management - maintenance	44	(1397)	(2996)	(44)	(4437)	3840
Management - other	45	1402	347		1749	2147
Total	46	91	(2640)	(44)	(2593)	6114

Long-term insurance business : Analysis of expenses

Name of insurer **Friends Life Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Commission - acquisition	11	15382	2304	552	18238	11489
Commission - other	12	17854	12043	2837	32734	34362
Management - acquisition	13	15339	20173	10251	45763	66071
Management - maintenance	14	136704	111752	11069	259525	239882
Management - other	15	82204	51211	15211	148626	135712
Total	16	267483	197483	39920	504886	487516

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	9		6	15	19
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	9		6	15	19

Reinsurance - intra-group

Commission - acquisition	31		14		14	23
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	8246	24234	244	32724	31341
Management - other	35					
Total	36	8246	24248	244	32738	31364

Net of reinsurance

Commission - acquisition	41	15382	2290	552	18224	11466
Commission - other	42	17845	12043	2831	32719	34343
Management - acquisition	43	15339	20173	10251	45763	66071
Management - maintenance	44	128458	87518	10825	226801	208541
Management - other	45	82204	51211	15211	148626	135712
Total	46	259228	173235	39670	472133	456133

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

Total business

Financial year ended **31 December 2015**Units **£000**

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

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	20060737	22305270
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	6218132	6697896
Total assets (excluding cross investment) (11+12+ 13)	14	26278869	29003166
Provision for tax on unrealised capital gains	15	10773	14885
Secured and unsecured loans	16	877	1185
Other liabilities	17	64900	137535
Total net assets (14-15-16-17)	18	26202319	28849561

Directly held linked assets

Value of directly held linked assets	21	87397	101019
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Total

Value of directly held linked assets and units held (18+21)	31	26289716	28950580
Surplus units	32	29366	28799
Deficit units	33	42516	26532
Net unit liability (31-32+33)	34	26302866	28948313

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

Total business

Financial year ended **31 December 2015**Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	1168235	1292817
Investment income attributable to the funds before deduction of tax	12	739253	875892
Increase (decrease) in the value of investments in the financial year	13	(491530)	940827
Other income	14	14458	14483
Total income	19	1430416	3124020

Expenditure

Value of total cancellation of units	21	3828153	4063340
Charges for management	22	240853	252643
Charges in respect of tax on investment income	23		131204
Taxation on realised capital gains	24		9241
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	8652	5255
Total expenditure	29	4077658	4461683

Increase (decrease) in funds in financial year (19-29)	39	(2647242)	(1337663)
Internal linked fund brought forward	49	28849561	30187224
Internal linked funds carried forward (39+49)	59	26202319	28849561

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

Total business

Financial year ended **31 December 2015**Units **£000**

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

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

Regular premium business	11	1752	4843	2	6597	13293
Single premium business	12	421	2983	1	3405	4700
Total	13	2173	7826	3	10002	17993

**Amount of new regular
premiums**

Direct insurance business	21	24816	46217	721	71754	90282
External reinsurance	22	1			1	
Intra-group reinsurance	23	222	1662		1884	2755
Total	24	25038	47879	721	73638	93037

**Amount of new single
premiums**

Direct insurance business	25	68149	350076	1001	419226	455828
External reinsurance	26	175	13		188	221
Intra-group reinsurance	27	2461	11		2472	56888
Total	28	70786	350099	1001	421886	512937

Long-term insurance business : Analysis of new business

Name of insurer **Friends Life Limited**
Total business
Financial year ended **31 December 2015**
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	802	1156		
330	Decreasing term assurance	103	14	160	1658
340	Accelerated critical illness (guaranteed premiums)	433	545		
345	Accelerated critical illness (reviewable premiums)	27	10		
350	Stand-alone critical illness (guaranteed premiums)	77	113		
360	Income protection non-profit (guaranteed premiums)	10	3		
365	Income protection non-profit (reviewable premiums)	31	20		
380	Miscellaneous protection rider	59	4		
390	Deferred annuity non-profit			34	2100
395	Annuity non-profit (PLA)			186	37048
420	Group income protection		22508		
500	Life UWP single premium			1	2674
505	Life UWP whole life regular premium	23	77		
515	Life UWP endowment regular premium - target cash	28	29		
700	Life property linked single premium				17256

Long-term insurance business : Analysis of new business

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

Friends Life Limited

31 December 2015
£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
710	Life property linked whole life regular premium	66	222		
910	Miscellaneous index linked	93	115	40	7413

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

31 December 2015

Financial year ended

Units

£000

UK Life / Reinsurance accepted external

[illegible]

Friends Life Limited

31 December 2015

£000

Units

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 2015**
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)			2215	187251
410	Group life	66	9		
525	Individual pensions UWP	30	18	22	153
530	Individual pensions UWP - increments		586		31181
535	Group money purchase pensions UWP	121	59	6	152
540	Group money purchase pensions UWP - increments		241		7414
555	Group deposit administration with-profits	58	568		
565	DWP National Insurance rebates UWP				26
570	Income drawdown UWP			1	64
575	Miscellaneous UWP		8		33
725	Individual pensions property linked	136	394	569	22238
730	Individual pensions property linked - increments		2045		76462
735	Group money purchase pensions property linked	4431	6104	148	885
740	Group money purchase pensions property linked - increments		36130		9104
745	DWP National Insurance rebates property linked				70

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 2015
£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			21	14600
755	Trustee investment plan	1	24	1	10
760	Small self administered schemes		31		433

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

Financial year ended

31 December 2015

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 2015

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		12		
535	Group money purchase pensions UWP		61		11
725	Individual pensions property linked		1		17
730	Individual pensions property linked - increments		452		6713
735	Group money purchase pensions property linked		503		28
740	Group money purchase pensions property linked - increments		602		(7088)
745	DWP National Insurance rebates property linked				62
760	Small self administered schemes		31		268

Long-term insurance business : Analysis of new business

Name of insurer

Friends Life Limited

Total business

Financial year ended

31 December 2015

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
500	Life UWP single premium			1	23
555	Group deposit administration with-profits				129
700	Life property linked single premium	1	64		715
710	Life property linked whole life regular premium		6		
715	Life property linked endowment regular premium - savings	1	636		132
725	Individual pensions property linked		15		2

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 2015**
 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	2526656	3272786	84856	2.37	
Other fixed interest securities	13	9200937	9200937	455479	3.69	
Variable interest securities	14	1419645	673516	16028	2.05	
UK listed equity shares	15	1327	1327	22	3.82	
Non-UK listed equity shares	16					
Unlisted equity shares	17	147679	147679	1491	1.02	
Other assets	18	1886238	1886238	7591	0.52	
Total	19	15182482	15182483	565467	2.91	

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

Land and buildings	21	1114356	1273092	44843	3.52	19.25
Approved fixed interest securities	22	4618186	4364347	115539	1.65	0.55
Other fixed interest securities	23	2820887	2840596	125590	3.35	0.34
Variable interest securities	24	661012	668125	2783	(0.02)	(1.02)
UK listed equity shares	25	2187804	3265350	77586	4.89	3.43
Non-UK listed equity shares	26	1120404	1411066	29590	3.98	(2.16)
Unlisted equity shares	27	596557	804528	6	0.41	6.27
Other assets	28	4187716	2679818	4054	0.50	(0.96)
Total	29	17306922	17306922	399991	2.57	2.19

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 2015**
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	601304	601304	14025	1.90	
Other fixed interest securities	13	1598420	1598420	78499	3.53	
Variable interest securities	14	27114	27114	704	3.84	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	91262	91262	55	1.11	
Total	19	2318100	2318100	93283	3.02	

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

Land and buildings	21	176034	319396	4940	1.55	11.03
Approved fixed interest securities	22	2652223	2652223	63341	1.64	0.96
Other fixed interest securities	23	1097880	1097880	51720	4.01	0.26
Variable interest securities	24	809	809	(1172)	17.55	(8.58)
UK listed equity shares	25	5140	1028405	49605	4.83	(0.70)
Non-UK listed equity shares	26	304692	627466	21015	3.81	4.27
Unlisted equity shares	27	398899	312760		0.85	13.46
Other assets	28	2241390	838128	3472	0.97	(4.64)
Total	29	6877067	6877067	192921	2.57	2.45

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.33
Return allocated to non taxable 'asset shares'	32					2.30
Return allocated to taxable 'asset shares'	33					2.03

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 2015**
 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	1585113	2331243	59496	2.47	
Other fixed interest securities	13	6684396	6684396	325230	3.53	
Variable interest securities	14	1389738	643609	15324	1.97	
UK listed equity shares	15	712	712	15	2.11	
Non-UK listed equity shares	16					
Unlisted equity shares	17	147679	147679	1491	1.02	
Other assets	18	1660281	1660281	7513	0.45	
Total	19	11467919	11467919	409069	2.75	

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

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

Overall return on with-profits assets

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

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

Name of insurer **Friends Life Limited**
Category of assets **13 Total Long Term Business - FPLAL With Profit Fund**
Financial year ended **31 December 2015**
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	68006	68006	1877	2.33	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15	615	615	7	5.82	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	68621	68621	1884	2.36	

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

Land and buildings	21		2983	134	4.49	9.64
Approved fixed interest securities	22	105140	105140	2902	1.90	1.12
Other fixed interest securities	23	8660	8660	380	1.50	(0.44)
Variable interest securities	24					0.23
UK listed equity shares	25	10358	48851	2604	6.70	(0.28)
Non-UK listed equity shares	26	8022	23139	853	3.85	4.79
Unlisted equity shares	27					
Other assets	28	61756	5163	40	3.47	0.21
Total	29	193936	193936	6913	3.40	2.30

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.19
Return allocated to non taxable 'asset shares'	32					2.15
Return allocated to taxable 'asset shares'	33					2.05

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 2015**
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	20125	20125	1037	5.03	
Other fixed interest securities	13	182824	182824	9591	5.07	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	51194	51194			
Total	19	254143	254143	10628	4.04	

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

Land and buildings	21	590372	600058	22788	3.80	21.82
Approved fixed interest securities	22	803392	619156	19376	1.88	(1.38)
Other fixed interest securities	23	799952	807273	33768	2.99	0.40
Variable interest securities	24	126336	126336	733	(0.27)	(1.04)
UK listed equity shares	25	1019765	983755	9479	4.60	5.77
Non-UK listed equity shares	26	541821	491424	4490	3.99	(8.06)
Unlisted equity shares	27	44864	272576	5	0.00	2.10
Other assets	28	808931	834855		0.26	0.74
Total	29	4735433	4735433	90639	2.64	5.18

Overall return on with-profits assets

Post investment costs but pre-tax	31					6.16
Return allocated to non taxable 'asset shares'	32					6.16
Return allocated to taxable 'asset shares'	33					5.24

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 2015**
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	2421	2421	136	5.52	
Other fixed interest securities	13	50869	50869	2668	5.06	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	23230	23230			
Total	19	76520	76520	2804	3.54	

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

Land and buildings	21	163615	166300	6565	3.95	21.82
Approved fixed interest securities	22	214827	155137	4892	1.87	(1.38)
Other fixed interest securities	23	198258	200287	8572	3.05	0.40
Variable interest securities	24	27981	27981	120	(0.27)	(1.04)
UK listed equity shares	25	267842	253525	2438	4.57	5.77
Non-UK listed equity shares	26	123061	106354	891	3.91	(8.06)
Unlisted equity shares	27	11687	74795	1	0.00	2.10
Other assets	28	270610	293502		0.09	0.74
Total	29	1277881	1277881	23479	2.47	5.18

Overall return on with-profits assets

Post investment costs but pre-tax	31					6.16
Return allocated to non taxable 'asset shares'	32					6.16
Return allocated to taxable 'asset shares'	33					5.24

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 2015**
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	155507	155507	5202	2.53	
Other fixed interest securities	13	684428	684428	39491	5.21	
Variable interest securities	14	2793	2793		1.86	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	55704	55704			
Total	19	898432	898432	44693	4.41	

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

Land and buildings	21	179950	179950	9962	5.54	21.63
Approved fixed interest securities	22	660924	651011	18854	1.32	1.08
Other fixed interest securities	23	606299	616658	25498	2.95	0.26
Variable interest securities	24	505845	512958	3102	0.03	(1.00)
UK listed equity shares	25	771759	836838	7881	5.14	5.73
Non-UK listed equity shares	26	119414	139289	1180	4.47	(8.26)
Unlisted equity shares	27	141107	144397			0.72
Other assets	28	679215	583412	17	(0.55)	0.72
Total	29	3664513	3664513	66494	2.26	3.88

Overall return on with-profits assets

Post investment costs but pre-tax	31					3.86
Return allocated to non taxable 'asset shares'	32					3.86
Return allocated to taxable 'asset shares'	33					3.42

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 2015**
 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	94180	94180	3083	1.96	
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	4567	4567	23	0.50	
Total	19	98747	98747	3106	1.89	

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

Land and buildings	21	4385	4405	454	10.31	77.37
Approved fixed interest securities	22	181680	181680	6174	2.04	0.65
Other fixed interest securities	23	109838	109838	5652	2.33	1.21
Variable interest securities	24	41	41		1.02	
UK listed equity shares	25	112940	113976	5579	6.05	0.10
Non-UK listed equity shares	26	23394	23394	1161	5.89	5.67
Unlisted equity shares	27					3.67
Other assets	28	125814	124758	525	4.64	0.49
Total	29	558092	558092	19545	3.72	2.17

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.42
Return allocated to non taxable 'asset shares'	32					2.42
Return allocated to taxable 'asset shares'	33					2.16

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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	5001442	11.48	1.97	1.97

Other approved fixed interest securities	21	2635691	10.79	2.46	2.23
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Other fixed interest securities

AAA/Aaa	31	688283	8.86	2.82	2.66
AA/Aa	32	1968564	10.45	3.09	2.69
A/A	33	4878317	9.45	3.33	2.74
BBB/Baa	34	4089484	9.59	4.02	2.91
BB/Ba	35	266529	12.03	5.81	2.89
B/B	36	28966	3.62	12.62	5.76
CCC/Caa	37	48433	17.90	11.90	2.35
Other (including unrated)	38	72957	16.52	4.13	2.91
Total other fixed interest securities	39	12041533	9.75	3.61	2.80

Approved variable interest securities	41	863127	18.32	0.63	0.23
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Other variable interest securities	51	478514	10.17	1.72	1.26
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Total (11+21+39+41+51)	61	21020306	10.65	2.91	2.39
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2758493	11.97	2.07	2.07

Other approved fixed interest securities	21	495034	13.63	2.25	2.07
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Other fixed interest securities

AAA/Aaa	31	233789	10.48	3.16	3.01
AA/Aa	32	365992	9.58	3.22	2.83
A/A	33	1123445	9.24	3.47	2.88
BBB/Baa	34	942297	7.84	4.25	3.14
BB/Ba	35	26486	17.93	6.60	3.66
B/B	36	1515	11.43	6.06	
CCC/Caa	37				
Other (including unrated)	38	2776	5.85	9.26	0.00
Total other fixed interest securities	39	2696300	8.99	3.72	2.98

Approved variable interest securities	41	24371	6.64	2.71	2.71
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Other variable interest securities	51	3552	20.59	14.73	3.12
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Total (11+21+39+41+51)	61	5977750	10.75	2.84	2.48
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	728534	11.77	2.11	2.11

Other approved fixed interest securities	21	1602709	11.23	2.63	2.41
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Other fixed interest securities

AAA/Aaa	31	317869	8.81	2.79	2.64
AA/Aa	32	1201584	10.98	3.13	2.74
A/A	33	2780727	9.92	3.34	2.76
BBB/Baa	34	2182146	8.93	3.90	2.81
BB/Ba	35	142201	9.32	6.20	3.25
B/B	36	4050	11.43	6.06	
CCC/Caa	37	11432	6.09	5.76	
Other (including unrated)	38	44387	8.73	3.68	2.57
Total other fixed interest securities	39	6684396	9.71	3.53	2.77

Approved variable interest securities	41	248804	20.34	2.20	2.06
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Other variable interest securities	51	394805	10.20	1.83	1.50
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Total (11+21+39+41+51)	61	9659248	10.41	3.17	2.59
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	173146	11.97	2.07	2.07

Other approved fixed interest securities	21				
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Other fixed interest securities

AAA/Aaa	31				
AA/Aa	32	4916	1.64	1.45	1.06
A/A	33	2920	1.74	1.57	0.98
BBB/Baa	34	824	1.32	1.51	0.39
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	8660	1.65	1.50	0.97

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	181806	11.48	2.04	2.02
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	375765	8.60	1.77	1.77

Other approved fixed interest securities	21	263516	6.77	2.27	1.92
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Other fixed interest securities

AAA/Aaa	31	57322	6.29	2.34	2.18
AA/Aa	32	142755	7.51	2.75	2.36
A/A	33	426918	7.91	3.14	2.55
BBB/Baa	34	312367	8.73	3.90	2.80
BB/Ba	35	41158	13.83	5.15	2.21
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	9577	31.14	4.60	3.62
Total other fixed interest securities	39	990097	8.49	3.38	2.58

Approved variable interest securities	41	115966	12.22	(0.53)	(0.60)
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Other variable interest securities	51	10370	8.14	2.63	2.22
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Total (11+21+39+41+51)	61	1755714	8.50	2.61	2.10
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	93182	8.53	1.75	1.75

Other approved fixed interest securities	21	64376	6.31	2.18	1.83
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Other fixed interest securities

AAA/Aaa	31	16098	6.27	2.34	2.18
AA/Aa	32	34375	7.96	2.87	2.47
A/A	33	111248	8.13	3.20	2.60
BBB/Baa	34	74783	9.19	4.07	2.96
BB/Ba	35	10823	14.41	5.24	2.30
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	3829	22.60	4.05	3.13
Total other fixed interest securities	39	251156	8.80	3.46	2.66

Approved variable interest securities	41	25598	12.62	(0.53)	(0.60)
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Other variable interest securities	51	2383	6.27	2.47	2.05
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Total (11+21+39+41+51)	61	436695	8.59	2.67	2.15
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	646035	11.22	1.45	1.45

Other approved fixed interest securities	21	160483	7.23	1.94	1.64
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Other fixed interest securities

AAA/Aaa	31	57779	6.45	2.28	2.13
AA/Aa	32	209558	11.64	2.93	2.45
A/A	33	405621	9.18	3.20	2.60
BBB/Baa	34	518965	17.01	4.33	3.21
BB/Ba	35	36374	18.29	5.41	2.50
B/B	36	23401	1.76	14.18	7.13
CCC/Caa	37	37001	21.54	13.80	3.08
Other (including unrated)	38	12387	33.67	4.26	4.14
Total other fixed interest securities	39	1301086	13.28	4.14	2.90

Approved variable interest securities	41	448347	19.74	0.01	(0.66)
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Other variable interest securities	51	67404	9.90	0.21	(0.41)
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Total (11+21+39+41+51)	61	2623355	13.42	2.54	1.77
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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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	226287	10.86	2.04	2.04

Other approved fixed interest securities	21	49573	6.80	1.88	1.75
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Other fixed interest securities

AAA/Aaa	31	5426	2.99	1.49	1.33
AA/Aa	32	9385	8.48	2.55	2.15
A/A	33	27438	5.08	2.74	2.14
BBB/Baa	34	58102	1.87	2.10	1.17
BB/Ba	35	9487	1.55	2.81	0.58
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	109838	3.26	2.33	1.45

Approved variable interest securities	41	41	1.87	1.02	1.02
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	385739	8.17	2.10	1.83
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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 2015**
Units **£000**

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

Gross

Form 51 - with-profits	11	1303674	2200364	808	3504846	4050027
Form 51 - non-profit	12	1927833	11604440	19949	13552222	14165615
Form 52	13	2281408	5430761	222574	7934743	8402911
Form 53 - linked	14	13271460	18653621	533203	32458284	35389210
Form 53 - non-linked	15	107786	367209	217856	692851	570495
Form 54 - linked	16	370206	1080224	1165	1451595	1502594
Form 54 - non-linked	17	14237	13736	8	27981	35760
Total	18	19276604	39350355	995563	59622522	64116612

Reinsurance - external

Form 51 - with-profits	21	3446	1		3447	3528
Form 51 - non-profit	22	583651	126359	4190	714200	715661
Form 52	23					
Form 53 - linked	24	998	50656		51654	50890
Form 53 - non-linked	25	900			900	1054
Form 54 - linked	26	119105	108628	193	227926	227720
Form 54 - non-linked	27	195		2	197	196
Total	28	708295	285644	4385	998324	999049

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		110097		110097	3832740
Form 52	33		1028		1028	2273
Form 53 - linked	34		6103764		6103764	6390007
Form 53 - non-linked	35		115355		115355	118502
Form 54 - linked	36					426699
Form 54 - non-linked	37					7659
Total	38		6330244		6330244	10777880

Net of reinsurance

Form 51 - with-profits	41	1300228	2200363	808	3501399	4046499
Form 51 - non-profit	42	1344182	11367984	15759	12727925	9617214
Form 52	43	2281408	5429733	222574	7933715	8400638
Form 53 - linked	44	13270462	12499201	533203	26302866	28948313
Form 53 - non-linked	45	106886	251854	217856	576596	450939
Form 54 - linked	46	251101	971596	972	1223669	848175
Form 54 - non-linked	47	14042	13736	6	27784	27905
Total	48	18568309	32734467	991178	52293954	52339683

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 2015**
Units **£000**

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

Gross

Form 51 - with-profits	11	560971	1479714		2040685	2328573
Form 51 - non-profit	12	89320	2119574	641	2209535	2367677
Form 52	13	799961	2428393	111794	3340148	3456515
Form 53 - linked	14	950532	3735296	91918	4777746	5018816
Form 53 - non-linked	15	6890	149743	353	156986	153087
Form 54 - linked	16		45810		45810	49746
Form 54 - non-linked	17					
Total	18	2407674	9958530	204706	12570910	13374415

Reinsurance - external

Form 51 - with-profits	21	2580	1		2581	2533
Form 51 - non-profit	22	12263	160		12423	12465
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	14843	161		15004	14999

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		22209		22209	25984
Form 52	33					
Form 53 - linked	34	950532	3735296	91918	4777746	5018815
Form 53 - non-linked	35		110161		110161	113246
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	950532	3867666	91918	4910116	5158045

Net of reinsurance

Form 51 - with-profits	41	558391	1479713		2038104	2326040
Form 51 - non-profit	42	77057	2097205	641	2174903	2329228
Form 52	43	799961	2428393	111794	3340148	3456515
Form 53 - linked	44					1
Form 53 - non-linked	45	6890	39582	353	46825	39841
Form 54 - linked	46		45810		45810	49746
Form 54 - non-linked	47					
Total	48	1442299	6090703	112788	7645790	8201371

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 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	67653	66043		133696	143032
Form 51 - non-profit	12	1553	64421		65974	72080
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	69206	130464		199670	215112

Reinsurance - external

Form 51 - with-profits	21	797			797	876
Form 51 - non-profit	22	5			5	5
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	802			802	881

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41	66856	66043		132899	142156
Form 51 - non-profit	42	1548	64421		65969	72076
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	68404	130464		198868	214231

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 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	368197	133204	529	501930	594797
Form 51 - non-profit	12	205180	59983	135	265298	837802
Form 52	13	961032	1354751	79922	2395705	2570648
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					21126
Form 54 - non-linked	17					942
Total	18	1534409	1547938	80586	3162933	4025315

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					
Total	28					

Reinsurance - intra-group

Form 51 - with-profits	31	39773			39773	36814
Form 51 - non-profit	32	21982			21982	21873
Form 52	33	26409	12634		39043	41971
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	88164	12634		100798	100658

Net of reinsurance

Form 51 - with-profits	41	328424	133204	529	462157	557983
Form 51 - non-profit	42	183198	59983	135	243316	815929
Form 52	43	934623	1342117	79922	2356662	2528677
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					21126
Form 54 - non-linked	47					942
Total	48	1446245	1535304	80586	3062135	3924657

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 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	109531	36844	279	146654	203676
Form 51 - non-profit	12	27835	45401	207	73443	142971
Form 52	13	182462	389357	9193	581012	607971
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					3669
Form 54 - non-linked	17					183
Total	18	319828	471602	9679	801109	958470

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					
Total	28					

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41	109531	36844	279	146654	203676
Form 51 - non-profit	42	27835	45401	207	73443	142971
Form 52	43	182462	389357	9193	581012	607971
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					3669
Form 54 - non-linked	47					183
Total	48	319828	471602	9679	801109	958470

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 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	95802	305171		400973	437797
Form 51 - non-profit	12	255840	612621	8	868469	925932
Form 52	13	353634	1178097	15349	1547080	1687750
Form 53 - linked	14	2950501	3713800	24711	6689012	7197372
Form 53 - non-linked	15	4140	4974	11915	21029	25790
Form 54 - linked	16	136445	77708		214153	232823
Form 54 - non-linked	17	212	3622		3834	5945
Total	18	3796574	5895993	51983	9744550	10513409

Reinsurance - external

Form 51 - with-profits	21					52
Form 51 - non-profit	22	1362	20		1382	1447
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	55142			55142	60129
Form 54 - non-linked	27					
Total	28	56504	20		56524	61628

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	41259	481		41740	44488
Form 52	33					
Form 53 - linked	34	2950501	3713800		6664301	7170268
Form 53 - non-linked	35	(2657)	4105		1448	5017
Form 54 - linked	36	78702	308		79010	86368
Form 54 - non-linked	37	13			13	19
Total	38	3067818	3718694		6786512	7306160

Net of reinsurance

Form 51 - with-profits	41	95802	305171		400973	437745
Form 51 - non-profit	42	213219	612120	8	825347	879998
Form 52	43	353634	1178097	15349	1547080	1687750
Form 53 - linked	44			24711	24711	27104
Form 53 - non-linked	45	6797	869	11915	19581	20773
Form 54 - linked	46	2601	77400		80001	86326
Form 54 - non-linked	47	199	3622		3821	5926
Total	48	672252	2177279	51983	2901514	3145621

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 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	141292	179389		320681	378953
Form 51 - non-profit	12	18675	75136		93811	93926
Form 52	13	10285	91709	6174	108168	114041
Form 53 - linked	14	185620	31343		216963	242181
Form 53 - non-linked	15	510	33		543	272
Form 54 - linked	16		169		169	188
Form 54 - non-linked	17					
Total	18	356382	377779	6174	740335	829562

Reinsurance - external

Form 51 - with-profits	21	69			69	67
Form 51 - non-profit	22	173			173	186
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	242			242	254

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	185620	31343		216963	242181
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	185620	31343		216963	242181

Net of reinsurance

Form 51 - with-profits	41	141223	179389		320612	378886
Form 51 - non-profit	42	18502	75136		93638	93740
Form 52	43	10285	91709	6174	108168	114041
Form 53 - linked	44					
Form 53 - non-linked	45	510	33		543	272
Form 54 - linked	46		169		169	188
Form 54 - non-linked	47					
Total	48	170520	346436	6174	523130	587127

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 2015**
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	1392718	8680375	18958	10092051	9850173
Form 52	13	46106	125472	48700	220278	236931
Form 53 - linked	14	13271460	14886983	508492	28666935	31456591
Form 53 - non-linked	15	93589	216602	205588	515779	395751
Form 54 - linked	16	313514	962325	1165	1277004	1288327
Form 54 - non-linked	17	14038	10114	8	24160	28710
Total	18	15131425	24881871	782911	40796207	43256483

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	569848	126179	4190	700217	701559
Form 52	23					
Form 53 - linked	24	998	50656		51654	50890
Form 53 - non-linked	25	900			900	1054
Form 54 - linked	26	63963	108628	193	172784	167591
Form 54 - non-linked	27	195		2	197	196
Total	28	635904	285463	4385	925752	921289

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	46	140479		140525	3865329
Form 52	33	45663	125412	48558	219633	231248
Form 53 - linked	34		2337126		2337126	2484495
Form 53 - non-linked	35		5232		5232	4647
Form 54 - linked	36	1051	5480		6531	433616
Form 54 - non-linked	37					7659
Total	38	46760	2613729	48558	2709047	7026994

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42	822824	8413717	14768	9251309	5283286
Form 52	43	443	60	142	645	5683
Form 53 - linked	44	13270462	12499201	508492	26278155	28921206
Form 53 - non-linked	45	92689	211370	205588	509647	390050
Form 54 - linked	46	248500	848217	972	1097689	687120
Form 54 - non-linked	47	13843	10114	6	23963	20855
Total	48	14448761	21982679	729968	37161408	35308200

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 2015**
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	16690	174547	1579				146190
120	Conventional endowment with-profits OB savings	9843	77126	1464				66252
125	Conventional endowment with-profits OB target cash	22554	377035	11367				343605
175	Group conventional deferred annuity with-profits	3	30					664
210	Additional reserves with-profits OB							4260
300	Regular premium non-profit WL/EA OB	24582	67091	1403				51574
325	Level term assurance	17807	1398091	4374				12126
330	Decreasing term assurance	31860	569568	2402				2585
340	Accelerated critical illness (guaranteed premiums)	5229	257567	1651				5060
350	Stand-alone critical illness (guaranteed premiums)	1205	62222	330				679
390	Deferred annuity non-profit	27						4
395	Annuity non-profit (PLA)	1756	1639					13100
435	Miscellaneous non-profit	141	3222	6				3190
440	Additional reserves non-profit OB							1002

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 2015**
 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		8967	17				2577
125	Conventional endowment with-profits OB target cash		7					3
300	Regular premium non-profit WL/EA OB		66					48
325	Level term assurance		628424	2017				8416
330	Decreasing term assurance		47830	374				(105)
340	Accelerated critical illness (guaranteed premiums)		205091	1243				3862
350	Stand-alone critical illness (guaranteed premiums)		4294	22				40
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 2015**
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					13
165	Conventional deferred annuity with-profits	14739	24568	1884				804406
175	Group conventional deferred annuity with-profits	21844	189666	28				675109
205	Miscellaneous conventional with-profits	255	4413	6				182
300	Regular premium non-profit WL/EA OB	1645	113002					674
315	Individual deposit administration non-profit	223	4418					4418
320	Group deposit administration non-profit	226	8874	149				20064
325	Level term assurance	7353	313213	879				1826
390	Deferred annuity non-profit	11330	10210					238566
400	Annuity non-profit (CPA)	73825	152101					1852281
440	Additional reserves non-profit OB							1745

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 2015
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer	Friends Life Limited
Total business / subfund	FP With Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Pension / Reinsurance ceded intra-group	

[illegible]

Name of insurer	Friends Life Limited
Total business / subfund	FP With Profit Fund
Financial year ended	31 December 2015
Units	£000
Overseas / 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 **FPLAL With Profit Fund**
 Financial year ended **31 December 2015**
 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	4973	76026	461				48771
120	Conventional endowment with-profits OB savings	2079	20475	178				18882
300	Regular premium non-profit WL/EA OB	560	2345	23				1419
325	Level term assurance	422	1602	7				21
395	Annuity non-profit (PLA)	42	21					113

Name of insurer	Friends Life Limited
Total business / subfund	FPLAL With Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**
Total business / subfund **FPLAL With Profit Fund**
Financial year ended **31 December 2015**
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
165	Conventional deferred annuity with-profits	2430	3844	115				56929
175	Group conventional deferred annuity with-profits	378	527	4				9105
205	Miscellaneous conventional with-profits	48	367					9
325	Level term assurance	128	1701	6				29
390	Deferred annuity non-profit	101	141					2358
400	Annuity non-profit (CPA)	2424	4053					62034

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 2015
Units	£000
UK Pension / Reinsurance ceded external	

[illegible]

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

Name of insurer **Friends Life Limited**
Total business / subfund **FLC New With Profit Fund**
Financial year ended **31 December 2015**
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	3772	45646	263				32799
120	Conventional endowment with-profits OB savings	76401	377070	28952				313795
125	Conventional endowment with-profits OB target cash	59	807	10				11907
165	Conventional deferred annuity with-profits	1						4
205	Miscellaneous conventional with-profits	11094	10655	1231				9692
300	Regular premium non-profit WL/EA OB	275832	555636	34589				203797
390	Deferred annuity non-profit	1	24					609
395	Annuity non-profit (PLA)	4	8					105
435	Miscellaneous non-profit	125	669					669

Name of insurer	Friends Life Limited
Total business / subfund	FLC New With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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	2033	43945	99				91972
165	Conventional deferred annuity with-profits	1						6
175	Group conventional deferred annuity with-profits	45	319	226				6836
205	Miscellaneous conventional with-profits	18	249					12
210	Additional reserves with-profits OB							34378
390	Deferred annuity non-profit	80	378					11987
435	Miscellaneous non-profit	669	20768					47996

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 2015**
 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	5	76	1				73
165	Conventional deferred annuity with-profits	2	4					57
205	Miscellaneous conventional with-profits	2	40					1
395	Annuity non-profit (PLA)	7	12					135

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 2015**
 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	612	10806	42				7541
120	Conventional endowment with-profits OB savings	7776	49022	4012				96603
125	Conventional endowment with-profits OB target cash	12	247	3				1865
165	Conventional deferred annuity with-profits	13	3					58
205	Miscellaneous conventional with-profits	1831	2236	185				3464
300	Regular premium non-profit WL/EA OB	826	70284	4380				25536
390	Deferred annuity non-profit	1	2					48
395	Annuity non-profit (PLA)	2	2					13
435	Miscellaneous non-profit	268	2238					2238

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 2015**
 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	1261	15374	13				31775
165	Conventional deferred annuity with-profits	2	4					62
205	Miscellaneous conventional with-profits	6	13					
210	Additional reserves with-profits OB							5007
390	Deferred annuity non-profit	5	4					92
435	Miscellaneous non-profit	1243	16928					45309

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 2015**
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				236
120	Conventional endowment with-profits OB savings	1	36					32
165	Conventional deferred annuity with-profits	2	1					11
205	Miscellaneous conventional with-profits	2	6					
395	Annuity non-profit (PLA)	1	8					83
435	Miscellaneous non-profit	3	124					124

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 2015**
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	11359	68698	1392				48166
120	Conventional endowment with-profits OB savings	8265	46174	559				39459
125	Conventional endowment with-profits OB target cash	214	3875	86				3611
155	Conventional pensions endowment with-profits	20	1960	16				4317
205	Miscellaneous conventional with-profits	1	23					23
210	Additional reserves with-profits OB							226
300	Regular premium non-profit WL/EA OB	160180	300249	14457				179255
325	Level term assurance	1851	57420	218				777
330	Decreasing term assurance	523	6522	72				60
355	Stand-alone critical illness (reviewable premiums)	41	6480	21				98
360	Income protection non-profit (guaranteed premiums)	1842	14207	270				3680
385	Income protection claims in payment		2					17
390	Deferred annuity non-profit	555	1151					8397
395	Annuity non-profit (PLA)	1661	3741					42226
410	Group life	8	529336	4220				16826

Name of insurer	Friends Life Limited
Total business / subfund	FLAS With Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Life / Gross	

[illegible]

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

Name of insurer **Friends Life Limited**
Total business / subfund **FLAS With Profit Fund**
Financial year ended **31 December 2015**
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		3					1
325	Level term assurance		1390	5				21
336	Mortality risk premium reinsurance			77				211
360	Income protection non-profit (guaranteed premiums)		353	7				43
385	Income protection claims in payment		1					12
395	Annuity non-profit (PLA)		17					967
420	Group income protection		74					2
425	Group income protection claims in payment		9					55
435	Miscellaneous non-profit		1					50

Name of insurer	Friends Life Limited
Total business / subfund	FLAS With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 **FLAS With Profit Fund**
 Financial year ended **31 December 2015**
 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	856	7				359
155	Conventional pensions endowment with-profits	4204	126860	394				218392
165	Conventional deferred annuity with-profits	35	46					556
185	Group conventional pensions endowment with-profits	96	813	4				1448
200	Annuity with-profits (CPA)	604	5782					62940
210	Additional reserves with-profits OB							21476
300	Regular premium non-profit WL/EA OB	3	102					81
325	Level term assurance	426	18946	53				716
390	Deferred annuity non-profit	19771	29866					569683
400	Annuity non-profit (CPA)	722	1514					17163
405	Annuity non-profit (CPA impaired life)	29	69					619
410	Group life	795	297986	18				367
411	Group death in service dependants' annuities	622	14200					671
435	Miscellaneous non-profit	3584	19686					23321

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 2015**
 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					5
336	Mortality risk premium reinsurance							8
410	Group life		5022					7

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 2015**
 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
400	Annuity non-profit (CPA)		38					481

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 2015**
 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	33				8

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 2015**
 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	13536	59801	776				40694
120	Conventional endowment with-profits OB savings	11001	66327	1102				58924
125	Conventional endowment with-profits OB target cash	3346	45214	1591				41393
205	Miscellaneous conventional with-profits	13606	142842	201				271
210	Additional reserves with-profits OB							10
300	Regular premium non-profit WL/EA OB	13561	16581	30				15807
325	Level term assurance	519	19421	89				13
330	Decreasing term assurance	228	3022	52				1
335	Decreasing term assurance (rider benefits)		106	1				
360	Income protection non-profit (guaranteed premiums)	567	2427	90				385
380	Miscellaneous protection rider		1					
385	Income protection claims in payment	11	50					376
390	Deferred annuity non-profit	101	121					1715
395	Annuity non-profit (PLA)	127	43					278
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 2015**
 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				69
120	Conventional endowment with-profits OB savings		182					
300	Regular premium non-profit WL/EA OB		78	2				
325	Level term assurance		48					
330	Decreasing term assurance		18	1				1
360	Income protection non-profit (guaranteed premiums)		67	2				11
385	Income protection claims in payment		19					161

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 2015**
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	522	13800	36				12417
165	Conventional deferred annuity with-profits	4417	6347	216				128528
175	Group conventional deferred annuity with-profits	46	6					212
185	Group conventional pensions endowment with-profits	1965	31781	28				27373
205	Miscellaneous conventional with-profits	18	410	1				14
210	Additional reserves with-profits OB							10845
300	Regular premium non-profit WL/EA OB	154	216					219
305	Single premium non-profit WL/EA OB	744	10371					10979
325	Level term assurance	100	4302	6				73
380	Miscellaneous protection rider		10					2
390	Deferred annuity non-profit	1486	1468					30921
400	Annuity non-profit (CPA)	1474	2249					27362
440	Additional reserves non-profit OB							5580

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 2015**
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	41092	144912	1946				93805
325	Level term assurance	229707	34122953	71861				273501
330	Decreasing term assurance	175591	17297903	45790				(6522)
335	Decreasing term assurance (rider benefits)	4971	69159	302				838
340	Accelerated critical illness (guaranteed premiums)	269917	23865552	129531				109369
345	Accelerated critical illness (reviewable premiums)	42843	4299337	22224				46483
350	Stand-alone critical illness (guaranteed premiums)	22532	1771246	10925				1852
355	Stand-alone critical illness (reviewable premiums)	6531	476584	2860				5246
360	Income protection non-profit (guaranteed premiums)	109851	1571262	52501				(23118)
365	Income protection non-profit (reviewable premiums)	9513	103843	2707				10068
370	Long-term care policy	3836	56823	2614				161000
380	Miscellaneous protection rider	44788	134429	720				(1522)
385	Income protection claims in payment	1747	27192	20				266478
390	Deferred annuity non-profit	1287	64					1955
395	Annuity non-profit (PLA)	2486	29943					149127

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 2015**
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	61064	8579261	9830				2572
411	Group death in service dependants' annuities	5	152					16
415	Collective life		475234					50
420	Group income protection	228588	6697185	58468				29073
425	Group income protection claims in payment	416	37992					244122
430	Group critical illness	155455	12131859	30520				7065
435	Miscellaneous non-profit	106	168	4				1188
440	Additional reserves non-profit OB							20072

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 2015**
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		7374	246				1967
325	Level term assurance		28114545	39693				220736
330	Decreasing term assurance		11680162	21261				25683
335	Decreasing term assurance (rider benefits)		36					1
340	Accelerated critical illness (guaranteed premiums)		16128589	32496				67014
345	Accelerated critical illness (reviewable premiums)		2692585	1517				20312
350	Stand-alone critical illness (guaranteed premiums)		1147273	4200				6741
355	Stand-alone critical illness (reviewable premiums)		325095	301				1636
360	Income protection non-profit (guaranteed premiums)		487265	1944				23330
365	Income protection non-profit (reviewable premiums)		52829	669				7744
370	Long-term care policy		110169	1732				70099
380	Miscellaneous protection rider		45216	100				(58)
385	Income protection claims in payment		7195	13				79993
410	Group life		3294770	1869				748
420	Group income protection		1243841	8081				4880

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Life / Reinsurance ceded external	

[illegible]

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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	98	482					423
315	Individual deposit administration non-profit	246	3701					3701
325	Level term assurance	9067	933689	1985				6824
330	Decreasing term assurance	1359	137248	338				(155)
380	Miscellaneous protection rider	28	2844	56				323
390	Deferred annuity non-profit	41137	9145	6				190321
400	Annuity non-profit (CPA)	339981	586107					8366898
405	Annuity non-profit (CPA impaired life)	1681	7414					87285
410	Group life	366235	42289180	51058				14238
411	Group death in service dependants' annuities	5480	1710264	3123				1425
435	Miscellaneous non-profit	175	2041	4				2265
440	Additional reserves non-profit OB							6827

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 2015**
 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		413947	617				3255
330	Decreasing term assurance		70117	108				154
400	Annuity non-profit (CPA)		131573					122911
405	Annuity non-profit (CPA impaired life)							1447
410	Group life		16557565	10739				3948
411	Group death in service dependants' annuities		480586	231				180
435	Miscellaneous non-profit		1400	4				32
440	Additional reserves non-profit OB							(5748)

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 2015**
 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
400	Annuity non-profit (CPA)		9556					140479

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 2015**
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	42	313	4				222
325	Level term assurance	12757	1751742	7928				339
330	Decreasing term assurance	479	30235	235				292
340	Accelerated critical illness (guaranteed premiums)	22	2490	18				56
350	Stand-alone critical illness (guaranteed premiums)	9081	327588	2813				(101)
390	Deferred annuity non-profit	88	94	770				6950
395	Annuity non-profit (PLA)	110	350					4323
410	Group life							12
435	Miscellaneous non-profit		20909	161				6733
440	Additional reserves non-profit OB							132

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 2015**
 Units **£000**
 Overseas / 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		302502	8				4190

Name of insurer	Friends Life Limited
Total business / subfund	FP With Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Life / Gross	

[illegible]

Name of insurer	Friends Life Limited
Total business / subfund	FP With Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Friends Life Limited
Total business / subfund	FP With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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	21560	654653		642606	642585	33471	676056
505	Life UWP whole life regular premium	6969	608294	5367	11326	11326	590	11916
506	Life UWP whole life regular premium (ISA)	488	3290	52	3263	3263	44	3307
510	Life UWP endowment regular premium - savings	166	6090	379	5694	5693	41	5734
515	Life UWP endowment regular premium - target cash	12975	512696	10373	210463	210463	3972	214435
574	UWP investment only reinsurance		43723		43093	43093	64	43157
575	Miscellaneous UWP	3074	6062		6002	6002	425	6427

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 2015**
 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		13710	43				

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 2015**
 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		25167		24535	24535		24535
505	Life UWP whole life regular premium		12152	73	189	189		189
506	Life UWP whole life regular premium (ISA)		229		230	230		230
510	Life UWP endowment regular premium - savings		105	8	69	69		69
515	Life UWP endowment regular premium - target cash		2503	94	871	871		871
575	Miscellaneous UWP		482		515	515		515

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 2015**
 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	29180	795604	9066	741993	741730	193956	935686
535	Group money purchase pensions UWP	6628	105839	1722	105239	105235	1342	106577
555	Group deposit administration with-profits	11942	267593	5247	267593	267593	29303	296896
570	Income drawdown UWP	45	6122		6122	6122	2	6124
571	Trustee investment plan UWP	67	9018		9018	9018	1	9019
575	Miscellaneous UWP	6	274	6	273	273	1	274
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 2015**
 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					

Name of insurer	Friends Life Limited
Total business / subfund	FLC New With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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	73	3264		3248	3248		3248
505	Life UWP whole life regular premium	153	19647	157	708	708	8	716
510	Life UWP endowment regular premium - savings	5	276	13	276	276	1	277
515	Life UWP endowment regular premium - target cash	96	7500	125	2677	2677	48	2725
555	Group deposit administration with-profits	366	17654	684	17654	17654	1461	19115
574	UWP investment only reinsurance		53841		53841	53841		53841

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 2015**
 Units **£000**
 Overseas / 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		5960	31				

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 2015**
 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	2368	119097		115928	115928	6918	122846
505	Life UWP whole life regular premium	1043	124175	950	2839	2839	118	2957
506	Life UWP whole life regular premium (ISA)	42	395	52	394	394	5	399
510	Life UWP endowment regular premium - savings	41	1918	109	1896	1896	10	1906
515	Life UWP endowment regular premium - target cash	2921	99008	1874	47274	47274	887	48161
574	UWP investment only reinsurance		5086		5086	5086		5086
575	Miscellaneous UWP	240	1056		1082	1082	25	1107

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 2015**
 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 2015**
 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	10548	268878	1402	260851	260851	67139	327990
535	Group money purchase pensions UWP	1193	37971	253	37792	37792	547	38339
555	Group deposit administration with-profits	1880	18534	97	18534	18533	782	19315
570	Income drawdown UWP	3	1691		1692	1692		1692
571	Trustee investment plan UWP	13	1825		1825	1825		1825
575	Miscellaneous UWP	5	222	2	175	170	1	171
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 2015
Units	£000
UK Pension / 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 2015**
 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
500	Life UWP single premium	8	147		146	146		146
505	Life UWP whole life regular premium	13	3682	16	69	69	2	71
510	Life UWP endowment regular premium - savings	1	172	7	171	171		171
515	Life UWP endowment regular premium - target cash	26	1005	17	464	464	10	474
555	Group deposit administration with-profits	13	479		479	479	11	490
574	UWP investment only reinsurance		7841		7841	7841		7841

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 2015
Units	£000
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 2015**
 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	9521	246887		240158	240158	79	240237
505	Life UWP whole life regular premium	2932	308362	3359	31316	30805	376	31181
510	Life UWP endowment regular premium - savings	1390	54837	1203	29898	29322	3769	33091
515	Life UWP endowment regular premium - target cash	1105	31149	966	16602	16084	16	16100
555	Group deposit administration with-profits		2207	46	2207	2207		2207
574	UWP investment only reinsurance		30818		30818	30818		30818

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 2015**
 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	21517	722226	4089	671301	658368	132461	790829
535	Group money purchase pensions UWP	11995	209036	2263	188997	182433	1773	184206
555	Group deposit administration with-profits		181092	5508	181092	181092	185	181277
570	Income drawdown UWP	6	2551		2551	2551		2551
571	Trustee investment plan UWP	25	3452	6	3452	3433	577	4010
575	Miscellaneous UWP	138	17962	272	15571	15141	83	15224

Name of insurer	Friends Life Limited
Total business / subfund	FLAS With Profit Fund
Financial year ended	31 December 2015
Units	£000
Overseas / Gross	

[illegible]

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 2015**
 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	243	6325		3477	3477		3477
510	Life UWP endowment regular premium - savings	29	55	5	132	132		132
515	Life UWP endowment regular premium - target cash	925	9104	387	6676	6676		6676

Name of insurer	Friends Life Limited
Total business / subfund	WL With Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Pension / Gross	

[illegible]

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 2015**
 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		5952		5952	5952	222	6174

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Life / 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 2015**
 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
574	UWP investment only reinsurance		45715	2	45715	45715	(52)	45663

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
UK Pension / Gross	

[illegible]

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015
Units	£000
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 2015**
 Units **£000**
 Overseas / 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
574	UWP investment only reinsurance		48616		48617	48617	(59)	48558

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 2015
Units	£000
UK Life / 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 2015**
 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		950577	156	950532	950532		950532

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 2015
Units	£000
UK Pension / 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 2015**
 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		2053		18062	18062		18062
735	Group money purchase pensions property linked		87		87	87		87
794	Property linked investment only reinsurance		3826864	25479	3717147	3717147	110161	3827308

Name of insurer	Friends Life Limited
Total business / subfund	FP With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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		91918		91918	91918		91918

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 2015
Units	£000
UK Life / Gross	

[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 2015**
 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		1166	36				
710	Life property linked whole life regular premium		349971	2655				
715	Life property linked endowment regular premium - savings		7118	62				

Name of insurer	Friends Life Limited
Total business / subfund	FLAS With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 **FLAS With Profit Fund**
 Financial year ended **31 December 2015**
 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	124286	3049028	18842	2985400	2939136	1850	2940986
735	Group money purchase pensions property linked	29572	721147	21331	677337	670076	3257	673333
750	Income drawdown property linked	62	7230		7230	7230	6	7236
755	Trustee investment plan	117	7593	19	7331	7237	(10)	7227
760	Small self administered schemes	1295	99912	1382	92670	90121	(129)	89992

Name of insurer	Friends Life Limited
Total business / subfund	FLAS With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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
715	Life property linked endowment regular premium - savings	3458	36124	967	24711	24711	11915	36626

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 2015**
 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	203	5492		5439	5439	3	5442
710	Life property linked whole life regular premium	1849	64207	502	6451	6451	457	6908
715	Life property linked endowment regular premium - savings	1	30	1	30	30		30
720	Life property linked endowment regular premium - target cash	7773	279234	5360	173700	173700	11	173711
790	Miscellaneous protection rider		1222	38			34	34
795	Miscellaneous property linked						5	5

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 2015**
 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		5439		5439	5439		5439
710	Life property linked whole life regular premium		6451	502	6451	6451		6451
715	Life property linked endowment regular premium - savings		30	1	30	30		30
720	Life property linked endowment regular premium - target cash		173700	5360	173700	173700		173700
790	Miscellaneous protection rider			38				

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 2015**
 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	185547	10994124		10890417	10889898	51629	10941527
710	Life property linked whole life regular premium	100391	6658744	67738	702176	701824	11929	713753
715	Life property linked endowment regular premium - savings	7438	273009	8325	247260	247259	756	248015
720	Life property linked endowment regular premium - target cash	14184	691807	17914	456874	456855	1940	458795
790	Miscellaneous protection rider	162	5862	213			640	640
794	Property linked investment only reinsurance		950577	156	950532	950532		950532
795	Miscellaneous property linked	7873	17221	6319	25092	25092	2983	28075
800	Additional reserves property linked						23712	23712

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 2015
Units	£000
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 2015**
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	387293	9597781	109410	9168544	9101414	10191	9111605
735	Group money purchase pensions property linked	215968	3730111	125492	3725606	3716252	93348	3809600
750	Income drawdown property linked	3836	463848	30	463848	463848	586	464434
755	Trustee investment plan	1199	167910	352	167911	167791	(25)	167766
760	Small self administered schemes	240	111677	1566	111328	108544	(126)	108418
765	Group managed fund	158	502898		502898	502898		502898
790	Miscellaneous protection rider	4	233	5			121	121
794	Property linked investment only reinsurance		826236		826236	826236	2	826238
800	Additional reserves property linked						112505	112505

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 2015**
 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		484	4				
794	Property linked investment only reinsurance		50656		50656	50656		50656

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
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 **Non Profit Fund**
Financial year ended **31 December 2015**
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	1099	12543		11812	11812	369	12181
710	Life property linked whole life regular premium	1196	177401	1284	22994	22994	169	23163
715	Life property linked endowment regular premium - savings	71554	1240593	66959	372286	368149	157769	525918
720	Life property linked endowment regular premium - target cash	28	1453	25	731	731	1	732
725	Individual pensions property linked	475	12482	343	12428	12428	71	12499
794	Property linked investment only reinsurance		91918		91918	91918		91918
795	Miscellaneous property linked	234	460	270	460	460	1	461
800	Additional reserves property linked						47208	47208

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 2015**
 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		53333	274				

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

Name of insurer **Friends Life Limited**
 Total business / subfund **FP With Profit Fund**
 Financial year ended **31 December 2015**
 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	1685	2351		45810	45810		45810

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 2015**
 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		108		1051	1051		1051
905	Index linked annuity(CPA)	200	4804		135385	135385	205	135590
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 2015**
 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)		1786		55142	55142		55142

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 2015**
 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)		2883		78702	78702	13	78715

Name of insurer	Friends Life Limited
Total business / subfund	FLAS With Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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(CPA)		21		308	308		308

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

Name of insurer **Friends Life Limited**
 Total business / subfund **WL With Profit Fund**
 Financial year ended **31 December 2015**
 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)	2	7		169	169		169

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 2015**
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	16	5066		33481	33481		33481
902	Group index linked income protection claims in payment		6432		40753	40753		40753
905	Index linked annuity(CPA)	351	11379		107614	107614	(226)	107388
910	Accelerated Critical Illness (guaranteed premiums)	68	5995	45	193	193		193
910	Group Income Protection	50830	1271029	12194	6371	6371		6371
910	Income Protection non-profit	5559	110358	3631	(12689)	(12689)		(12689)
910	Long Term care policy - Future Care	982	63727	687	14231	14231		14231
910	Long Term care policy - Future Care claims in payment	110	1469		4396	4396		4396
910	Long Term care policy - Immediate Care	4	146		649	649		649
910	Individual PHI	2225	41183	1433	(3120)	(3120)		(3120)
910	Miscellaneous non profit	1	4		5	5		5
910	Miscellaneous protection rider	6307	8682	146	(611)	(611)		(611)
910	Stand alone Critical Illness (guaranteed premiums)	144	15511	225	70	70		70
910	Miscellaneous index linked	4111	316976	2833	122171	122171	14264	136435

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 2015**
 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		1427		10381	10381		10381
902	Group index linked income protection claims in payment		2013		12984	12984		12984
910	Miscellaneous index linked		4725		68	68		68
910	Group Income Protection		194290	1545	901	901		901
910	Income Protection non-profit		62381	104	(3506)	(3506)		(3506)
910	Long Term care policy - Future Care		54064	81	3754	3754		3754
910	Long Term care policy - Future Care claims in payment		1322		3957	3957		3957
910	Individual PHI		18020	19	(404)	(404)		(404)
910	Miscellaneous protection rider		(1893)	19	(78)	(78)		(78)
910	Stand alone Critical Illness (guaranteed premiums)		12861		122	122		122
910	Miscellaneous index linked		186085	1445	35784	35784	195	35979

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 2015**
 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		108		1051	1051		1051

Name of insurer	Friends Life Limited
Total business / subfund	Non Profit Fund
Financial year ended	31 December 2015
Units	£000
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 2015**
 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		17766		108628	108628		108628

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 2015**
 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		271		5480	5480		5480

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 2015**
 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
901	Index linked income protection claims in payment		148		619	619		619
905	Index linked annuity(CPA)		22		392	392	1	393
910	Miscellaneous index linked		10957	30	154	154	7	161

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

Name of insurer **Friends Life Limited**
Total business
Financial year ended **31 December 2015**
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 Monthly Distribution	01 - life - stock market managed fund	192321	FP Accumulation 1.00% - PO	0.01	1.2588	1.1584	(7.98)
Life Managed	04 - life - other managed fund	549214	FP Accumulation 0.75% - PR	0.01	8.6259	8.6424	0.19
Life Stewardship	05 - life - UK equity	213010	FP Accumulation 0.75% - PR	0.01	12.0839	12.3330	2.06
Life - Commercial Property	07 - life - property	163296	Accumulation SY		6.4098	7.1631	11.75
Life Property	07 - life - property	147861	FP Accumulation 0.75% - FP	0.01	5.4154	6.0069	10.92
Pension - Managed	14 - individual pension - other managed fund	450210	Accumulation C	0.01	63.0307	63.0721	0.07
Pension - Commercial Property	17 - individual pension - property	763196	Accumulation SY		8.8206	9.9154	12.41
Managed Fund L	02 - life - balanced managed fund	779659	Issue 83	0.01	18.6710	18.9880	1.70
Reserve Fund L	03 - life - defensive managed fund	289689	Issue 90	0.01	1.4000	1.4270	1.93
Distribution Fund L	04 - life - other managed fund	4407281	Issue 73	0.01	3.8920	3.7490	(3.67)
Deferred Distribution L	04 - life - other managed fund	3026032	Issue 72	0.01	5.8320	5.7880	(0.75)
High Yield Dist L	04 - life - other managed fund	493014	Issue 90	0.01	0.9030	0.8750	(3.10)
Defensive Dist L	04 - life - other managed fund	244880	Issue 90	0.01	1.2400	1.2300	(0.81)
Monthly Distribution L	04 - life - other managed fund	195802	Issue 90	0.01	1.0130	0.9750	(3.75)
UK Equity Fund L	05 - life - UK equity	104050	Issue 83	0.01	28.1860	28.6720	1.72
Higher Income Fund L	05 - life - UK equity	131621	Issue 72	0.01	38.0690	37.7050	(0.96)
Global Distribution L	06 - life - overseas equity	140364	Issue 90	0.01	2.0610	2.0600	(0.05)
Property Fund L	07 - life - property	265993	Issue 90	0.01	1.5860	1.7450	10.03

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

Name of insurer **Friends Life Limited**
Total business
Financial year ended **31 December 2015**
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
Global Managed P	11 - individual pension - stock market managed fund	143996	Issue 23	0.01	5.2090	5.2520	0.83
Retirement 2015 P	11 - individual pension - stock market managed fund	123019	Issue 66	0.01	1.8010	1.8000	(0.06)
Retirement 2020 P	11 - individual pension - stock market managed fund	198172	Issue 66	0.01	1.7330	1.7610	1.62
Retirement 2025 P	11 - individual pension - stock market managed fund	259258	Issue 66	0.01	1.7340	1.7790	2.60
Retirement 2030 P	11 - individual pension - stock market managed fund	277738	Issue 66	0.01	1.7350	1.7820	2.71
Retirement 2035 P	11 - individual pension - stock market managed fund	244494	Issue 66	0.01	1.7300	1.7770	2.72
Retirement 2040 P	11 - individual pension - stock market managed fund	263942	Issue 66	0.01	1.7240	1.7710	2.73
Managed Fund P	12 - individual pension - balanced managed fund	3645329	Issue 21	0.01	33.1150	33.6930	1.75
Reserve Fund P	13 - individual pension - defensive managed fund	154967	Issue 66	0.01	2.0270	2.0950	3.35
Rosenberg Amer Eq P	14 - individual pension - other managed fund	121564	Issue 21	0.01	16.4810	16.9880	3.08
Fixed Interest P	14 - individual pension - other managed fund	205003	Issue 21	0.01	15.8250	15.7670	(0.37)
Cash Fund P	14 - individual pension - other managed fund	274846	Issue 21	0.01	7.7780	7.7410	(0.48)
Retirement Dist P	14 - individual pension - other managed fund	2015952	Issue 21	0.01	6.3040	6.2500	(0.86)
Aquila Global Eq 50/50 P	14 - individual pension - other managed fund	127606	Issue 66	0.01	2.2980	2.3880	3.92
UK Equity Fund P	15 - individual pension - UK equity	919599	Issue 21	0.01	60.0610	60.8070	1.24
Higher Income Fund P	15 - individual pension - UK equity	232925	Issue 23	0.01	13.4500	13.3310	(0.88)
Rosenberg Global Eq P	16 - individual pension - overseas equity	197181	Issue 21	0.01	17.6840	17.9310	1.40
Rosenberg Pacific P	16 - individual pension - overseas equity	109570	Issue 21	0.01	16.7930	15.5870	(7.18)

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

Name of insurer **Friends Life Limited**
Total business
Financial year ended **31 December 2015**
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
Rosenberg European P	16 - individual pension - overseas equity	168251	Issue 21	0.01	7.5400	7.7230	2.43
Global Distribution P	16 - individual pension - overseas equity	102739	Issue 66	0.01	2.2650	2.2770	0.53
Property Fund P	17 - individual pension - property	332763	Issue 66	0.01	2.2960	2.5720	12.02
Group Mixed	22 - group managed fund - balanced managed fund	102431	Group Managed Fund	0.01	79.2497	82.3436	3.90
FL Unit EL	02 - life - balanced managed fund	328811	The Unit Fund 0.75%	0.01	44.2195	44.9710	1.70
FL Rainbow Managed EP	12 - individual pension - balanced managed fund	918059	Colonial Rainbow Managed I	0.01	24.3900	24.7429	1.45
FL Rainbow Equity EP	11 - individual pension - stock market managed fund	373979	Colonial Rainbow Equity I Inv	0.01	60.0836	60.6914	1.01
FL Aberdeen Multi-Asset EP	14 - individual pension - other managed fund	210219	FL Aberdeen Multi-Asset IE	0.01	1.0754	1.0547	(1.92)
FL Schroder Managed EP	12 - individual pension - balanced managed fund	446976	FL Schroder Managed IE	0.01	1.0531	1.0754	2.12

Long-term insurance business : Index linked business

Name of insurer **Friends Life Limited**

Total business

Financial year ended **31 December 2015**

Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	560170	13.83
Other variable interest securities	12	555732	9.75
Approved fixed interest securities	13	7397	10.78
Other fixed interest securities	14	51380	8.86
Cash and deposits	15		
Equity index derivatives	16	1677	
Inflation swaps	17		
Other assets	18	47313	
Variation margin	19		
Total (11 to 19)	20	1223669	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	3617	16.00
AA/Aa	32	49499	6.26
A/A	33	374534	10.34
BBB/Baa	34	102061	8.30
BB/Ba	35	54042	14.42
B/B	36	17	15.91
CCC/Caa	37		
Other (including unrated)	38	23342	0.15
Total other fixed interest and other variable interest securities	39	607112	9.67

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Life Limited**Subfund **FP With Profit Fund**Financial year ended **31 December 2015**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	553372	1.70	2.13	3.74
UK F51 L&GA NP	73868	1.80	2.25	2.37
UK F52 L&GA	798960	1.70	2.13	3.74
UK F53 L&GA NL	8670	1.80	2.25	2.39
UK F51 Pensions WP	1343539	n/a	2.10	2.36
UK F51 Pensions NP	214462	n/a	2.30	2.38
UK F51 Pensions NP - Annuities	1824181	n/a	2.86	2.93
UK F52 Pensions	2402983	n/a	2.10	2.69
UK F53 Pensions NL	24170	n/a	2.30	2.36
OS F52	111795	n/a	2.10	4.08
Miscellaneous	248317	n/a	n/a	1.46
Total	7604317			

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 2015**

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	66856	2.10	2.63	3.30
UK F51 L&GA NP	1549	1.80	2.25	2.90
UK F51 Pensions WP	66043	n/a	2.70	3.72
UK F51 Pensions NP	64421	n/a	2.30	2.50
Miscellaneous	1651	n/a	n/a	0.82
Total	200520			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Life Limited**Subfund **FLC New With Profit Fund**Financial year ended **31 December 2015**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	59983	n/a	2.40	2.64
UK F51 L&GA WP	334488	2.75	3.44	4.19
UK F51 Pensions WP	133203	n/a	2.40	2.64
UK F52 Pensions	746787	n/a	2.50	3.17
UK F52 L&GA	925634	2.50	3.13	3.89
UK F52 Pensions Guaranteed 4%	600488	n/a	4.00	4.38
Miscellaneous	273039	n/a	n/a	3.06
Total	3073622			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Life Limited**Subfund **FLC Old With Profit Fund**Financial year ended **31 December 2015**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	45401	n/a	2.40	2.64
UK F51 L&GA WP	111871	2.75	3.44	4.19
UK F51 Pensions WP	38419	n/a	2.40	2.64
UK F52 Pensions	154919	n/a	2.50	3.17
UK F52 L&GA	187303	2.50	3.13	3.89
UK F52 Pensions Guaranteed 4%	249205	n/a	4.00	4.38
Miscellaneous	39087	n/a	n/a	3.00
Total	826205			

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 2015**

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	199401	2.20	2.75	3.08
UK F51 Pensions NP	612121	n/a	2.65	2.89
UK F51 Pensions WP	305171	n/a	3.75	4.40
UK F52 Pensions	1218371	n/a	2.75	3.37
UK F52 L&GA	361873	2.75	3.44	4.17
Miscellaneous	151492	n/a	n/a	3.99
Total	2848429			

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 2015**

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	17535	1.50	1.88	1.97
UK F51 L&GA WP	141930	1.80	2.25	2.90
UK F51 Pensions NP	75135	n/a	1.90	1.97
UK F51 Pensions WP	50274	n/a	2.80	2.90
UK F51 Pensions WP - Deferred Annuity	128740	n/a	1.30	2.03
UK F52 L&GA WP	10285	1.80	2.25	2.90
UK F52 Pensions WP	91151	n/a	2.25	2.90
Miscellaneous	8809	n/a	n/a	1.80
Total	523859			

Long-term insurance business: Analysis of valuation interest rateName of insurer **Friends Life Limited**Subfund **Non Profit Fund**Financial year ended **31 December 2015**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK F51 L&GA NP	145017	1.80	2.25	2.95
UK F51 L&GA NP - PHI	124909	n/a	1.80	1.85
UK F51 L&GA NP - PHI Claims	85991	n/a	2.30	2.36
UK F51 L&GA NP - ex-FLC	120287	0.01	1.81	1.96
UK F51 L&GA NP - GAF ex-FLC	47340	n/a	1.80	1.96
UK F51 L&GA NP - PHI ex-FLC	191942	n/a	1.80	1.96
UK F51 L&GA NP - ex-FLWL	16464	0.02	2.63	2.70
UK F51 Pensions NP	1539123	n/a	2.79	2.86
UK F51 Pensions NP - ex-FLC	1486987	n/a	3.05	3.25
UK F51 Pensions NP - ex-FLAS WPF	590404	n/a	2.90	3.10
UK F51 Pensions NP - ex-FLC WPF	598149	n/a	2.75	2.91
UK F51 Pensions NP - ex-FLWL	477444	n/a	2.90	3.01
UK F51 Pensions NP - ex-FAL A1	2152729	n/a	2.55	2.74
UK F51 Pensions NP - ex-FAL A2	1513067	n/a	2.65	2.86
UK F53 L&GA NL - ex-FLC	70290	0.01	1.81	1.96
UK F53 Pensions NL - ex-FLC	104265	n/a	1.80	1.96
OS F53 NL	102269	n/a	2.40	2.46
UK F54 L&GA NL - PHI ex-FLC	14153	n/a	0.02	1.96
Miscellaneous	404734	n/a	n/a	0.01
Total	9785564			

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Life Limited**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	52893652	52839441
Bonus payments in anticipation of a surplus	12	719270	712023
Transfer to non-technical account	13		336213
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	53612922	53887677
Mathematical reserves	21	52293954	52339678
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	1318968	1547999

Composition of surplus

Balance brought forward	31	420377	356686
Transfer from non-technical account	32	233932	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	664659	1191314
Total	39	1318968	1548000

Distribution of surplus

Bonus paid in anticipation of a surplus	41	719270	712023
Cash bonuses	42		9
Reversionary bonuses	43	95096	79378
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	814366	791411
Net transfer out of fund / part of fund	47		336213
Total distributed surplus (46+47)	48	814366	1127624
Surplus carried forward	49	504602	420377
Total (48+49)	59	1318968	1548000

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 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	7650126	8209493
Bonus payments in anticipation of a surplus	12	231656	294436
Transfer to non-technical account	13	10685	12879
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	7892467	8516808
Mathematical reserves	21	7645790	8201371
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	246677	315437

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	246677	315437
Total	39	246677	315437

Distribution of surplus

Bonus paid in anticipation of a surplus	41	231656	294436
Cash bonuses	42		
Reversionary bonuses	43	4336	8122
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	235992	302558
Net transfer out of fund / part of fund	47	10685	12879
Total distributed surplus (46+47)	48	246677	315437
Surplus carried forward	49		
Total (48+49)	59	246677	315437

Percentage of distributed surplus allocated to policyholders

Current year	61	95.67	95.92
Current year - 1	62	95.92	93.78
Current year - 2	63	93.78	94.88
Current year - 3	64	94.88	94.77

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 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	225519	240954
Bonus payments in anticipation of a surplus	12	2885	5058
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	228404	246012
Mathematical reserves	21	198868	214231
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	29536	31781

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	4537	6782
Total	39	29536	31781

Distribution of surplus

Bonus paid in anticipation of a surplus	41	2885	5058
Cash bonuses	42		
Reversionary bonuses	43	1651	1724
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	4536	6782
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	4536	6782
Surplus carried forward	49	25000	24999
Total (48+49)	59	29536	31781

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 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	3112767	3985921
Bonus payments in anticipation of a surplus	12	240204	235745
Transfer to non-technical account	13	27966	27375
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3380937	4249041
Mathematical reserves	21	3062135	3924657
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	318802	324384

Composition of surplus

Balance brought forward	31	50633	61254
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	268169	263130
Total	39	318802	324384

Distribution of surplus

Bonus paid in anticipation of a surplus	41	240204	235745
Cash bonuses	42		9
Reversionary bonuses	43	11488	10622
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	251692	246376
Net transfer out of fund / part of fund	47	27966	27375
Total distributed surplus (46+47)	48	279658	273751
Surplus carried forward	49	39144	50633
Total (48+49)	59	318802	324384

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 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	826204	962287
Bonus payments in anticipation of a surplus	12	96255	50165
Transfer to non-technical account	13	13483	5998
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	935942	1018450
Mathematical reserves	21	801109	958471
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	134833	59979

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	134833	59979
Total	39	134833	59979

Distribution of surplus

Bonus paid in anticipation of a surplus	41	96255	50165
Cash bonuses	42		
Reversionary bonuses	43	25095	3816
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	121350	53981
Net transfer out of fund / part of fund	47	13483	5998
Total distributed surplus (46+47)	48	134833	59979
Surplus carried forward	49		
Total (48+49)	59	134833	59979

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 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	2953142	3198755
Bonus payments in anticipation of a surplus	12	131169	109121
Transfer to non-technical account	13	20311	18028
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3104622	3325904
Mathematical reserves	21	2901514	3145621
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	203108	180283

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	203108	180283
Total	39	203108	180283

Distribution of surplus

Bonus paid in anticipation of a surplus	41	131169	109121
Cash bonuses	42		
Reversionary bonuses	43	51628	53134
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	182797	162255
Net transfer out of fund / part of fund	47	20311	18028
Total distributed surplus (46+47)	48	203108	180283
Surplus carried forward	49		
Total (48+49)	59	203108	180283

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 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	524028	589087
Bonus payments in anticipation of a surplus	12	17101	17498
Transfer to non-technical account	13	1623	1933
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	542752	608518
Mathematical reserves	21	523130	587127
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	19622	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	19622	21391
Total	39	19622	21391

Distribution of surplus

Bonus paid in anticipation of a surplus	41	17101	17498
Cash bonuses	42		
Reversionary bonuses	43	898	1960
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	17999	19458
Net transfer out of fund / part of fund	47	1623	1933
Total distributed surplus (46+47)	48	19622	21391
Surplus carried forward	49		
Total (48+49)	59	19622	21391

Percentage of distributed surplus allocated to policyholders

Current year	61	91.73	90.96
Current year - 1	62	90.96	90.91
Current year - 2	63	90.91	90.86
Current year - 3	64	90.86	90.64

Long-term insurance business : Distribution of surplus

Name of insurer **Friends Life Limited**
 Total business / subfund **Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Valuation result

Fund carried forward	11	37601866	35652944
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		270000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	37601866	35922944
Mathematical reserves	21	37161408	35308199
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	440458	614745

Composition of surplus

Balance brought forward	31	344745	270433
Transfer from non-technical account	32	308000	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(212287)	344312
Total	39	440458	614745

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
Total distributed surplus (46+47)	48		270000
Surplus carried forward	49	440458	344745
Total (48+49)	59	440458	614745

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 2016**

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	7096	1524		UWP	N	7096
Endowment assurance	15	12908	4223		UWP	N	12908
Endowment assurance	20	18441	3822		CWP	N	21983
Endowment assurance	25	27543	7768		CWP	N	39935
Regular premium pension	5	14427	1644		UWP	N	14427
Regular premium pension	10	33652	7220		UWP	N	33652
Regular premium pension	15	58791	17701		UWP	N	58791
Regular premium pension	20	83919	14919		UWP	N	83919
Single premium pension	5	13822	2695		UWP	N	13822
Single premium pension	10	16138	4489		UWP	N	16138
Single premium pension	15	21303	8619		UWP	N	21303
Single premium pension	20	31670	6739		UWP	N	31670

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 2016**

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	6447	1330		UWP	Y	12580
Endowment assurance	15	11806	3467		UWP	Y	15189
Endowment assurance	20	17295	3709		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	15549	4241		UWP	Y	15662
Single premium pension	2	11459	916		UWP	Y	11459
Single premium pension	3	12046	1218		UWP	Y	12046
Single premium pension	5	13822	2695		UWP	Y	13822
Single premium pension	10	16138	4489		UWP	Y	16138

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 2016**

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	17232	5358		UWP	N	17232
Endowment assurance	25	29105	11423		UWP	N	29105
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	79864	24920		UWP	N	79864
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	34807	17828		UWP	N	34807

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 2016**

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	16769	5158		UWP	Y	17121
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 2016**

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	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	25	46142	26581		CWP	N	46142
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	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
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 2016**

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	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	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 2016**

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	15356	5877	n/a	UWP	N	15356
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	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	71050	31577	n/a	UWP	N	71050
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	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	26923	11965	n/a	UWP	N	26923
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 2016**

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	13724	5252	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	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 **AXA Equity & Law**Date of maturity value / open market option **01 March 2016**

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	21310	7823	n/a	UWP	N	24675
Endowment assurance	25	31363	12695	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	102496	44227	n/a	UWP	N	102496
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	34803	15017	n/a	UWP	N	34803

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 2016**

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	19984	7336	n/a	UWP	Y	38000
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 2016**

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	21923	6414	n/a	CWP	N	21923
Endowment assurance	25	37104	14120	n/a	CWP	N	37104
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	97680	29282	n/a	UWP	N	97680
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	41940	19999	n/a	UWP	N	41940

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 2016**

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	22007	4958	n/a	CWP	N	27325
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 2016**

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	15315	4407	n/a	UWP	N	15315
Endowment assurance	25	22754	7574	n/a	UWP	N	22754
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	75082	25458	n/a	UWP	N	75082
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	31511	15426	n/a	UWP	N	31511

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 2016**

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	14842	4240	n/a	UWP	Y	14842
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 2016**

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	10038	2657	n/a	UWP	N	10038
Endowment assurance	20	14259	3926	n/a	UWP	N	14259
Endowment assurance	25	23048	4461	n/a	CWP	N	23048
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	46654	12533	n/a	UWP	N	46654
Regular premium pension	20	66156	18441	n/a	UWP	N	66156
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	14986	5248	n/a	UWP	N	14986
Single premium pension	20	20694	8027	n/a	UWP	N	20694

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 2016**

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	9596	2214	n/a	UWP	Y	10038
Endowment assurance	20	13846	3513	n/a	UWP	Y	14259
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirementName of insurer **Friends Life Limited**

Global business

Financial year ended **31 December 2015**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%	557575	557575		
Classes I (other), II and IX	12	0.1%	52862573	32528881	0.50	26431
Classes I (other), II and IX	13	0.15%	1033464	106199		775
Classes I (other), II and IX	14	0.3%	87191188	28400114		130787
Classes III, VII and VIII	15	0.3%	10379660	10308433	0.99	30925
Total	16		152024460	71901202		188918

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					32851
						28533

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	23614366	22950490	0.97	229505
Classes III, VII and VIII (investment risk)	33	1%	2964951	2767411	0.93	27674
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	3698311	3421373	0.93	34214
Classes III, VII and VIII (other)	35	25%				23794
Class IV (other)	36	1%	919105	607375	0.85	7812
Class V	37	1%				
Class VI	38	1%	8685	8685	1.00	87
Total	39					323086

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	16864	16864		
Classes I (other), II and IX	42	3%	23614366	22950490	0.97	688515
Classes III, VII and VIII (investment risk)	43	3%	2964951	2767411	0.93	83022
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	3698311	3421373		
Classes III, VII and VIII (other)	45	0%	28495332	22616852		
Class IV (other)	46	3%	919105	607375	0.85	23437
Class V	47	0%				
Class VI	48	3%	8685	8685	1.00	261
Total	49		59717614	52389050		795235

Long term insurance capital requirement	51					1340090
						1412104

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2015

***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 (FAL), in respect of the In-Force Intra-Group Reassurance Agreement dated 18 December 2007 (as amended), the New Business Intra-Group Reassurance Agreement dated 18 December 2007 (as amended) and, from the date on which it takes effect, the further In-Force Intra-Group Reassurance Agreement; and
- (ii) to allow the reinsurance debts owed to the firm by the ISPV to be admissible.

The reinsurance with the ISPV has collapsed and FAL has since been deauthorised.

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**

	<u>2015</u>	<u>2014</u>
	£000	£000
Total admissible assets (long-term) – Form 13 line 89	60,015,939	60,369,188
Total admissible assets (other than long-term) – Form 13 line 89	1,153,248	1,645,319
Less:		
Mathematical reserves, after distribution of surplus (long-term) – Form 14 line 11	(52,389,050)	(52,419,055)
Cash bonuses – Form 14 Line 12	-	(9)
Total other insurance and non-insurance liabilities (long-term) - Form 14 line 49	(2,089,790)	(2,058,808)
Total liabilities (other than long-term) - Form 15 line 69	(964,423)	(1,039,803)
Net admissible assets	5,725,924	6,496,832
Add:		
Capital requirements of regulated related undertakings	339,002	235,244
Subordinated debt	856,136	856,136
Total capital resources after deductions – Form 3 line 79	6,921,062	7,588,212

Returns under the Interim Prudential Sourcebook for Insurers

Supplementary notes to the Return

Friends Life Limited

Global business

Financial year ended 31 December 2015

***0306* Financial reinsurance ceded**

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

As at the valuation date:

- Mathematical reserves in relation to this arrangement were not increased. Therefore the overall impact of the treaty is to increase available capital resources by £1.2m.
- The amount of the Company's contingent liability under this arrangement at the valuation date was £1.2m.
- There is no formal provision to terminate these agreements for existing business, so there is no commutation value.

***0310* Valuation differences**

Positive valuation differences included within line 14 on form 3 are as follows:

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Difference between mathematical and realistic reserves	4,358,774	4,808,145
Additional prefunding liability	40,956	48,615
Other valuation differences (including actuarial reserves)	(111,209)	112,828
Munich Re contingent loan	1,151	9,102
Tax valuation differences	43,014	4,516
Valuation differences	8,941	-
Valuation differences on long term fund liabilities (Note 1405)	4,341,626	4,983,206
Mirroring of exchange differences on group debt	-	(151,587)
Foreseeable dividend	-	(150,000)
Asset valuation differences	(51,134)	(50,331)
Valuation differences on other than long term liabilities (note 1507)	(2,166)	-
Total equalling Form 3 Line 14	4,288,326	4,631,288

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

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Profit and loss account reserves b/fwd	2,698,914	3,226,366
Profit and loss account reserves c/fwd	1,806,823	2,698,914
Movement	(892,091)	(527,452)
Remove PRA transfer from technical account to non technical account	(233,933)	336,213
Foreseeable dividend recognised in form 16 in 2013	-	273,000
Foreseeable dividend recognised in form 16 in 2014	150,000	(150,000)
Surplus arising on the long-term business technical account	149,312	(137,445)
Prior year adjustment in statutory accounts	(33,800)	-
STICS reclassification	(15,755)	-
Payment of 2005 STICS interest	28,462	24,735
Total equalling Form 16 line 59	(847,805)	(180,949)

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***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.

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

Within the long-term funds:

- i) The company held unlisted investments valued at £1,689.7m (2014: £1,453.6m.)
- ii) Lines 41, 42, 46 & 48 include assets to the value of £145.5m (2014: £194.5m) where, due to market conditions the latest valuation available did not reflect active trading as at the valuation date.
- iii) There were £1,251.6m (2014: £17.8m) 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 £4.6m (2014: £0.5m) of unlisted investments.

***1302* & *1309* Hybrid securities**

The Company held hybrid securities valued at £391.2m (2014: £431.6m) in the long-term fund and £100.0m (2014: £117.6m) 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**

Throughout the year the Company provided and maintained investment restrictions which are issued to the fund managers to ensure compliance with the counterparty exposure limits. In September the company adopted a counterparty credit framework which determines the maximum permitted counterparty exposure. The data presented below from September through to December reflects the maximum permitted exposures and breaches determined through the application of that framework.

January to August

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.

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

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

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

In addition, the maximum permitted aggregate holding across relevant UK equity funds will not exceed 10% of the free float market capitalisation ("free float"). For those the combined part of the 90:10 or with profits funds managed by the Investment Manager the maximum permitted exposure is 7% of the free float.

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

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

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

Counterparty and concentration limits applicable to cash managed within the AXA IM Cash Sterling Liquidity Fund are authorised by the Friends Life Group Investments Team and defined within the cash expertise Guidelines

Management of cash on behalf of the portfolios and the funds has been delegated to the Investment Manager via a mutual investment umbrella fund organised under the laws of Luxembourg. The limits are set along two main dimensions: (1) Country Limits; and (2) Individual Name Limits.

Investments in financial institutions are permitted into issuers deemed national champions (i.e. likely to be supported by their respective governments in a crisis) as proposed by the Investment Manager (following input from 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 FLAS With Profit**

The exposure to sub-investment grade corporate bonds has breached the 1% limit, due to a 1.1% Tesco debt holding, which were downgraded as sub-investment. The asset manager remains positive on the name and is carefully monitoring the situation. Tesco is also in breach of the Credit Charge Limit under the h-Aviva model and actions will be taken as part of this process.

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Cash breaches in the year

- **FLL FP With Profit, FLL FPLAL With Profit, FLWL With Profit & FLL SANP**

Counterparty cash exposure of 8.1% in Citigroup is over SNAV individual counterparty 8% limit. The portfolio manager corrected this breach in July 2015.

September – December

From September 2015 onwards the maximum permitted exposure to individual counterparties within the company is determined through a counterparty credit framework which is applied in a consistent manner throughout the Aviva Group. The nature and structure of this framework, along with the approach to calibrating limits, is determined centrally within the Aviva Group, specific limits are set for each legal entity. A limit for maximum shareholder exposure (SHE) has been set at £297m.

Whilst asset and fund specific limits exist within investment mandates the counterparty credit framework takes a more holistic approach in aggregating shareholder exposures across all relevant funds and asset classes.

Since introduction in September a number of counterparties have breached the new limits, as detailed below:

	Limit Breached	Utilisation of Limit	Breach Date
ROYAL BANK OF SCOTLAND GROUP PLC	SHE	142%	Sep 15
LLOYDS BANKING GROUP PLC	SHE	132%	Sep 15
NATIONWIDE BUILDING SOCIETY	SHE	115%	Sep 15
HSBC HOLDINGS PLC	SHE	112%	Sep 15

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.

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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.

There is no such exposure at the end of 2015.

***1307* & *1313* Fully secured rights**

The aggregate amount of fully secured rights in the long-term funds is £137.0m (2014: £180.8m). There were no such amounts in the other than long-term fund.

***1318* Other asset adjustments**

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Long-term fund		
Gross ups	(533,676)	(179,089)
Other than long-term fund		
Gross ups	79,443	(8,384)

***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 FLWL 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**

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 of £50.1m (2014: £50.5m) 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.

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	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
FP With Profit	16,907	17,389
FLC New With Profit	12,851	14,922
FLC Old With Profit	3,560	4,271
FLAS With Profit	8,596	9,228
Total With Profits Funds	41,914	45,810
FLL With Profit WP	6,994	-
FLL Non profit	1,127	1,739
Total Long Term Fund	50,035	47,549
Shareholder	92	2,904
Total Company valuation uncertainty adjustment	50,127	50,453

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 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 £82.7m (2014: £128.3m) would arise if the insurer was to dispose of all its non unit linked assets. This liability has been included within Form 14 Line 21 & Form 13 Line 93.

Current tax of £324.3m (2014: £343.5m) would arise if the insurer disposed of its unit linked assets.

No charge (2014: £0.0m) has been made in unit pricing for tax losses carried within the unit linked funds.

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 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.

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FLAS and FLC provided an indemnity to a fellow subsidiary FLS, which acts as a distributor and third party administrator for their products and services. This indemnity is provided in the event of FLS becoming insolvent, to meet and deal with any civil liability which FLS has incurred to investors in the course of its relevant business, for as long as FLS remains in its role. Under the Part VII transaction the indemnity in relation to the business transferred has transferred to the Company.

The Company has also made the following guarantees:

- (i) 6.875% Step-up Tier one Insurance Capital Securities ("STICS") issued by Friends Life 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 a 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 a restructuring of the Group, FLH was substituted for FPG as the issuer of the 2003 STICS. On 2 October 2015, as part of a restructuring of the Group, the 2003 STICS were transferred from FLH to Aviva Group Holdings Limited.

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 IAS 39 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) Other guarantees in respect of FLH debt

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

On 21 April 2011, FLH issued a £500m external Lower Tier 2 ("LT2") debt instrument with a coupon of 8.25% and a maturity of 2022. The £500m external LT2 debt is guaranteed on a subordinated basis by the Company.

On 8 November 2012, FLH issued a US\$575m Upper Tier 2 ("UT2") reset perpetual subordinated debt instrument with a coupon of 7.875%, which is irrevocably guaranteed on a subordinated basis by the Company.

The possibility of the Company having to make payments under the guarantees is considered to be very remote and as such no amounts for the guarantees are provided under IAS 39.

The Company has investment property commitments of £38m (2014: £19m) relating to ongoing construction, renovation costs and costs of acquiring existing properties.

The Company has potential commitments of £202m (2014: £230m) 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

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December 2015 there are still funds that have yet to be utilised that, under the agreements, are still available to the private equity managers and hence are classified as potential commitments.

e) Other uncertainties

The Company is not aware of any other fundamental uncertainties.

***1405* Other adjustments to liabilities**

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Liability valuation differences (note 0310)	4,341,626	4,983,206
Gross ups	(533,676)	(179,089)
	<u>3,807,950</u>	<u>4,804,117</u>

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

The value of non-linked assets in the With Profits funds changed as follows:

	<u>2015</u> <u>Increase/(decrease)</u> <u>£000</u>	<u>2014</u> <u>Increase/(decrease)</u> <u>£000</u>
FP With Profit	10,503	705,266
FPLAL With Profit	(3,812)	29,134
FLC New With Profit	204,939	280,422
FLC Old With Profit	56,935	70,689
FLAS With Profit	127,286	302,218
WL With Profit	(59)	45,712

***1507* Other adjustments**

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Gross ups	79,443	(8,384)
Foreseeable dividend	-	(150,000)
Other differences	(2,166)	(2,292)
	<u>77,277</u>	<u>(160,676)</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.

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***1603* - Other income**

The amount included at Line 21 relates to:

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
Exceptional item – 2014 FLWL	-	8,009

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.

***1700* Forms omitted from the return**

Form 17 for other than long-term insurance business has been omitted because all entries would be blank.

***1701* Variation margin**

The aggregate amount of excess variation margin needed to be repaid due to underlying market movements is £nil (2014: £6.3m). Variation margin of £4.1m (2014: £35.3m) 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 £8,173.6m. 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	970.9	9.7
Line 46 Fixed Interest Other	6,667.8	152.3
Line 47 Variable Interest Approved	232.6	-
Line 48 Variable Interest Other	132.2	8.1
	<hr/> 8,003.5	<hr/> 170.1

b) The aggregate amount of liabilities under contracts or in respect of assets, either of which have the effect of derivative contracts did not exceed 2.5% of the aggregate amounts shown at either 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

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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 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:

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
FLP management charges	34,194	36,882
FLL management and other charges	22,525	28,337
Policy loan income	144	130
Rebated unit trust charges	1,873	1,631
Total other income	58,736	66,980

Other expenditure in Form 40 line 25 relates to:

	<u>2015</u> <u>£000</u>	<u>2014</u> <u>£000</u>
FLL management and other charges	23,776	26,568

***4004* Business transfers-in**

The amount included in business transfers out for the FLAS and FLC With Profits Funds and the amount included in business transfers in for the Non Profit Fund relate to the inter-fund transfer of £661.1m (2014: £788.8m) of annuity liabilities and £661.1m (2014: £788.8m) of invested assets backing these liabilities from the FLAS and FLC With Profits Funds to the Non Profit Fund. As this was an inter-fund transaction which did not

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change the total long term fund position the total long term fund form 40 does not show the business transfer in and out.

***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 Aviva 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.

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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:

	<u>2015</u>	<u>2014</u>
	<u>£000</u>	<u>£000</u>
FP With Profit	656	1,014
FPLAL With Profit	-	-
FLC New With Profit	278	1,363
FLC Old With Profit	-	298
FLAS With Profit	2,514	4,469
WL With Profit	3	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 £3.1m (2014:£6.0m) and liabilities of £22.1m (2014:£19.5m) under derivative contracts.

***4403* Variation margin**

There is a liability to repay variation margin of £7.0m (2014: £1.3m) at the year end.

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

Other income and expenditure consists of

	<u>2015</u>	<u>2014</u>
	<u>£000</u>	<u>£000</u>
Rebated unit trust charges	14,458	14,483
Investment related expenditure	8,652	5,255

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

For certain with-profit policies in FLC NWPF, FLC OWPF, WL WPF and FP 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

In addition, almost all with-profit policies in the WL WPF have an asset share philosophy which assumes a variation of asset mix by duration of policy except for a small block of ex-winterthur unitised business which makes up less than 5% of the fund by asset share.

(b) For conventional with profits business the asset mix used as at 31 December 2015 was as follows:

UK Equities	29.0%
Overseas Equities	15.8%
Properties	14.2%
Fixed Interest	37.6%
Other	3.4%

This applies to the following bonus series:

Conventional Life Series 1

Conventional Life Series 2

Conventional Pensions

Top Flight, Moneysaver and Postal Staff Scheme

For unitised with profits policies with either no maturity date or more than one third of the term remaining the asset mix used as at 31st December 2015 was as follows:

UK Equities	38.9%
Overseas Equities	20.7%
Properties	18.9%
Fixed Interest	19.7%
Other	1.8%

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

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Trustee Plan

Pensions 1997 Series

Pensions 1999 Series

Pensions 2000 & 2002 Series

Retirement Investment and Income Plan

Amulet

AXA Isle of Man Bond (Sterling)

For Retirement Savings Schemes, the asset mix used as at 31st December 2015 was as follows:

UK Equities	19.5%
Overseas Equities	10.3%
Properties	9.5%
Fixed Interest	55.7%
Other	5.0%

Within the WL WPF, conventional with-profits deferred annuities, the asset mix used as at 31st December 2015 was as follows:

Fixed Interest	100%
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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 2015 is as follows:

FP WPF asset mix at 31 December 2015	Pre-demutualisation business	Post-demutualisation business
UK Equity	18.6%	23.9%
Overseas Equity	16.5%	21.2%
Property	8.8%	8.8%
Gilts	31.2%	21.2%
Corporate Fixed Interest	20.4%	20.4%
Other Investments	4.5%	4.5%

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.

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***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 £1,046.3m.

***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 WL WPF, FLAS With-Profit Fund, NWPF and 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.
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 2015 was:

Form 51 – With Profit:	£
UK Life	39.8m
Form 51 – Non Profit:	£
UK Life	63.3m
UK Pension	53.1m

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Form 52:	£
UK Life	72.1m
UK Pension	137.0m
Overseas	48.6m

Form 53 - Linked:	£
UK Life	4,086.7m
UK Pension	3,713.8m
Overseas	91.9m

Form 53 – Non-Linked:	£
UK Life	1.8m
UK Pension	4.9m

Form 54 - Linked:	£
UK Life	79.8m
UK Pension	5.8m

***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	1 scheme
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***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 68 schemes
- 575 Ex FLWL Group Retirement Benefit Schemes 2 schemes

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***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 63 schemes

***5303* - Details of policies included in the miscellaneous product code.**

The following product with gross mathematical reserves in excess of £10m has been classified under miscellaneous product code 795:

- Health Care Income Plan (unit-linked income protection)
- Lifetime Care Bond

***5304* - Approximations used to apportion between product codes.**

Unit-linked endowment assurances have been allocated to product code 720 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product code type 715 (savings) otherwise.

***5403* - Products classified as miscellaneous**

The following product with reserves in excess of £10m has been classified under miscellaneous product code 910:

- Index-linked Individual Lifetime Care Plans
- Index-linked deferred annuity

***5601* Rating agencies**

The majority of ratings used in Form 56 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.

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***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.

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	3.74%	3.74%	3.30%	3.30%		
UK F51 L&GA NP	2.45%	2.37%	2.90%	2.90%	3.46%	2.95%
UK F51 L&GA NP - PHI					1.99%	1.85%
UK F51 L&GA NP - Additional Reserves					2.58%	2.36%
UK F52 L&GA	3.74%	3.74%				
UK F53 L&GA NL	2.59%	2.39%				
UK F51 Pensions WP	2.40%	2.36%	3.72%	3.72%		
UK F51 Pensions NP	2.71%	2.38%				
UK F51 Pensions NP	3.58%	2.93%	2.50%	2.50%	3.37%	2.86%
UK F52 Pensions	3.11%	2.69%				
UK F53 Pensions NL	2.43%	2.36%				
OS F51 NP	2.97%	2.67%				
OS F52	4.08%	4.08%				
OS F53 NL	2.97%	2.67%			2.75%	2.46%

***5803* Distribution of Surplus**

For the FP With-profit fund and the WL With-profit fund, 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.

**Additional information on derivative and quasi-derivative contracts
(IPRU (INS) rule 9.29)
Friends Life Limited
Financial year ended 31 December 2015**

Derivative Contracts

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

a) Investment Guidelines.

Investment guidelines operated by the Company during 2015 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

Financial year ended 31 December 2015

From 1 January 2015 to 10 April 2015

100% of the issued share capital of the Company was held by Friends Life FPL Limited.

100% of the issued share capital of Friends Life FPL Limited was held by Friends Life FPG Limited.

100% of the issued share capital of Friends Life FPG Limited was held by Friends Life Holdings plc.

100% of the issued share capital of Friends Life Holdings plc was held by FLG Holdings Limited.

100% of the issued share capital of FLG Holdings Limited was held by Resolution Holdco No.1 LP.

99.99% of the issued share capital in Resolution Holdco No.1 LP which exercised 100% of the voting rights at any general meeting was held by the ultimate parent undertaking, Friends Life Group Limited.

From 10 April 2015 to 13 April 2015

On 10 April 2015, 100% of the issued share capital of Friends Life Group Limited was acquired by Aviva plc.

Resolution Holdco No.1 was dissolved and Friends Life Group Limited acquired 100% of the issued share capital of FLG Holdings Limited.

From 13 April 2015 to 31 December 2015

100% of the issued share capital of the Company is held by Friends Life FPL Limited.

100% of the issued share capital of Friends Life FPL Limited is held by Friends Life FPG Limited.

100% of the issued share capital of Friends Life FPG Limited is held by Aviva Life Holdings UK Limited.

100% of the issued share capital of Aviva life Holdings UK Limited is held by Aviva Group Holdings Limited.

100% of the issued share capital of Aviva Group Holdings Limited is held by the ultimate parent undertaking, Aviva plc.

All shares are voting shares.

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 2015.
- (2) The valuation date of the previous investigation was 31 December 2014.
- (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

None

Changes to existing products

- During 2015, Group Critical Illness products updated their definitions of the conditions covered in light of ABI changes to Statement of Best Practice, amended some of the existing conditions covered in light

of the transaction with Aviva, and included an option to allow cover for diagnosis of a second or subsequent cancer.

- Group Cancer Cover products included an option to allow cover for diagnosis of a second or subsequent cancer.

Products Withdrawn

The following products have been withdrawn:

- The Self Invested Personal Pension (v.2000)
- Personal Pension Portfolio (Self Admin version)
- Friends Life SIPP (previously Winterthur Life SIPP)
- Universal SIPP
- The Friends Life SIPP (previously the AXA SIPP)

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 2015 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:

	Number of reviewable policies during 2015	Minimum Premium Increase	Maximum Premium Increase	Proportion of reviewed policies unchanged
Ex-BHA Critical Illness	114	3.0%	12.1%	3.4%
Ex-BHA Accelerated Critical Illness	2436	-14.6%	16.1%	1.1%
Ex-BHA Income Protection	75	3.6%	159.6%	45.7%
Ex-FLC Long term Care	2775	-29%	50%	41%

(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 2015 was 0.54%.

(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. All products shown below have some discretionary element associated to the charge. Index increases for the same index vary as they are not all measured between the same dates. Policy charges are applied from 1 January 2016.

Product	Increase	Index
Ex-FPLP Series 1 Pensions	3.2%	AWE
Ex-FPLP Series 2 Pensions directly sold	3.2%	AWE
Ex-FPLP Series 2 Pensions sold through IFAs	0.7%	RPI
All ex-FPLMA unit linked products	0.7%	RPI
Ex-FPLAL Optimum Life Plan	0.7%	RPI
Ex-FPLAL Income Replacement Plan	0.7%	RPI
Ex-FPLAL Universal Pension Account	0.7%	RPI
Ex-FPLAL Personal Pension Scheme	3.2%	AWE
Ex-FPLP Retirement Investment Bond	3.2%	AWE
Ex-FLC Flexible Pensions (excluding paid up pensions)	2.9%	Lower of RPI and AWE
Ex-FLC Health Care Income Plan	1.0%	RPI
Ex-FLC Multiplan	1.0%	RPI
Ex-FLC Flexible Cover Plan	0.8%	RPI
Ex-FLC Flexible Mortgage Plan	3.0%	AWE
Ex-FLC Individual Lifetime Care Bond	0.7%	RPI
Ex-FLC Homebuyers' Investment Plan	Note 1	RPI
Ex-FLC private pension funds	2.9%	AWE
Ex-FLAS Flexible Pensions (except paid up pensions)	2.9%	Lower of RPI and AWE
Ex-FLAS Flexible Cover Plan	0.8%	RPI
Ex-FLAS Flexible Mortgage Plan (pre 1 January 1993)	0.8%	RPI
Ex-FLAS Flexible Mortgage Plan (post 1 January 1993)	3.0%	AWE
Ex-FLAS private pension funds	2.9%	AWE

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

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.

Ex FPLAL / FPLP

In 2015 eight products had their mortality charges reviewed. The number of products affected and range of changes can be seen below:

	Number of policies affected	Range of changes
Abbey National Mortgage Plan	7424	-50% - 0%
Capital Bond	65	-64% - 0%
Flexible Whole of Life	2233	-72% - (-13%)
Flexible Mortgage Plan	2678	-56% - 0%
Flexiplan	454	-57% - (-24%)
Optimum Lifetime Plan	1300	-56% - 0%
Personal Pension Scheme	43	-52% - 0%
Universal Pension Account	102	-52% - (-13%)

Ex FLWL

In 2015 five products had their mortality and morbidity charges reviewed. The number of products affected and range of changes can be seen below:

	Number of policies affected	Range of changes
Flexiplus	887	-17% - 0%
Homepartner	5472	-33% - 50%
Homeprovider	7405	-32% - 53%
Life Cover Attached to WLUK pension schemes	55	-17% - 0%
PlusMortgage	6023	-18% - 0%

Ex FLC / FLAS

In 2015 six products had their mortality charges reviewed. The number of products affected and range of changes can be seen below:

	Number of policies affected	Range of changes
Maximum Cover Plan	473	-26% - (-5%)
Comprehensive Life Plan	2438	-26% - 0%
Flexible Cover Plan	15079	-36% - 0%
Flexible Savings Plan converted to Whole of Life	1	-22%
Flexible Mortgage Plan	2522	-22% - 0%
Comprehensive Savings Plan	1488	-22% - 0%

(6) Fund management charges

During 2015, the net annual management charge (the fund charge before rebate) was changed for the following fund:

Fund	Net Annual Management Charge		Fund size at 31/12/2015 £m
	Old	New	
Investec Diversified Income	1.50%	1.25%	4.3

There are no changes to notional charges to accumulating with profits policies.

(7) Unit Pricing

- a) Assets within linked funds are valued using generally accepted methods according to the category of asset being valued.

Each internal linked fund is normally priced on each working day, although there are some funds which are priced less frequently.

The valuation of assets can be on a 'creation basis' (i.e. based on the price at which assets could be bought) or a 'cancellation basis' (i.e. based on the price at which assets could be sold) depending on the short or medium term expectation of whether a fund is expanding or contracting.

If a fund is expected to be in a net inflow position (fund is expanding), then a creation basis is used to value the fund. If a fund is expected to be in a net outflow position (fund is contracting), then a cancellation basis is used to value the fund. In each case allowance is made for dealing costs, accrued income and any tax implications.

The bare price is calculated by taking the net asset value, using a creation or cancellation basis as appropriate, adjusted for any fund management charges and dividing by the number of units. The bid and offer price of a fund are calculated from the bare price taking account of initial charges and rounding on a neutral basis by no more than 0.1p. Some funds have no initial costs so the offer and bid price are the same and a single price is published. For funds with a bid/offer spread the offer price is the bare or bid price multiplied by an offer price factor (100/95 if the bid/offer spread is 5%). The bid price is either the bare price, or the offer price multiplied by the reciprocal of the offer price factor.

The price used for policy transactions is as specified in policy terms and conditions and depends on the type of transaction being carried out, the product the customer is invested in and how the request is received.

Premium payments, claims and maturity transactions are generally processed using the price determined as a result of the valuation on the day before or the day when the transaction is received. For some funds the request has to be received by a cut off point to use the price as a result of the valuation on the day when the transaction is received, otherwise the price as a result of the valuation for the following working day is used.

Switches received (other than by post) before a cut off point, are generally processed using the price determined as a result of the valuation on the next working day following receipt, with switches received after the cut off point receiving the price as a result of the valuation on the next but one working day (or later in exceptional cases).

In certain circumstances the policies give the right to defer transactions for a limited period.

- b) Unit pricing bases are determined at fund level. Within a fund there are no variations between the pricing bases used for different policies other than through the use of different initial and annual management charges.
- c) Where assets are units in collective investment schemes (CIS) or similar assets, the assets used would be based on the market valuation as at close of business the previous working day or current day's pricing point depending on the individual fund. Policyholders will receive a unit price appropriate for the timing of receipt and method of instruction and in accordance with their policy terms and conditions.

(8) Tax deductions from unit-linked funds

a) Life Funds

- i) 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:

Fund Manager	Discount on management charge for benefit of policyholder (%)	Discount on management charge for benefit of company (%)
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 - 0.9	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.
- vi) For group risk business, 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.

b) General Principles

- i) 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.
- ii) 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.

- iii) 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.
- iv) 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.
- v) A provision has been made to cover the possibility of default by external reinsurers.
- vi) 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.
- vii) 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.
- viii) 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.
- ix) 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.
- x) 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:

- i) For late retirements where the benefit is equal to the cash option at retirement plus interest, the reserves have been calculated by accumulating the cash option with interest at a rate not less than the average rate earned by existing policyholders.
- ii) 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.
- iii) 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.
- iv) 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.
- v) Where an extra premium is payable on a life assurance policy to cover additional mortality risk, a reserve of three times the extra premium is held. Except for income protection business, where an extra

premium is payable, the assumed inception rates are increased by a proportion equal to twice the extra premium divided by the total premium.

- vi) A reserve equal to a multiple of premium is held for some minor ancillary benefits relating to ex-FPLAL products.
- vii) 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 85%. 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, 15% 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.
- viii) For reassured policies, the net reserve was calculated by modelling the premiums assuming that the current reinsurance premium rates continue.
- ix) 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 ex-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:

	31/12/2015				31/12/2014			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Annuities in possession (Pre-July 2001)	1.80	2.86	2.86		1.70	2.68	2.68	
Annuities in possession (Post-July 2001)	1.80	2.81	2.81		1.70	2.72	2.72	
Other non-profit business	1.80	2.30	2.30	2.30	1.70	2.10	2.10	2.10
With-profits deferred annuities								
in deferment	1.70		2.10		1.80		2.30	
in possession	1.70		Variable*		1.80		Variable*	
With-profits deferred annuities (ex-FPLAL pre-2003)								
in deferment			2.10				1.90	
in possession		2.30	2.30			2.10	2.10	
With-profits assurances (ex-FPLAL pre-2003, With-Profit Fund)	2.10		2.70		2.10		2.70	
With-profits assurances (ex-FPLAL pre-2003, Other)	1.60		2.10		1.50		1.90	
Other conventional with-profits business	1.70		2.10		1.80		2.30	
Unitised with-profits	1.70	2.10	2.10		2.30	2.30	2.30	

*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:

	31/12/2015				31/12/2014			
	L & GA		Pens %	IP %	L & GA		Pens %	IP %
	UK %	OS %			UK %	OS %		
Low rate	1.30	1.80	1.80	1.80	1.20	1.60	1.60	1.60
High rate	3.40	3.40	3.40	3.40	3.20	3.20	3.20	3.20

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 2.7% 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.

	31/12/2015		31/12/2014	
	Policy as a Liability %	Policy as an Asset %	Policy as a Liability %	Policy as an Asset %
Accelerated Critical Illness (pre 31/01/2011)	1.80	3.30	1.60	3.10
Accelerated Critical Illness (post 31/01/2011)	1.80 (TP) 1.80 (I – E)	3.30 (TP) 3.30 (I – E)	1.60 (TP) 1.60 (I – E)	3.10 (TP) 3.10 (I – E)
Stand-alone Critical Illness (pre 31/01/2011)	1.80	3.30	1.60	3.10
Stand-alone Critical Illness (post 31/01/2011)	1.80	3.30	1.60	3.10
Life	1.80 (TP) 1.30 (I – E)	3.30 (TP) 3.30 (I – E)	1.60 (TP) 1.20 (I – E)	3.10 (TP) 3.10 (I – E)
Income Protection	1.80	3.30	1.60	3.10
Immediate Needs (Level)	1.80	n/a	1.60	n/a
Long Term Care	1.80	n/a	1.60	n/a
Claims in Payment	2.30	n/a	2.10	n/a

Ex-FLC

	31/12/2015 %	31/12/2014 %
<i>With Profit Business</i>		
Unitised With Profits (except Multipension Series 2) and Retirement Savings Scheme	2.50	2.25
Multipension Series 2	4.00	4.00
Conventional With Profits Life	2.75	2.50
Conventional With Profits Pensions	3.50	3.25
Annuity guarantees in payment (except where valued using stochastic methods)	2.50	2.35
<i>Non Profit Business written in WP funds</i>		

Over 50 Plan	1.80	1.65
NP Life (other than Over 50 Plan)	1.90	1.95
NP Pensions	2.40	2.60
<i>Non Profit Business written in NP funds</i>		
Over 50 Plan	1.45	1.35
Additional Life reserves	1.45	1.35
Other NP Life [see note below]	1.45	1.35
PHI business [see note below]	1.80	1.70
Pension Annuities in Payment (2007 reinsurance)	2.55	2.45
Pension Annuities in Payment (RPI-linked) (2007 reinsurance)	(0.50)	(0.55)
Pension Annuities in Payment (2009 reinsurance)	2.65	2.45
Pensions Annuities in Payment (RPI-linked) (2009 reinsurance)	(0.45)	(0.55)
Life Annuity business reinsured from FLAS	2.00	1.90
Unclassified Pension reserves	1.80	1.70
Other NP Pensions	1.80	1.70
RPI-linked benefits	(0.35)	(0.70)
Unit-linked life	1.45	1.35
Unit-linked pensions	1.80	1.70

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.

	31/12/2015 %	31/12/2014 %
Unitised with profits and deposit administration	2.75	2.25
Conventional with profits life	3.00	2.50
Conventional with profits pensions and with profits annuities	3.75	3.25
Non-profit life	2.20	2.25
The proportion of non-profit pensions annuities in payment reinsured to FLC – Phase 1	2.55	2.45
The proportion of non-profit pensions annuities in payment (RPI-linked) reinsured to FLC – Phase 1	(0.50)	(0.55)
The proportion of non-profit pensions annuities in payment reinsured to FLC – Phase 2	2.65	2.45
The proportion of non-profit pensions annuities in payment (RPI-linked) reinsured to FLC - phase 2	(0.45)	(0.55)
The proportion of non-profit pensions annuities in payment not reinsured to FLC	2.65	2.65
The proportion of non-profit pensions annuities in payment (RPI-linked) not reinsured to FLC	(0.40)	(0.30)
Non-profit deferred pensions and other annuities (in payment and deferred)	2.65	2.65
Life Annuity business reinsured to FLC	2.00	1.90
RPI-linked benefits	(0.40)	(0.30)
Unit-linked life	2.20	2.25
Unit-linked pensions	2.75	2.80
Annuity guarantees in payment (except where valued using stochastic methods)	2.50	2.35

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.

Product	31/12/2015	31/12/2014
Conventional WP Life:		
Whole Life & Endowment	2.80	2.75
Conventional WP Pensions:		
Deferred Annuities	1.30	1.30
Pure Endowment	2.75	2.75
Other	2.75	2.75
Conventional NP Life:		
Annuities in Payment (WP Fund)	1.90	1.80
Annuities in Payment (NP Fund)	2.60	2.10
Other (WP Fund)	1.90	1.80
Other (NP Fund)	2.60	2.10
Conventional NP Pensions and PHI:		
Annuities in Payment (WP Fund)	1.90	1.80
Annuities in Payment (NP Fund)	2.90	2.60
Other (WP Fund)	1.90	1.80
Other (NP Fund)	2.60	2.10
Unit Linked:		
Life (WP Fund)	1.90	1.80
Life (NP Fund)	2.60	2.10
Pensions (WP Fund)	1.90	1.80
Pensions (NP Fund)	2.60	2.10
Unitised With-Profits:		
Life	2.25	2.15
Pensions	2.25	2.15
Irish Life	0.00	0.05
Index Linked Annuities		
WPF	-1.15	-1.45
NPF	-0.70	-0.95

(3) Adjustment to Yields for RiskFixed 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.

The following amounts have been deducted from gross redemption yields for credit default risk:

Rating	% p.a.
AAA	0.16
AA	0.40
A	0.60
BBB	1.11
BB	2.94
B	7.05
CCC	11.25

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 2015 the company held 3 such bonds.
- For CDO assets within the non-profit fund, coupon payments are linked to the level of LIBOR at the payment dates. For these assets, a 5 year swap rate is used as an estimate of the asset yield, less a 25bp deduction for credit risk.(ex-FLC only)
- The deduction for individual bonds may be restricted such that the risk-adjusted yield is not less than that on a government security of equivalent duration.

Equities

The yield has been taken as the lower of the audited earnings over the previous twelve months and the expected earnings based on the forecasts at the valuation date, with an explicit additional risk margin deduction of 0.10% as an aggregate provision that the dividend and earnings will not be maintained. The overall yield is subjected to an upper limit of long-term gilt yield plus 4% p.a. (6.42% at 31st December 2015).

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	31/12/2015		31/12/2014	
	Males	Females	Males	Females
Conventional Non Profits business- Ex FPLP and FPLAL				
Accelerated Critical Illness- Non-smoker	30% CIBT02 mort	48% CIBT02 mort	30% CIBT02 mort	48% CIBT02 mort
Accelerated Critical Illness- Smoker	60% CIBT02 mort	90% CIBT02 mort	60% CIBT02 mort	90% CIBT02 mort
Term Assurances paying death benefits only- Non-smoker	77% TMN00 sel	82.5% TFN00 sel	82.5% TMN00 sel	71.5% TFN00 sel
Term Assurances paying death benefits only- Smoker	78.1% TMS00 sel	82.5% TFS00 sel	82.5% TMS00 sel	71.5% TFS00 sel
Term Assurances paying death benefits only- Non-differentiated ⁽¹⁾	74.8% TMN00 sel	82.5% 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
Conventional Non Profits business- Ex BHA				
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	77% TMN00 sel	82.5% TFN00 sel	82.5% TMN00 sel	71.5% TFN00 sel
Life- Smoker	78.1% TMS00 sel	82.5% TFS00 sel	82.5% TMS00 sel	71.5% TFS00 sel
Life- Non-differentiated ⁽¹⁾	74.8% TMN00 sel	82.5% 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
Conventional Non Profits business- Ex FLC and FLAS				
Non-Guaranteed Over 50 Plan	99% AMC00 ult	117.7% AMC00 ult	105% AM92 ult	135% AF92 ult
Guaranteed Over 50 Plan	modified ELT16M	modified ELT16F	modified ELT16M	modified ELT16F
Term assurance (Friends Life Protection Account)- Non-smoker	77% TMN00 sel	82.5% TFN00 sel	82.5% TMN00 sel	71.5% TFN00 sel
Term assurance (Friends Life Protection Account)- Smoker	78.1% TMS00 sel	82.5% TFS00 sel	82.5% TMS00 sel	71.5% TFS00 sel
Endowment assurance	65% AM92 ult	65% AF92 ult	65% AM92 ult	65% AF92 ult
Conventional With Profits business- Ex FPLP and FPLAL				

Product group	31/12/2015		31/12/2014	
	Males	Females	Males	Females
With Profits Whole Life and Endowment	120% ult AMC00	120% ult AFC00	120% ult AMC00	120% ult AFC00
With Profits Ex-FPLAL	80% ult AM80	80% ult AF80	80% ult AM80	80% ult AF80
Conventional With Profits business- Ex FLC and FLAS				
With profits endowment assurance (Moneysaver)	155% ult AMC00	130% ult AFC00	155% ult AMC00	130% ult AFC00
With profits endowment assurance (Top Flight)	140% ult AMC00	125% ult AFC00	140% ult AMC00	125% ult AFC00
With profits endowment assurance	90% ult AMC00	95% ult AFC00	90% ult AMC00	95% ult AFC00
With profits whole life	95% ult AMC00	95% ult AFC00	95% ult AMC00	95% ult AFC00
With profits pensions	75% ult AM92	75% ult AF92	75% ult AM92	75% ult AF92
Conventional With Profits business- Ex-FLWL				
Whole Life and Life Endowments	100% ult AM92	100% ult AF92	100% ult AM92	100% ult AF92
Pure Endowments	70% ult AM92	70% ult AF92	70% ult AM92	70% ult AF92
Unitised Life regular premium business- Ex FPLP and FPLAL				
Ex-FPLP and Post-2003 ex-FPLAL Business	130% ult AMC00	130% ult AFC00	130% ult AMC00	130% ult AFC00
Ex-FPLAL Pre-2003 Business	80% A67/70	80% A67/70	80% A67/70	80% A67/70
Unitised Life regular premium business- Ex FLC and FLAS				
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
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 AF80 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

Product group	31/12/2015		31/12/2014	
	Males	Females	Males	Females
Healthcare Income Plan-Smoker	96% AM80 ult	96% AF80 ult	96% AM80 ult	96% AF80 ult
Unitised Life regular premium business- Ex-FLWL				
Unit Linked Life	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Unitised Bond business- Ex FPLP and FPLAL				
Bonds and ISA	110% AMC00 ult	110% AFC00 ult	110% AMC00 ult	110% AFC00 ult
Unitised Bond business- Ex FLC and FLAS				
Bonds & Individual Savings Accounts	105% AMC00 ult	110% AFC00 ult	105% AMC00 ult	110% AFC00 ult
Unitised Bond business- Ex-FLWL				
Unitised With Profit Bonds	100% AM92 ult	100% AF92 ult	100% AM92 ult	100% AF92 ult
Unitised Pensions business- Ex FPLP and FPLAL				
Pensions	110% AMC00 ult	110% AFC00 ult	110% AMC00 ult	110% AFC00 ult
Unitised Pensions business- Ex FLC and FLAS				
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
Annuity business- Ex FPLP and FPLAL				
In Payment, individual contracts, life business And Deferred, individual contracts, life business, post vesting	95% IM92 U2005 ult	95% IF92 U2005 ult	95% IM92 U2005 ult	95% IF92 U2005 ult
In Payment, group contracts, pension business (pre-July 2001) ⁽²⁾	modified PCMA00	modified PCFA00	modified PCMA00	modified PCFA00
In Payment, individual contracts, pension business (pre-July 2001) ⁽²⁾	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 ⁽²⁾	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
Annuity business- Ex FLC and FLAS				

Product group	31/12/2015		31/12/2014	
	Males	Females	Males	Females
Ex-FLC, in payment, pensions business ⁽²⁾ And Ex-FLC, Guarantees, post vesting ⁽²⁾ And Ex-FLC, deferred, pensions business, post vesting ⁽²⁾	97.4% PCMA00	102.1% PCFA00	94.3% PCMA00	98.9% PCFA00
Ex-FLAS, in payment, pensions business ⁽²⁾ And Ex-FLAS, Guarantees, post vesting ⁽²⁾ And Ex-FLAS, deferred, pensions business, post vesting ⁽²⁾	97.4% PCMA00	92.6% PCFA00	94.3% PCMA00	89.7% 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
Annuity business- Ex-FLWL				
In Payment, life and pensions business ⁽²⁾	104.5% PCMA00	104.5% PCFA00	101.2% PCMA00	101.2% PCFA00
Deferred, pre vesting	70% AM92 ult	70% AF92 ult	70% AM92 ult	70% AF92 ult
Deferred, post vesting ⁽²⁾	104.5% PCMA00	104.5% PCFA00	101.2% PCMA00	101.2% PCFA00
PHI business- Ex FPLP and FPLAL				
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) Improvements for statutory bases are applied from 2001 based on 100% of the CMI 2013 mortality projections model with a long term rate of 2.25% p.a. for males (2.00% in 2014) and 2.00% p.a. for females (1.75% in 2014).

Where assurance mortality tables are described above as modified, the following are specimen mortality rates used at 31 December 2015 (the same rates were used at 31 December 2014):

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 & 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 & 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 & Maximum Cover Plan – with Lifecare</u>						
25	0.00042	0.00066	0.00049	0.00021	0.00029	0.00023
35	0.00044	0.00080	0.00055	0.00038	0.00057	0.00044
45	0.00133	0.00242	0.00167	0.00096	0.00153	0.00113
55	0.00435	0.00788	0.00543	0.00272	0.00404	0.00311
<u>Multiplan & 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 & Comprehensive Savings Plan</u>						

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
25	0.00049	0.00072	n/a	0.00024	0.00034	n/a
35	0.00056	0.00082	n/a	0.00046	0.00066	n/a
45	0.00169	0.00246	n/a	0.00118	0.00171	n/a
55	0.00549	0.00802	n/a	0.00325	0.00470	n/a
<u>Flexible Cover Plan & 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
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:

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.

Product group	Current age	Age at which expectation is determined	31/12/2015		31/12/2014	
			Males years	Females years	Males years	Females years
Ex FPLP and FPLAL						
Annuities in payment- individual contracts- pension business (Pre-July 2001)	65	65	25.64	28.38	25.39	28.11
	75	75	15.86	18.31	15.73	18.17
Deferred annuities- group contracts – pension business (Post-July 2001)	45	65	29.60	30.40	28.57	29.75
	55	65	27.78	28.89	26.98	28.43
Annuities in payment– group	65	65	25.90	27.31	25.35	27.08

contracts- pension business (Post-July 2001)	75	75	16.10	17.31	15.72	17.21
Annuities in payment- Individual contract- life business	65	65	21.39	24.28	21.32	24.23
	75	75	13.05	14.97	13.00	14.92
Annuities in payment- group contracts- pension business (pre-July 2001)	65	65	25.67	27.31	25.12	26.77
	75	75	15.90	17.39	15.53	17.02
Deferred annuities- individual contracts- pension business (Post-July 2001)	45	65	29.56	31.36	28.83	30.70
	55	65	27.79	29.91	27.29	29.43
Annuities in payment- individual contracts- pension business (Post-July 2001)	65	65	25.97	28.38	25.70	28.11
	75	75	16.05	18.31	15.92	18.17
Ex FLC and FLAS						
Ex-FLC Pensions annuities in payment	65	65	25.44	26.68	24.90	26.15
	75	75	15.71	16.84	15.34	16.48
Ex-FLAS Pensions annuities in payment	65	65	25.44	27.53	24.90	26.99
	75	75	15.71	17.58	15.34	17.21
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	29.14	29.83	28.12	28.88
	55	65	27.32	28.29	26.53	27.54
Ex-FLAS Deferred pensions annuities and annuity guarantees valued using a stochastic model	45	65	29.14	30.67	28.12	29.72
	55	65	27.32	29.14	26.53	28.38
Ex-FLC Annuity guarantees valued using a deterministic method	45	65	25.36	27.14	24.76	26.55
	55	65	25.36	27.14	24.76	26.55
Ex-FLAS Annuity guarantees valued using a deterministic method	45	65	25.29	28.05	24.76	27.44
	55	65	25.29	28.05	24.76	27.44
Ex-FLWL						
Annuities in payment	65	65	24.80	26.48	24.28	25.96
	75	75	15.17	16.67	14.81	16.31
Deferred annuities	45	65	28.49	29.63	27.48	28.69
	55	65	26.67	28.09	25.89	27.34

*There is little ex FLC and ex FLAS non-pensions annuity business at this age; the average age of annuitants exceeds 80.

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) MorbidityEx 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:

	31/12/2015	31/12/2014
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	31/12/2015	31/12/2014
1	32%	32%
2	59%	72%
3-5	50%	59%
6+	27%	32%

- b) The mortality and morbidity tables for critical illness used in the 2015 valuation are as follows:

	31/12/2015		31/12/2014	
	Male	Female	Male	Female
Accelerated Critical Illness Mortality				
- Smokers	60% CIBT02 (2) mort	90% CIBT02 (2) mort	60% CIBT02 (2) mort	90% CIBT02 (2) mort
- Non-Smokers	30% CIBT02 (2) mort	48% CIBT02 (2) mort	30% CIBT02 (2) mort	48% CIBT02 (2) mort
Standalone Critical Illness Morbidity				
- Smokers	84% CIBT02 (2)	72% CIBT02 (2)	84% CIBT02 (2)	72% 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:

	Per annum Deterioration Factors	
	31/12/2015	31/12/2014
Males	0.4%	0.5%
Females	0.9%	0.75%

- c) For valuing FPLMA group Income Protection the recovery rates used in the 2015 valuation are as specified in a)

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.

- a) Inceptions

Product Type	Table	Inception Rates as Percentage of table CIBT02 at 31/12/2015				Inception Rates as Percentage of table CIBT02 at 31/12/2014			
		M NS	M S	F NS	F S	M NS	M S	F NS	F S
Accelerated Critical Illness – Apr 2007	CIBT02	48.0	73.2	67.2	84.0	46.7	72.0	63.1	90.9
Accelerated Critical Illness – Nov 2001	CIBT02	48.0	73.2	67.2	84.0	46.7	72.0	63.1	90.9
Accelerated Critical Illness – Old series	See sample rates below ¹	132	132	132	132	140	140	140	140
Stand-alone Critical Illness – Apr 2007	CIBT02	50.4	86.4	61.2	86.4	53.3	93.6	58.5	93.6
Stand-alone Critical Illness – Nov 2001	CIBT02	50.4	86.4	61.2	86.4	53.3	93.6	58.5	93.6
Stand-alone Critical Illness – Old series	See sample rates below ²	132	132	132	132	140	140	140	140
Income Protection (pre 2006)	CMIR 12 Inceptions	90	119.8	135	179.5	90	119.8	135	179.5
Income Protection – Jan 2006	CMIR 12 Inceptions	88.7	124.1	168.5	235.8	88.7	124.1	168.5	235.8
Income Protection – Jul 2010	CMIR 12 Inceptions	99.2	139.1	188.6	264.1	99.2	139.1	188.6	264.1

(1) Sample rates are provided in the table in section (c) below.

(2) Sample rates are provided in the table in section (d) below.

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	31/12/2015	31/12/2014	31/12/2015	31/12/2014
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	31/12/2015	31/12/2014	31/12/2015	31/12/2014
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

The 2015 termination / recovery rates are unchanged from 2014.

Product Type	Table	Recovery Rates as Percentage of table at 31/12/2015			
Sex Smoker		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+
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+
Long Term Care	See sample rates below	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+

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 2015 and 2014.

Product Type and launch date where appropriate	Annual Percentage	
	Guaranteed	Reviewable
Future Care (Security)	2	1
Income Protection (pre 2006)	0	0
Income Protection (2006 onwards)	0	0

Product Type and launch date where appropriate	Annual Percentage	
	Male	Female
Accelerated Critical Illness – Apr 2007	0.4	0.9
Accelerated Critical Illness – Nov 2001	0.4	0.9
Accelerated Critical Illness – Old series	0.4	0.9
Stand-alone Critical Illness – Apr 2007	0.4	0.9
Stand-alone Critical Illness – Nov 2001	0.4	0.9
Stand-alone Critical Illness – Old series	0.4	0.9

- 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	31/12/2015				31/12/2014			
	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25	9.42	15.72	7.01	11.29	10.00	16.67	7.43	11.97
35	13.94	23.85	13.50	23.05	14.78	25.30	14.32	24.44
45	41.62	72.84	30.76	52.87	44.14	77.25	32.62	56.07
55	113.69	198.62	76.85	130.93	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 Rates per £10,000 Sum Assured	31/12/2015				31/12/2014			
	M NS	M S	F NS	F S	M NS	M S	F NS	F S
25	4.22	6.20	5.41	8.18	4.48	6.58	5.74	8.68
35	9.50	17.56	12.80	23.36	10.08	18.62	13.58	24.78
45	29.04	61.12	27.32	58.87	30.80	64.82	28.98	62.44
55	71.68	155.23	54.38	125.00	76.02	164.64	57.68	132.58

Ex-FLC

Friends Life Protection Account (IFA sales channel):

For 2015, specimen combined mortality and critical illness inception rates for term assurance with accelerated critical illness are set out in the following table.

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
25	0.00059	0.00104	n/a	0.00074	0.00095	n/a
35	0.00108	0.00193	n/a	0.00185	0.00236	n/a
45	0.00295	0.00525	n/a	0.00446	0.00568	n/a
55	0.00756	0.01344	n/a	0.00990	0.01262	n/a

For 2014, specimen critical illness inception rates for term assurance with accelerated critical illness 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 2015 and 2014, 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 2015 and 2014 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 & 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 & 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

Multiplan (pre-1998)						
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
Multiplan (1998 and after)						
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 2015	3ADL+ 2015	Cognitive 2015	2ADL 2014	3ADL+ 2014	Cognitive 2014
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 2015	3ADL+ 2015	Cognitive 2015	2ADL 2014	3ADL+ 2014	Cognitive 2014
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 2015	3ADL+ 2015	Cognitive 2015	2ADL 2014	3ADL+ 2014	Cognitive 2014
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 2015 and 2014, 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 2015 and end 2014 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 2015	End 2014
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 2015	End 2014
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 2015	End 2014
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 2014.

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 Bases

FP With Profits Fund

Renewal commission is allowed for at the actual rate payable for each business type.

For life business, tax relief on the above expense assumptions is assumed at the rate of 20%.

The expenses shown below are in respect of all maintenance expenses for conventional business and attributable expenses for unitised business.

No Zillmer adjustment was applied at 31/12/2015 and 31/12/2014.

		31/12/2015		31/12/2014	
Class		Annual £	Expense Investment % of Fund pa	Annual £	Expense Investment % of Fund pa
CWP Savings Endowment (120)	Premium Paying	32.99	0.105	36.73	0.105
	Otherwise	23.10	0.105	25.71	0.105
CWP Target Cash Endowment (125)	Premium Paying	32.99	0.105	36.73	0.105
	Otherwise	23.10	0.105	25.71	0.105
CWP Pensions (155 / 165)	Premium Paying	39.59	328 0.105	44.07	0.105

	Otherwise	29.69	0.105	33.06	0.105
Term Assurance (325 / 330)	Premium Paying	24.18	0.125	27.24	0.125
	Otherwise	17.83	0.125	20.24	0.125
Critical Illness (340 / 345 / 350 / 355)	Premium Paying	24.18	0.125	27.24	0.125
	Otherwise	17.83	0.125	20.24	0.125
Annuity pre demutualisation (400)	All	15.93	0.105	16.04	0.105
Annuity post demutualisation (400)	All	15.93	0.105	16.04	0.105
UWP Bond (500)	All	12.15	0.105	11.58	0.105
UWP Savings Endowment (510)	Premium Paying	43.00	0.105	47.86	0.105
	Otherwise	12.15	0.105	11.58	0.105
UWP target Cash Endowment (515)	Premium Paying	43.00	0.105	47.86	0.105
	Otherwise	12.15	0.105	11.58	0.105
UWP Regular Premium Pension (525 / 545)	Premium Paying	54.09	0.105	60.21	0.105
	Otherwise	43.27	0.105	48.17	0.105
UWP Single Premium Pension (525 / 545)	All	41.35	0.105	46.03	0.105
UWP Group Regular Premium	Premium Paying	84.60	0.105	95.17	0.105

Pension (535)	Otherwise	66.89	0.105	74.46	0.105
UWP Group Single Premium Pension (535)	All	60.32	0.105	67.14	0.105
UL Bond (700)	All	30.45	0.125	29.84	0.125
UL Savings Endowment (715)	Premium Paying	42.22	0.125	41.37	0.125
	Otherwise	30.45	0.125	29.84	0.125
UL Target Cash Endowment (720)	Premium Paying	42.22	0.125	41.37	0.125
	Otherwise	30.45	0.125	29.84	0.125
UL Regular Premium Pension (725)	Premium Paying	48.05	0.125	47.09	0.125
	Otherwise	38.31	0.125	37.54	0.125
UL Single Premium Pension (725)	All	35.85	0.125	35.13	0.125
UL Group Regular Premium Pension (735)	Premium Paying	25.71	0.125	25.19	0.125
	Otherwise	19.22	0.125	18.83	0.125
UL Group Single Premium Pension (735)	All	17.53	0.125	17.18	0.125

FLC With Profit Funds

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

At 31 December 2015, expenses for FLC With Profit Fund were those specified in the ex FLC / FLAS 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 2015 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.

		31/12/2015		31/12/2014	
Class		Annual £	Expense Investment % of Fund pa	Annual £	Expense Investment % of Fund pa
CWP Savings Endowment (120)	Premium Paying	15.41	0.27	15.15	0.27
	Otherwise	13.96	0.27	13.73	0.27
CWP Target Cash Endowment (125)	Premium Paying	40.19	0.27	39.50	0.27
	Otherwise	37.40	0.27	36.76	0.27
CWP Pensions (155 / 165)	Premium Paying	40.19	0.27	39.50	0.27
	Otherwise	37.40	0.27	36.76	0.27
UWP Bond (500)	All	34.02	0.27	33.44	0.27
UWP Savings Endowment (510)	Premium Paying	40.19	0.27	39.50	0.27
	Otherwise	37.40	0.27	36.76	0.27
UWP target Cash Endowment (515)	Premium Paying	40.19	0.27	39.50	0.27
	Otherwise	37.40	0.27	36.76	0.27
UWP Regular Premium Pension (525 / 545)	Premium Paying	43.04	0.27	42.30	0.27
	Otherwise	38.57	0.27	37.91	0.27

		31/12/2015		31/12/2014	
Class		Annual £	Expense % of Fund pa	Annual £	Expense % of Fund pa
UWP Single Premium Pension (525 / 545)	All	38.57	0.27	37.91	0.27
UWP Group Regular Premium Pension (535)	Premium Paying	61.47	0.27	60.42	0.27
	Otherwise	58.45	0.27	57.45	0.27
UWP Group Single Premium Pension (535)	All	58.45	0.27	57.45	0.27

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 2015. 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 2015, expenses for FLAS With Profit Fund were those specified in the ex FLC / FLAS 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 2015 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.

		31/12/2015		31/12/2014	
Class		Annual £	Expense Investment % of Fund pa	Annual £	Expense Investment % of Fund pa
CWP Savings Endowment (120)	Premium Paying	15.41	0.19	15.15	0.19
	Otherwise	13.96	0.19	13.73	0.19
CWP Target Cash Endowment (125)	Premium Paying	40.19	0.19	39.50	0.19
	Otherwise	37.40	0.19	36.76	0.19
CWP Pensions (155 / 165)	Premium Paying	40.19	0.19	39.50	0.19
	Otherwise	37.40	0.19	36.76	0.19
Annuity (400)	All	35.22	0.14	34.62	0.14
UWP Bond (500)	All	34.02	0.19	33.44	0.19
UWP Savings Endowment (510)	Premium	40.19	0.19	39.50	0.19
	Otherwise	37.40	0.19	36.76	0.19
UWP target Cash Endowment (515)	Premium Paying	40.19	0.19	39.50	0.19
	Otherwise	37.40	0.19	36.76	0.19
UWP Regular Premium Pension (525 / 545)	Premium Paying	43.04	0.19	42.30	0.19
	Otherwise	38.57	0.19	37.91	0.19
UWP Single Premium Pension (525 / 545)	All	38.57	0.19	37.91	0.19

		31/12/2015		31/12/2014	
Class		Annual £	Expense Investment % of Fund pa	Annual £	Expense Investment % of Fund pa
UWP Group Regular Premium Pension (535)	Premium Paying	61.47	0.19	60.42	0.19
	Otherwise	58.45	0.19	57.45	0.19
UWP Group Single Premium Pension (535)	All	58.45	0.19	57.45	0.19
UL Bond (700)	All	34.02	0.19	33.44	0.19
UL Savings Endowment (715)	Premium Paying	40.19	0.19	39.50	0.19
	Otherwise	37.40	0.19	36.76	0.19
UL Target Cash Endowment (720)	Premium Paying	40.19	0.19	39.50	0.19
	Otherwise	37.40	0.19	36.76	0.19
UL Regular Premium Pension (725)	Premium Paying	43.04	0.19	42.30	0.19
	Otherwise	38.57	0.19	37.91	0.19
UL Single Premium Pension (725)	All	38.57	0.19	37.91	0.19
UL Group Regular Premium Pension (735)	Premium Paying	43.04	0.19	42.30	0.19
	Otherwise	38.57	0.19	37.91	0.19
UL Group Single Premium Pension (735)	All	38.57	0.19	37.91	0.19

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 2015. 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.

Class		31/12/2015		31/12/2014	
		Annual £	Expense % of Fund pa	Annual £	Expense % of Fund pa
CWP Savings Endowment (120)	Premium Paying	23.70	0.21	23.58	0.21
	Otherwise	12.25	0.21	12.19	0.21
CWP Target Cash Endowment (125)	Premium Paying	23.70	0.21	23.58	0.21
	Otherwise	12.25	0.21	12.19	0.21
CWP Pensions (155 / 165)	Premium Paying	30.48	0.21	30.33	0.21
	Otherwise	15.64	0.21	15.56	0.21
Term Assurance (325 / 330)	All	16.17	0.15	16.09	0.15
Income Protection (360 / 365)	All	17.14	0.15	17.05	0.15
Income Protection Claims Payment (385)	All	31.11	0.15	30.96	0.15
Annuity (400)	All	31.11	0.15	30.96	0.15
UWP target Cash Endowment (515)	Premium Paying	51.43	0.21	51.17	0.21
	Otherwise	38.57	0.21	38.38	0.21

		31/12/2015		31/12/2014	
Class		Annual £	Expense Investment % of Fund pa	Annual £	Expense Investment % of Fund pa
UWP Regular Premium Pension (525 / 545)	Premium Paying	60.50	0.21	60.20	0.21
	Otherwise	45.38	0.21	45.15	0.21
UWP Single Premium Pension (525 / 545)	All	45.38	0.21	45.15	0.21
UL Savings Endowment (715)	Premium Paying	51.43	0.22	51.17	0.22
	Otherwise	38.57	0.22	38.38	0.22
UL Target Cash Endowment (720)	Premium Paying	51.43	0.22	51.17	0.22
	Otherwise	38.57	0.22	38.38	0.22
UL Regular Premium Pension (725)	Premium Paying	60.50	0.22	60.20	0.22
	Otherwise	45.38	0.22	45.15	0.22
UL Single Premium Pension (725)	All	45.38	0.22	45.15	0.22

Non Profit Fund

		31/12/2015			31/12/2014		
Class		Annual Expense £	Investment Expense % of Fund pa	% Premium of	Annual Expense £	Investment Expense % of Fund pa	% Premium of
Term Assurance (325 / 330)	Premium Paying	14.26	0.108	0	11.54	0.108	0
	Otherwise	17.83	0.125	0	20.24	0.125	0
Critical Illness (340 / 345 /	Premium Paying	14.26	0.108	0	11.54	0.108	0

		31/12/2015			31/12/2014		
Class		Annual Expense £	Investment Expense % of Fund pa	% Premium of	Annual Expense £	Investment Expense % of Fund pa	% Premium of
350 / 355)	Otherwise	17.83	0.125	0	20.24	0.125	0
Income Protection (360 / 365)	All	14.26	0.108	2.5	11.54	0.108	2.5
Income Protection Claims in Payment (385)	All	N/a	N/a	8% claims of	N/a	N/a	8% claims of
Annuity (400)	All	28.46	0.085	0	35.28	0.085	0
UWP Bond (500)	All	12.15	0.105	0	11.58	0.105	0
UWP Savings Endowment (510)	Premium Paying	43.00	0.105	0	47.86	0.105	0
	Otherwise	12.15	0.105	0	11.58	0.105	0
UWP Target Cash Endowment (515)	Premium Paying	43.00	0.105	0	47.86	0.105	0
	Otherwise	12.15	0.105	0	11.58	0.105	0
UWP Regular Premium Pension (525 / 545)	Premium Paying	54.09	0.105	0	60.21	0.105	0
	Otherwise	43.27	0.105	0	48.17	0.105	0
UWP Single Premium Pension (525 / 545)	All	41.35	0.105	0	46.03	0.105	0
UWP Group Regular Premium Pension (535)	Premium Paying	39.29	0.105	0	35.42	0.105	0
	Otherwise	18.71	0.105	0	16.32	0.105	0
UWP Group Single Premium Pension (535)	All	18.86	0.105	0	17.24	0.105	0
UL Bond (700)	All	67.46	0.19	0	75.43	0.19	0

		31/12/2015			31/12/2014		
Class		Annual Expense £	Investment Expense % of Fund pa	% of Premium	Annual Expense £	Investment Expense % of Fund pa	% of Premium
UL Savings Endowment (715)	Premium Paying	42.22	0.19	0	41.37	0.19	0
	Otherwise	30.45	0.19	0	29.84	0.19	0
UL Target Cash Endowment (720)	Premium Paying	56.42	N/a	0	56.71	N/a	0
	Otherwise	28.21	N/a	0	28.34	N/a	0
UL Regular Premium Pension (725)	Premium Paying	60.50	N/a	0	60.20	N/a	0
	Otherwise	45.38	N/a	0	45.15	N/a	0
UL Single Premium Pension (725)	All	60.50	N/a	0	60.20	N/a	0
UL Group Regular Premium Pension (735)	Premium Paying	25.71	0.19	0	25.19	0.19	0
	Otherwise	19.22	0.19	0	18.83	0.19	0
UL Group Single Premium Pension (735)	All	17.53	0.19	0	17.18	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 2015.

(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:

	31/12/2015		
	Unit Growth % p.a.		Expense Inflation % p.a.
	Gross	Net	
Ex FLC, Ex FLWL & FLAS annuities	N/a	N/a	4.45/3.95 (note 1)
Other Conventional Ex-FLC & FLAS	N/a	N/a	4.2/3.7 (note 1)
Conventional Non Profit Ex-FPLMA	N/a	N/a	3.50
Conventional Non Profit Other	N/a	N/a	4.20
Conventional With Profit Ex-FPLMA	N/a	N/a	3.50
Conventional With Profit Other	N/a	N/a	4.20
Unitised Ex- FLC, Ex-FLWL & FLAS	3.50	2.97	4.20/3.70 (note 1)
Ex-FLWL Deposit investments	0.50	0.43	4.20
Unitised Other	3.50	2.80	4.20

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 – 2.7%p.a. where linked to RPI and 3.7%p.a. where linked to AWE

Ex FLC & FLAS charge increases- 3.2%p.a on non-annuity business and 3.45%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.
Life	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
Pensions	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
	WL WPF: Pension Fund Link group business (post June 2002 single premiums) (with 0.8% amc)	0.80
	WL WPF: Pension Fund Link group business (other)(with 0.8% amc)	See note 1
	WL WPF: Pension Fund Link individual business (post June 2002 single premiums)	0.80
	WL WPF: Pension Fund Link individual business (other)	0.45
	WL WPF: Pension Fund Link individual business (other)	0.45

Note 1: 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	7.9	4.8	3.5	3.5
Level term (incl. Critical Illness) – High Rate	Lapse	15.1	9.2	6.7	6.7
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	8.5	5.8	4.4	4.4

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.
Accelerated Critical Illness – High Rate	Lapse	17.2	11.7	8.9	8.9
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	5.5	1.9	0.7
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	2.3
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	3.6	2.3
UWP Bond	Automatic Withdrawal	100% of current	100% of current	100% of current	100% of current
UL Bond	Surrender	20.8	14.4	4.2	4.2
UL Bond	Automatic Withdrawal	100% of current	100% of current	100% of current	100% of current
CWP Pension Regular Premium	PUP	0.0	0.0	0.0	0.0
CWP Pension Regular Premium	Surrender	0.0	0.0	0.0	0.0
CWP Pension Single Premium	Surrender	0.0	0.0	0.0	0.0
UWP Individual Pension Regular Premium	PUP	16.1	7.5	6.5	6.5
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	7.5	6.5	6.5
UL Individual Pension Regular Premium	Surrender	See note 1			
UL Group Pension Regular Premium	PUP	13.0	10.9	6.5	6.5

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.
UL Group Pension Regular Premium	Surrender	3.7	4.3	4.3	4.3
UL Individual Pension Single Premium	Surrender	See note 1			

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 Unearned Premium Reserve methodology by product group for other products.

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 is held due to the 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 derivatives to hedge the Guaranteed Annuity Options and guaranteed minimum pensions liabilities on its FLC and FLAS WP pensions business. 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 (£34.4m), the FLL Old With Profits Fund (£5.0m), and the FLL FLAS With Profits Fund (£21.5m).

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 £0.2m. 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 holds equity futures within the FLAS and FLC With Profits Fund. For the FLC fund, for the purposes of calculating valuation rates of interest, a cash yield has been assumed for the proportion of equities covered by the future contracts.

The Company held swaptions in FLL FLWL With Profits Fund with a net market value of £0.1m and interest rate swaps with a net market value of £7.3m 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 options with a net market value of £0.2m, and short futures contracts which represented a net liability of £0.6m. 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	88	110	11.0%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-FLC Multipension	221	168	9.4%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-FLAS Pension Builder	71	79	11.1%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	At specified NRD only
Ex-FLAS Retirement Annuity (1976 series)	23	24	11.1%	In certain circumstances	Single life, monthly in advance, guaranteed 5 years	At specified NRD only
Winterthur pure endowment	18	16	10.0%	No	Single life, monthly in advance, guaranteed 5 years	At specified NRD only

Product Name (i)	Basic Reserve (ii) £m	Guarantee Reserve (iv) £m	Guaranteed Rate (v)	Increments allowed (vi)	Annuity Form (vii)	Retirement Ages (viii)
Ex-FP Self Employed Deferred Annuities	224	230	11.6%	No	Single life, annual in arrears, no guarantee	60-70
Ex-UKP Self Employed Deferred Annuities	172	191	12.2%	No	Single life, annual in arrears, no guarantee	60-75

Ex-FP Group Deferred Annuities (other than EBP below)	264	179	10.0%	No	Single life, monthly in advance, guaranteed 5 years	55-75
Ex-FP Executive Benefit Plan (EBP)	128	100	10.0%	No	Single life, monthly in advance, guaranteed 5 years	at specified NRD only
Ex-UKP Executive Pensions	36	33	11.1%	No	Single life, monthly in advance, guaranteed 5 years	50-75
Ex-LMA Retirement Annuity Contracts	13	6	10.8%	No	Single life, annual in arrears, no guarantee	60-75
Ex-NM Conventional Deferred Annuities	34	32	10%	No	Single Life; monthly in advance, guaranteed 5 years	60-75
Ex-NM Personal Pension (pre Series D)	13	6	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 £130m that is written as deferred annuity with a cash option (on the same rate as the Winterthur pure endowment above). No liability is held for this guarantee as it is so far out of the money.

(2) Guaranteed Surrender and unit-linked maturity values

a) The following table summarises material types of maturity and surrender guarantee. The valuation methodology is as follows:

- Monte-Carlo stochastic model for Friends Plan
- Black Scholes formula for ex-FP Pension Transfer Plans
- Deterministic for others on grounds of materiality (the FLAS Flexible Transfer Plan is heavily in the money so there is no material time value)

Product Name (b)(i)	Basic Reserve (ii) £m	Outstanding Durations (iii)	Guarantee Reserve (iv) £m	Guaranteed Amount (v)	MVA Free Conditions (vi)	In-force Premiums (vii) £m	Increments (viii)
Friends Flexible Savings Plan and Planned Investment	65	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	192	Up to 70 years	81	Return of the total premiums paid on the policy at the policyholder's normal retirement date.	n/a	73	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	60	Up to 19 years	131	At maturity - GMP in respect of contracting out of SERPS	n/a	nil	No
Ex-FP Pension Transfer Plan	38	Up to 25 years	17	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.

The in force premiums and basic sums assured for each product with the above guaranteed insurability options, can be found in the table below:

Product Name (b)(i)	In-force Premiums (b)(ii) £m	Sum assured (b)(iii) £m
Decreasing Accelerated Critical Illness	27.4	6,627.4
Level Accelerated Critical Illness	25.9	4,643.6
Level Stand Alone Critical Illness	11	1,000.1
Decreasing Term Assurance	3.2	1,830.2
Level Term Assurance	11.3	5,523.6

(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 £296.7m. 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.

Homogeneous Risk Group	Implicit Allowances £m	Explicit Allowance (investment) £m	Explicit Allowances (other) £m	Non-Attributable Expenses £m	Total £m
Ex FPLP & FPLAL Unitised Life (Post July 2001)	-	1.4	0.2	0.2	1.9
Unitised Overseas (Post July 2001)	-	1.8	5.4	5.8	13.0
Ex FPLP Unitised Life (Pre July 2001)	-	1.2	2.1	-	3.3
Ex-FPLP Unitised Pensions (Pre July 2001)	-	2.2	5.2	-	7.3
All Expenses Attributable (excluding Ex-FLC and Ex-FLAS and Ex-FLWL)	0.1	16.0	67.1	-	83.2
Unit-linked business (Ex-FLC and Ex-FLAS)	-	31.0	39.5	21.3	91.8
Ex-FLC UWP business	8.1	-	20.3	-	28.4
Ex-FLAS UWP business	3.1	-	11.6	-	14.7
All Expenses Attributable (Ex-FLC and Ex-FLAS)	2.0	12.2	22.2	-	36.4
Unit-linked business (Ex-FLWL NPF)	-	4.0	4.1	3.3	11.4
All Expenses Attributable (Ex-FLWL NPF)	-	0.9	1.7	n/a	2.6
Unit-linked business (Ex-FLWL WPF)	-	0.4	0.3	0.3	1.0
All Expenses Attributable (Ex-FLWL WPF)	-	0.8	0.9	n/a	1.7
Total	13.3	71.9	180.6	30.9	296.7

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 £13.1m, 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 £301.1m. After allowing for initial transaction costs on assets, the amount of maintenance expenses (£288.0m) included in line 14 of Form 43 is lower than the expense loadings (£296.7m) 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 2016 if the Company ceased to transact new business on 1st January 2016. Estimated expenses in 2016, on this basis, are less than the loadings expected from in-force business in 2016 and therefore no additional reserve is required.

(6) Non attributable expenses

At 31 December 2015, 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.

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.

Currency	Value of liabilities (£m)	Value of assets (£m)
Sterling	25,769	33,170
Euro	186	44
US Dollar	31	76
Australian Dollar	0	3
Other	(7)	43
Total	25,979	33,336

(2) Other currency exposure

In 7(1) above the liabilities, with the exception of Euro-denominated liabilities, are 100% matched by assets of the same currency

(3) Currency mismatching reserve

There are sufficient sterling assets to cover the sterling liabilities and also the excess Euro liabilities for any future feasible scenario.

(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 £42.3m 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.

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 £99.3m. These are included within the reserves for the relevant classes of with profits business on Forms 51 and 52.

The reserves are equal to the balance of the 'Reorganisation Bonus Memorandum Account', which under the Reorganisation Scheme records the value of the obligation to policyholders in the New With Profits Fund, together with further amounts representing:

- Reorganisation Bonuses payable in respect of policies in the Old With Profits Fund; and
- the value of future transfers made subject to rule INSPRU 1.5.27R in respect of the payment of Reorganisation Bonuses.

Reinsurance Default Provision

A global provision is held within FLC to cover the risk of default on external reinsurance arrangements. This provision is calculated based on historic default rates by S&P rating, and adjusted to reflect any expected worsening of future conditions. The assumptions for expected future defaults is broadly in line with those used to calculate credit risk adjustments to yields in section 4.3.

At 31 December 2015, a provision of £24.6m was held in respect of FLC external reinsurance arrangements.

FpB provision

A reserve of £11.0m 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 2016.

FLWL Data provision

At 31 December 2015, 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

At 31 December 2015, a reserve of £18.5m was held in FLL to cover future Solvency II costs.

Pension Scheme Recharges

A reserve of £95.7m is held in FLL at 31 December 2015 in respect of an accounting methodology change for intercompany liabilities in relation to the recharge of pension scheme contributions.

9. Reinsurance

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

No premiums for reinsurance ceded on a facultative basis were paid during 2015 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 2015 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 2015 are quoted in the table.
- g) There was a deposit back arrangement with Hannover Re of £17m.
- h) Availability to new business is quoted in the table.
- i) The undischarged obligations are listed below:

Reinsurer	Amount (£m)
SCOR	1.4
Swiss Re	1.2
Munich Re	3.2
Gen Re	0.1
Hanover Re	0.1
Total	6.0

This table shows the reinsurance premiums amount due, but not yet paid, as at the valuation date 31/12/2015.

There are no undischarged obligations of the Company other than outstanding reinsurance premiums.

- 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 £18.0m is held in respect of the mathematical reserves shown in the table below to allow for credit risk. There is no allowance for 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 one financing arrangement with Munich Re. Munich Re advanced a loan of 23.7m EUR in respect of German Pension Plans (Friends Plan Basic, Friends Plan Private and Friends Plan Business) for 2012 plans. The loan of 28.5m EUR in respect of 2011 plans was repaid in 2014. Repayment of the loan is equal to specified premium margins and commission claw-back 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 this loan at 31 December 2015 is 1.6m EUR for the 2012 loan.
 - (ii) No additional reserve was required in respect in respect of any outstanding repayments due on the loan, due to changes in persistency assumptions used to value the contracts as at 31 December 2015.

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
ex-FPLP, FPLAL and BHA Business						
Swiss Re Europe S.A., UK branch	2 nd surplus reinsurance for £1.5m for conventional life and pensions business and for all unitised business on risk premium or original terms.	47.7	Closed	167.8	N/A	Not Connected
	1 st surplus reinsurance for Individual PHI for £33,000 p.a.					
	1 st 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 st 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 st 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 st surplus reinsurance for Executive PHI for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business). Max retention £125,000 p.a. plus £50,000 for NI and pension contributions.					
	Quota share reinsurance for Term Assurance					

Swiss Re Europe S.A., UK branch	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 th December 2002, 75% up to £500,000, 100% above £500,000 to a maximum of £1m.) Original terms and risk premium.	Cont'd	Cont'd	Cont'd	Cont'd	Cont'd
	1 st surplus reinsurance for Group Life in excess of £1m up to £3m.					
	1 st 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 st 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 st surplus reinsurance for Individual PHI for £2,000 p.w. initial benefit and over in some cases (except nil for D4 business for occupational classes greater than 3). With effect from January 2007 benefit increased to £2,700 p.w. plus NI and pension fund contributions.					
	1 st 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.					

Swiss Re Europe S.A., UK branch	Quota share reinsurance for guaranteed premium 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.	Cont'd	Cont'd	Cont'd	Cont'd	Cont'd
	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.	39.4	Closed	24.8	N/A	Not Connected
Munich Re	1 st surplus reinsurance for £2m for Individual Life (excluding commodity term assurance and Milestones Term Assurance) and Group Life.	41.7	Closed	89.5	N/A	Not Connected
	1 st surplus reinsurance for £375,000 for critical illness and permanent disability benefits.					
	Quota share reinsurance for Term Assurance (excluding critical illness) for 85% up to £2m, 100% above £2m to a maximum sum reinsured of £2m.					
	Quota share reinsurance for Milestones Term Assurance for 75% up to a maximum of £187,500.					
	1 st 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 st 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.	2.8	Closed	77.2	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.	14.0	Closed	30.5	N/A	Not Connected
RGA Global Reinsurance Limited	Quota Share 56.14% on Pension annuities in payment	99.7	Closed	(17.7)	N/A	Not Connected
RGA Global Reinsurance Limited	Life cover treaty with retention of 50%.	14.5	Closed	36.8	N/A	Not Connected
Royal Bank of Canada	Quota Share 38.86% on Pension annuities in payment	69.0	Closed	(12.3)	N/A	Not Connected
Hannover Re	Quota Share Income Protection	0.6	Closed	26.7	N/A	Not Connected
Swiss Reinsurance Co Ltd	The majority of in-payment annuities written or ceded prior to 31 December 2006	113.3	Closed	48.8	N/A	Not Connected
Friends Life Pensions Ltd	All investment benefits under unit linked pension contracts, originally written by FPLO or UK Provident.	58.2	Closed	3,849.6	N/A	Wholly Owned Subsidiary
	All investment benefits under specific ex-London & Manchester pensions plans; Peace and Quiet, Secure Growth Personal Retirement Plan, Blueprint and Individual Retirement Plans for the Self Made Man and Executive Director.					
	All pension business written in the Non-Profit Fund prior to 31 December 2001.	19.9	Closed	723.1	N/A	
	Deferred and in-payment annuities under	0	Closed	18.1	N/A	

Friends Life Pensions Ltd	Investment Trust Retirement Annuity plans on original terms.					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	86.5	N/A	
ex-FLC Business						
Swiss Re Europe S.A., UK branch	<u>Regular Premium Individual Lifetime Care Plans</u> Benefits on an original terms quota share basis for plans written prior to 1st April 1998. Benefits on a risk premium quota share basis for plans written on or after 1st April 1998 and prior to 1 January 2002, and increments to such plans. The cover is 70% of each benefit up to £60,000 p.a., 100% of the excess over £60,000 p.a.. The cover for original terms policies following a policy review has changed to 67% of each benefit.	3.6	Closed	78.0	N/A	Not Connected
	<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..			8.6		
Swiss Re Europe S.A., UK branch	<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	1.1		29.3		

	share and surplus basis.					
General Reinsurance Life UK	Single Premium Individual Lifetime Care Plans Benefits on an original terms quota share basis for plans written after 1st September 1994 and prior to 1st July 1997, and a risk premium quota share basis for plans written on or after 1st July 1997 and prior to 16th August 2004. The cover is 50% of each benefit up to £60,000 p.a., 100% of the excess over £60,000 p.a.. The cover for original terms policies following a policy review has changed to 50% of the benefit covered by the original premium.	1.7	Closed	31.4	N/A	Not Connected
SCOR Global Life Reinsurance UK Ltd	Regular Premium Term Assurance (mortality only) quota share for level and decreasing plans written from 1 st June 2006. Terms are to reinsure 50% of the first £10m.	9.1	Closed	35.0	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 st June 2006. Terms are to reinsure 40% of the first £0.5m.	7.5	Closed	20.6	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 st June 2006. Terms are to reinsure 36% of the first £10m.	7.8	Closed	30.4	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 st June 2006. Terms are to reinsure 20% of the first £0.5m.	4.0	Closed	12.4	N/A	Not Connected
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	Open	24.8	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	Open	24.2	N/A	Not Connected
ex-FLAS Business						
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.	132.6	Closed	(62.2)	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	57.6	N/A	Not Connected
ex-FLWL Business						
Canada Life International Re Ltd	The treaty provides reinsurance cover for annuity business, the risks being 90% reinsured.	0	Closed	316.9	N/A	Not Connected
Friends Life Pensions Ltd	Treaty 201- provides Non Profit funds originally in ex-FLWL, continued access to the Pension Unit Funds now in FLP	1,621.7	Open	1,621.7	N/A	Wholly Owned Subsidiary
	Treaty 204- provides With Profit funds originally in ex-FLWL, continued access to the Pension Unit Funds now in FLP	0	Open	31.3	N/A	Wholly Owned Subsidiary

10. Reversionary Bonus

Notes applying to all with-profits funds in FLL

- (1) The bonus series meeting the stated conditions are shown in the table below.
- (2) Reversionary bonuses apply to conventional policies and have been shown in the table as “rate applying to basic benefit” / “rate applying to bonus already declared”.

FP With Profits Fund

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2015 %
		2015 %	2014 %	
Conventional With-Profits Life Policies				
Life Main Series (All except Series 9)	446	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	74	0.75/0.75	1.00/1.00	0.00/0.00
LMA Series – Life Assurance	2	3.25/3.25	3.00/3.00	0.00/0.00
Conventional With-Profits Pension Policies				
Individual Plans	455	Nil/Nil	Nil/Nil	0.00/0.00
Group Cashable Annuities	430	1.25/1.25	1.25/1.25	0.00/0.00
Executive Benefit Scheme Cashable Annuities	158	Nil/Nil	Nil / Nil	0.00/0.00
UKP Series – Pension and Deferred Annuities	440	Nil/Nil	Nil / Nil	0.00/0.00
Unitised With-Profits Life Policies (note 1)				
Series 1,21	291	3.00	3.00	3.00
Series 2,3,6	417	2.00	2.00	0.00
Series 4		1.50	1.50	0.00
Series 9,10,24	15	1.00	1.00	0.00
Series 11, 22, 23, 26		2.50	2.50	0.00
Series 12		2.50	2.50	0.00
Series 5	4	1.50	1.00	0.00
Series 8, 25	3	1.00	0.50	0.00
Series 14	28	2.75	2.75	0.00
Unitised With-Profits Pension Policies				
Series 1	1320	4.00	4.00	4.00
Series 2,4	334	2.50	2.50	0.00
Series 9,10,22,24	62	3.00	3.00	0.00
Series 21	244	3.00	3.00	0.00
Series C (FPLAL)	11	1.50	1.50	0.00
Demutualisation Terminal Bonus	26	3.75	3.75	0.00
Pre Demutualisation New Generation	205	3.75	3.75	Not less than amc
Post Demutualisation New Generation		3.75	3.75	Not less than amc
UKP Series	0	5.00	5.00	5.00
Unitised OLAB Policies				
Main Series 1,2	107	2.25	2.25	0.00
Main Series 3,4,21,22	1	3.25	3.25	0.00
Main Series 5	4	3.25	3.25	0.00

Unitised Ex-FPLMA Policies				
Life Assurance	43	3.75	3.75	0.00
Individual and Group Deferred Annuities	225	4.25	4.25	0.00

Notes

- 1) For unitised with-profits, the regular bonus is applied as an increase in the value of units attached to the policy. The rate shown is the average Regular bonus rate applying through the year.

FPLAL With Profits Fund

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2015 %
		2015 %	2014 %	
Conventional Life Policies	68	2.00/2.00	2.25/2.25	0.00/0.00
Conventional Pension Policies	66	0.25/0.25	0.25/0.25	0.00/0.00

Notes

- 1) Policies with entry date after 31 March 1988 (formerly part of the With Profit Business Fund) receive regular bonus equal to 80% of those above following the High Court Order made in June 1995.

FLC With Profits Funds

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2015 % (Note 10)
		2015 %	2014 %	
Conventional With-Profits				
Conventional Life Series 1	15	1.00/0.00	1.00/0.00	(note 1)
Conventional Life Series 2	48	0.00	0.00	0.00
Top Flight and Moneysaver	356	2.00	2.00	0.00
Conventional Life IBM Series	4	1.00	0.25	0.00
Conventional Pensions	118	0.50	0.00	0.00
Retirement Savings Schemes (note 9)	336	0.50	1.50	0.00
Unitised With-Profits (note 2)				
Investment Bond and Flexible Bond	769	2.25	2.75	0.00
With profits Income Bond (note 3)	7	2.25	2.75	0.00
Individual Savings Account (notes 4 and 8)	10	4.50	3.50	0.00
Low-Cost Homebuyers' Plan	265	3.00	3.00	3.00
Multivestor	8	1.75	1.75	1.75
Multiplan	15	3.00	3.00	0.00
Multipension Series 2	927	4.00	4.00	4.00
Multipension Series 3	229	3.50	2.50	0.00
Flexible Pensions:				
Group WP fund (note 5)	3	4.50	4.50	0.00
with GMP guarantee	12	3.00	2.50	0.00
Other (note 6)	69	3.50	3.00	0.00
Other Trustee Plans	9	4.00	3.50	0.00
Pensions 1997 series (note 7)	85	3.50	3.00	0.00
Pensions 1999 series	24	3.00	2.00	0.00
Pensions 2000 & 2002 series (note 4)	52	3.50	3.00	0.00
Retirement Investment and Income Plan	5	4.00	3.50	0.00
Amulet (other than Investment Plan) (note 4)	8	3.50	3.50	0.00

AXA Isle of Man Bonds: (note 3)				
Series 3 (Sterling)	77	4.50	4.00	0.00
Series 3 (Euro)	12	2.00	2.50	0.00
Series 3 (Dollar)	12	3.50	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 2015 (0.5% in 2014). 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 2015 (5% in 2014). 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 2015 and 2014.
- 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 2015 (5% in 2014). This is in addition to the bonus rates in the table above.
- 9) For RSS a guaranteed rate of 3% for 2015 (3% for 2014) applies to new premiums. The additional interest rate for 2015 is 0% (0% for 2014). 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 2015 %
		2015 %	2014 %	
Conventional With-Profits				
Life Compound Series	51	1.00	0.25	0.00
Ten Plus Series 1	5	3.25	2.75	0.00
Ten Plus Series 2	27	2.00/2.00	1.00/1.00	0.00/0.00
Whole Life Simple Series	6	4.00	3.25	0.00
Pension Builder and Retirement Annuity (1976 Series)	213	0.25	0.25	0.00
With profits Annuity	63	6.00	4.00	0.00
Unitised With-Profits				
Life (note 1)	322	2.25	1.25	0.00
Pensions:				
Group WP fund (note 5)	18	4.00	3.50	0.00
with GMP guarantee	179	3.50	3.00	0.00
Other (notes 1, 2)	800	4.00	3.50	0.00
AXA Isle of Man Bonds: (note 3)				
Series 1	30	4.00	3.00	0.00
Series 2 (Sterling)	15	4.00	3.75	0.00
Deposit Administration				
Deposit Administration Plan (note 4)	183	4.00	4.00	(note 4)

Notes:

- 1) The rates stated above are for accumulation units. The corresponding rates for capital units were 0.5% for 2015 and 0.0% for 2014.
- 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 2014) 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 2015 (5% in 2014). This is in addition to the above bonus rate.

WL With Profits Fund

Name of Bonus Series	Mathematical Reserves £m	Reversionary Amount of Bonus Rate		Guaranteed Bonus Rate for 2015 %
		2015 %	2014 %	
Conventional With-Profits				
Ex-Colonial Life Portfolio Whole Life and Endowment excl. Homelink (notes 2 & 4)	136	Not available	1.00	0.00
Ex-Colonial Life Portfolio Homelink – Bonus on Sum Assured/Bonus on Regular Bonus (note 2)		Not available	0.50/1.50	0.00
Ex-Colonial Life Portfolio Personal Accident K series (notes 2 & 3)		Not available	4.00	0.00
Ex-Colonial Life Portfolio Personal Accident Other (notes 2 & 3)		Not available	2.00	0.00
Ex-Winterthur Pensions Portfolio (note 2)	23	Not available	0.00	0.00
Ex-Colonial Pensions Portfolio (note 2)	157	Not available	0.00	0.00
Unitised With-Profits				
Ex-Colonial Pensions (note 2)				
Old World (accumulation units)	74	Not available	1.50	0.00
Old World (initial units)		Not available	0.00	0.00
Unity		Not available	1.50	0.00
New World		Not available	1.75	0.00

Notes:

- 1) All bonus rates are shown net of annual management charges (AMC), apart from new style pensions groups, Irish Life Bonds and Bonds.
- 2) The rates for these policies in respect of 2015 will be declared on April 1st 2016.
- 3) Regular bonus rate applies to sum assured only
- 4) 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
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 Winterthur Life Limited. 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 2015.
- (2) The valuation date of the previous valuation was 31 December 2014.
- (3) An interim valuation was carried out on 30 June 2015.

2. Assets

- (1) The economic assumptions used in the calculation of the future profits on non profit business are as follows:

31 December 2015	FPLAL WPF & FP WPF	FLAS WPF	FLC NWPF & FLC OWPF	WL WPF
Risk Discount Rate	Note 1			
Investment returns before tax (all assets)	2.4% pa	Note 1		
Future expense inflation	3.7% pa	RPI +1%*	RPI +1%*	RPI*
Corporation tax rate	20.25%	20.25%	20.25%	20.25%

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 (10 bp FLC WPFs) has been added to the risk-free rate. A reduction to calculated PVFP will be applied as a risk margin. (For FP WPF, this is 10% for most business. For FLC, FLAS and WL WPFs, this is 25% for annuities and 10% for non-annuities).

31 December 2014	FPLAL WPF & FP WPF	FLAS WPF	FLC NWPF & FLC OWPF	WL WPF
Risk Discount Rate	Note 2			
Investment returns before tax (all assets)	2.2 % pa	Note 2		
Future expense inflation	3.8% pa	RPI +1%*	RPI +1%*	RPI*
Corporation tax rate	20%	21%	21%	21%

Note 2: Risk-free rate calibrated to the gilt yield curve. For fixed interest assets matching FLAS WPF annuities in payment, a liquidity premium of 45 bps has been added to the risk-free rate. A reduction to calculated PVFP will be applied as a risk margin. (For FP WPFs this is 10% for most business. For the other funds, this is 25% 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 was expected to be transferred to the FLL non profit fund during 2015.

* 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 for:
 - 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 Benefits Reserve is calculated using a retrospective methodology except for:

- Some de minimis items which fall within 3(3) below.

(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
--	------------------------------------	---------------

	Prospective	Retrospective	Related Liabilities (£m)
FPLAL WPF			
Conventional Whole of Life	38	0	4
Conventional Savings	6	11	0
Conventional Pension	12	9	23
Total	56	20	26
FP WPF			
Conventional Whole of Life pre demutualisation	174	0	11
Conventional Savings pre demutualisation	19	519	18
Conventional Pension pre demutualisation	169	586	681
UWP Savings pre demutualisation	0	605	11
UWP Bonds pre demutualisation	0	468	19
UWP Pensions pre demutualisation	0	2,424	127
UWP Bonds post demutualisation	0	103	0
UWP Savings post demutualisation	0	33	0
UWP Pensions post demutualisation	0	192	2
Total	362	4,930	869
FLC OWPF			
UWP Bonds (no MVR-free date)	0	149	54
UWP Regular Premium Life	0	67	27
UWP Pensions (no minimum bonuses or GARs)	0	152	65
UWP Pensions with minimum bonuses but no GARs	0	174	91
UWP Pensions with minimum bonuses and GARs	0	74	87
Conventional Life	0	142	54
Conventional Pensions	0	6	34
ISA	0	0	0
Total	0	764	411

	With-Profits Benefits Reserve (£m)		Future Policy Related Liabilities (£m)
	Prospective	Retrospective	
FLC NWPF			
UWP Bonds (no MVR-free date)	0	805	336
UWP Regular Premium Life	0	295	100
UWP Pensions (no minimum bonuses or GARs)	0	551	249
UWP Pensions with minimum bonuses but no GARs	0	610	262
UWP Pensions with minimum bonuses and GARs	0	195	226
Conventional Life	0	443	145
Conventional Pensions	0	24	56
ISA	0	0	0
Total	0	2,922	1,374
FLAS WPF			
UWP Bonds (no MVR-free date)	0	389	190
UWP Regular Premium Life	0	113	5
UWP Pensions (no guarantees)	0	1,084	565
UWP Pensions with minimum guaranteed pensions (but no minimum bonuses or GARs)	0	69	90
Conventional Life	0	162	9
Conventional Pensions	0	122	170
DA77	0	198	65
With-Profits Annuity	0	73	16
Total	0	2,210	1,110
WL WPF			
UWP Bonds (no MVR-free date)	0	12	1

UWP Regular Premium Life	0	9	0
UWP Pensions (no minimum bonuses or GARs)	0	128	2
Conventional Life	0	192	4
Conventional Pensions	0	78	84
Total	0	419	90

- (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 WPBR from 3 (1) (b)	56	362	0	0	0	0
Total Retrospective WPBR from 3 (1) (b)	20	4,930	2,210	2,922	764	419
Total With-Profits Benefits Reserve	76	5,292	2,210	2,922	764	419
L31 of Form 19: With-Profits Benefits Reserve	76	5,292	2,210	2,922	764	419

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	869	1,110	1,374	411	90
Enhancement to WPBR not yet allocated to specific policies	72	322	242	188	74	28
Future costs of smoothing	0	94	0	0	0	0
Financing cost of contingent loan	0	0	0	0	0	0
Operational risk provision	0	15	0	0	0	0
Additional tax provision	0	3	11	18	5	1
Reorganisation Bonus	0	0	0	86	13	0
Other	2	41	0	0	0	0
Total Future Policy Related Liabilities	101	1,345	1,363	1,666	503	118
L49 of Form 19: Future Policy Related Liabilities	101	1,345	1,363	1,666	503	118

- (3) For WL WPF, the business not required to be separately disclosed in accordance with 3(3) has aggregate With-Profits Benefits Reserves of £5.5m 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%	93.22%	100%	100%	100%	100%
Grouped Basis – by year of entry	0%	2.45%	0%	0%	0%	0%
Grouped Basis – by year of premium payment	0%	4.33%	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) 384 model points were used to represent 3,385 policies for the first method and 357 model points were used to represent 750 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) Valuation method for FLAS WPF was modified during 2015 to exclude historic withdrawal profits and losses from asset shares for most FLAS WPF business. This is in line with the approach already used for FLC WPF. This change makes the progression of asset shares more predictable as withdrawal profits/losses can be volatile.

There are no significant changes in the valuation method for the other funds during 2015.

(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 review of asset share expenses in 2010, increasing at RPI for all business. This review determined expenses to be charged to asset shares based on charges made to the Fund in prior years. These charges will be reviewed in 2016. 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 within the Fund in that year.

FP WPF:

Expenses allocated to the FP WPF and expense charges made against asset shares during 2015 were reviewed during the year. It was agreed that the regular charges would remain unchanged and continue to increase each year in line with RPI +1%, excluding ex FPLMA business where expenses increase in line with RPI. However, from 1 October 2015, the charges to the fund also include a contribution to meeting a deficit in a closed defined-benefit pension scheme (the Friends Provident Pension Scheme) to which staff who do or used to administer the fund's policies belong.

Also, in addition to the regular charges, from 1 January 2015 certain one-off charges for material developments either for the benefit of with-profits policyholders or to comply with changed regulations may also be charged to the fund.

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.

During 2015 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 2015 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 2015, 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 2013 Scheme.

The maximum per policy maintenance expenses in respect of management services are inflated each year in line with the Retail Prices Index. The actual management expenses exceeded the maximum management expenses as at 31 December 2015.

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 2015 the aggregate expenses are calculated as 0.19% of the fund.

- (a) Expense investigations were carried out for all funds during 2015. Previous expense reviews were performed in:
FP WPF: 2015
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 next review will take effect from 1 January 2019 and then reviews will take place every 5 years.
FPLAL WPF: Charges to asset share will be reviewed in 2016 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 2015.

	FPLAL WPF	FP WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
Initial fees chargeable to asset shares	0	0	0.2	0.1	0.0	0
Maintenance fees chargeable to asset shares	0.1	22.7	11.7	13.6	2.6	-2.2
Other expenses chargeable to asset shares	0	0	0.0	0.0	0.0	0.0
Other expenses not chargeable to asset shares	0.4	62.4	-6.4	9.1	-0.5	-0.5

“Other expenses not chargeable to asset shares” include the impacts of:

- Corrections to investment expenses from previous years (FP WPF and WL WPF)
- Releases of provisions held at year end 2014 (FLAS WPF and the FLC WPFs)
- An intercompany settlement write-off (FP WPF).

- (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)	
	2015	2014
Pre demutualisation	-	-
Post demutualisation	0.1	0.3

For all other funds, no charges were made to the With-Profits Benefits Reserve in respect of the cost of guarantees or the use of capital during 2015. 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 Per Policy Charges		
	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 Per Policy Charges		
	Amount	Escalation Rate
Rainbow Plus	£35.75 pa	RPI

ex-Winterthur Fund Management Charges	
Unit Linked Life	Depends on fund selection
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%

ex-Colonial Fund Management Charges	
Colonial Mortgage and Savings Plans	
Series A	1.20%
Series B	0.50%
UWP Bond	0.50%
Rainbow Plus	
Capital Units	4.25%
Accumulation Units	0.75%
Unity Pension	0.59%
Other 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:

Year	FPLAL WPF	FP WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
2015	182%	107%	125%	129%	129%	104%
2014	178%	104%	120%	125%	125%	102%
2013	175%	101%	117%	121%	121%	102%

The figures in this table are on a rolling three-year average basis for FLAS WPF and the FLC WPFs, and use asset shares for WL WPF, FP WPF and FPLAL WPF after any additional enhancements to the With-Profits Benefits reserve.

- (7) The investment return allocated to the With-Profits Benefits Reserve for the period 1 January to 31 December 2015 before deduction of tax and expenses were as follows:

Fund		Gross investment return
FPLAL WPF		2.3%
FP WPF	Pre Demutualisation	2.4%
	Post Demutualisation	2.7%
FLC WPFs	E-Fund	7.5%
	F-Fund	1.3%
	Conventional	5.9%
FLAS WPF		3.9%
WL WPF	Life-styling element of policies close to maturity	1.7%
	Colonial Deferred Annuities	0.9%
	All other business	2.4%

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 2015, the overall investment return before tax and expenses for both FLC NWPF and FLC OWPF was 6.0%, though this does not get directly applied to any particular policies. For most UWP policies, the gross return applied to asset shares was 7.5% (E-Fund return). For such policies approaching the end of their policy term, a different rate was applied. This varied from 7.5% (E-Fund return) to 1.3% (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 Benefits 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:

	FPLAL WPF	FP WPF
	% pa	% pa
Discount rate – Life Business	2.2	2.2
Discount rate – Pensions Business	2.4	2.4
Gross Investment Return	2.4	2.4
Expense Inflation	3.7	3.7

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:

FPLAL WPF	Rates applying to attaching bonuses and sum assured					
	Annual Bonus (% pa)	Final Bonus by Term (%)				
		15	20	25	30	35
Life Closed Fund	2.00	-	118	95	68	70
Former 'New' WP Business fund (Life)	1.60	-	118	95	68	70
Pensions Closed Fund	0.25	-	102	74	40	28
Former 'New' WP Business fund (Pensions)	0.20	-	102	74	40	28

FP WPF	Rates applying to attaching bonuses					
	Annual Bonus (% pa)	Final Bonus by Term (%)				
		15	20	25	30	35
UKP Life Series	0.75*	-	0	125	103	76
UKP Pension Series (Regular)	0.00	-	0	0	0	0
UKP Pension Series (Single)	0.00	-	0	0	0	90
Main Series Endowments	0.25	1,900	345	205	110	57
Main Series Low Cost Endowments 03/12/90-20/02/91	0.25	-	-	175	-	-
Main Series Low Cost Endowments 21/02/91 - 31/12/91	0.25	-	-	145	-	-
Main Series Low Cost Endowments 31/12/91 onwards	0.25	1,075	185	-	-	-
Main Series Low Cost Endowments increments (homebuyer)	0.25*	850	-	-	-	-
Main Series regular premium SEDA	0.00	0	135	85	52	46
Main Series single premium SEDA	0.00	1,525	520	160	95	115
Main Series life with guarantee surrender basis	0.25	0	0	230	230	230
LMA life series	3.25*	24*	32*	40*	55*	75*
FPLP Group Employer's Retirement Schemes	1.25*	-	-	-	-	-
FPLP Executive Benefit Schemes single premium	0.00	70	70	70	70	70
FPLP Executive Benefit Schemes regular premium	0.00	115	115	115	115	115

* This rate also applies to sum assured.

(e) The FP WPF base expenses allowed for in the prospective With-Profits Benefits Reserve are those determined in accordance with the expense agreement reached effective 1 October 2015, inflated annually at a rate of RPI +1%, for all business, excluding ex FPLMA business where expenses increase in line with RPI. Also, in addition to the regular charges, from 1 January 2015 certain one-off charges for material developments either for the benefit of with-profits policyholders or to comply with changed regulations may also be charged to the fund.

Fund	2015 Expenses	Regular Premium	Paid-Up	Single Premium
FPLAL WPF	All	£33.39	£33.39	£33.39
FP WPF	Life	£36.46	£25.53	n/a
	Pension (Individual)	£43.77	£32.81	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, RAFM 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
FPLAL WPF	Conventional Life	WOL	4,973	220	4.42%
		Savings	2,079	150	7.22%
	Conventional Pensions		2,814	406	14.43%
	Total		9,866	776	7.87%
FP WPF	Conventional Life (Pre demut)	WOL	16,692	367	2.20%
		Savings	32,396	779	2.40%
	Conventional Pensions (Pre demut)		36,490	1,023	2.80%
	UWP Life (Pre demut)	Bonds	43,021	186	0.43%
		Savings	40,071	453	1.13%
	UWP Pensions (Pre demut)		289,553	1,962	0.68%
	UWP Life (Post demut)	Bonds	2,274	84	3.69%
		Savings	4,582	240	5.24%
	UWP Pensions (Post demut)		18,126	676	3.73%
	Total		483,203	5,770	1.19%
FLAS WPF	Conventional		23,512	892	3.79%
	Bonds		11,136	623	5.59%
	UWP Life		9,024	360	3.99%
	UWP Pensions		67,395	1,519	2.25%
	Total		111,067	3,394	3.06%
FLC NWPF	Conventional		81,670	633	0.78%
	Bonds		23,363	658	2.82%
	UWP Life		23,877	541	2.27%
	UWP Pensions		81,882	1,578	1.93%
	Total		210,792	3,410	1.62%
FLC OWPF	Conventional		22,137	337	1.52%
	Bonds		3,724	155	4.15%
	UWP Life		4,989	226	4.53%
	UWP Pensions		26,938	722	2.68%
	Total		57,788	1,440	2.49%
WL WPF	Conventional		34,333	901	2.62%
	Bonds		534	138	25.84%
	UWP Life		642	201	31.31%
	UWP Pensions		12,087	262	2.17%
	Total		47,596	1,502	3.16%

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 £3.7m 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 3% of the With-Profits Benefits 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 all funds, no changes were made to the method of modelling of financial options and guarantees during 2015.

- (3) For all funds, no changes were made to the method of modelling of financial options and guarantees during 2015.

(a) (i) The options and guarantees are fully disclosed in the abstract to the valuation report (Appendix 9.4). The tables below show the extent to which the guarantees and options, split by major product groups, are in or out the money at the valuation date.

Split of maturity guarantees		FPLAL WPF (£m)	FP WPF (£m)	FLAS WPF (£m)	FLC NWPF (£m)	FLC OWPF (£m)	WL WPF (£m)
Conventional Pension	Intrinsic	1	69	14	14	8	80
	Time	2	34	3	1	0	0
Conventional Life	Intrinsic	0	0	30	4	1	1
	Time	1	2	4	1	0	5
Unitised With-Profits Pension	Intrinsic	n/a	21	124	28	11	0
	Time	n/a	77	12	65	13	2
Unitised With-Profits Life	Intrinsic	n/a	0	1	0	0	0
	Time	n/a	3	0	1	0	0
Total	Intrinsic	1	90	168	47	21	81
	Time	3	116	19	67	13	7
	Total	4	206	187	114	34	88

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	22	584	102	37	14	6
	Time	0	0	1	0	0	0
Unitised With-Profits Pension	Intrinsic	0	0	0	147	57	0
	Time	0	0	0	1	0	0
Total		22	584	103	185	71	6

(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 moneyiness.

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 12.8% 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 0.90%.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2015. 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 2014 are shown in parentheses ().

Volatility over period (years)	Equity option ATM IV	Property	10-Year Swaption ATM IV
5	21% (21%)	13% (13%)	36% (32%)
10	23% (22%)	13% (13%)	31% (27%)
20	26% (24%)	13% (13%)	30% (26%)

The correlations assumed between the main asset classes are:

	6 Year Bond Return Index	Equity Total Return	RPI	Property Total Return	15 Year Corporate Bond Return Index
6 Year Bond Return Index	1.00	0.16	0.23	0.17	0.29
Equity Total Return	0.16	1.00	0.04	0.34	0.03
RPI	0.23	0.04	1.00	0.15	-0.28
Property Total Return	0.17	0.34	0.15	1.00	-0.04
15 Year Corporate Bond Return Index	0.29	0.03	-0.28	-0.04	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	FLC, FLAS, WL, FPLAL & FP WPF Asset type (all UK assets)	(£)	1				2				3				4			
			0.75				1.0				1.5							
			5	15	25	35	5	15	25	35	5	15	25	35				

Strikes																	
p	1.0		£802,651	£1,079,712	£1,501,123	£1,883,013	£1,070,201	£1,439,616	£2,001,497	£2,510,684	£1,605,302	£2,159,423	£3,002,245	£3,766,025			
	0.8		£791,891	£1,004,534	£1,308,611	£1,569,393	£1,055,855	£1,339,378	£1,744,815	£2,092,524	£1,583,783	£2,009,068	£2,617,222	£3,138,785			
r	Annualised compound equivalent of the risk free rate assumed for the period		1.37%	2.46%	2.81%	2.67%	*	*	*	*	*	*	*	*			
1	Risk-free zero coupon bond		£934,404	£694,630	£499,626	£398,298	*	*	*	*	*	*	*	*			
2	FTSE All Share Index (p=1)		£84,747	£222,046	£326,760	£416,240	£189,463	£365,945	£498,004	£601,697	£532,647	£714,461	£877,251	£1,003,732			
3	FTSE All Share Index (p=0.8)		£81,458	£195,651	£266,578	£328,659	£182,705	£323,578	£407,918	£476,638	£515,812	£635,478	£726,429	£797,754			
4	Property (p=1)		£18,868	£90,907	£181,018	£264,287	£113,378	£219,541	£332,921	£432,904	£512,208	£587,164	£707,800	£826,084			
5	Property (p=0.8)		£17,040	£70,614	£132,527	£190,199	£106,156	£179,303	£251,021	£317,645	£493,228	£501,240	£555,179	£622,312			
6	15 year risk-free ZCBs (p=1)		£20,204	£19,443	£21,125	£52,288	£111,920	£107,895	£115,555	£169,535	£509,326	£505,619	£513,353	£549,365			
7	15 year risk-free ZCBs (p=0.8)		£18,359	£11,492	£7,550	£21,027	£104,712	£74,002	£55,954	£83,922	£490,255	£408,196	£339,435	£341,591			
8	15 year corporate bonds (p=1)		£87,826	£118,685	£107,456	£100,117	£212,381	£251,956	£237,832	£228,929	£578,969	£614,853	£603,797	£594,043			
9	15 year corporate bonds (p=0.8)		£83,895	£96,639	£69,731	£54,802	£204,449	£211,144	£165,033	£138,033	£562,067	£530,978	£450,653	£396,782			
10	Portfolio of 65% equity and 35% property (p=1)		£45,438	£151,390	£248,733	£336,937	£140,865	£281,818	£405,576	£511,173	£514,129	£632,323	£774,988	£899,351			
11	Portfolio of 65% equity and 35% property (p=0.8)		£42,963	£128,002	£195,391	£256,825	£134,114	£242,009	£322,396	£393,239	£495,429	£550,556	£625,706	£699,281			
12	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=1)		£40,967	£126,027	£206,625	£289,621	£131,960	£248,736	£352,773	£453,208	£509,323	£594,275	£716,802	£831,008			
13	Portfolio of 65% equity and 35% 15 year risk-free ZCBs (p=0.8)		£38,600	£105,364	£159,815	£216,755	£125,413	£210,958	£273,741	£341,796	£490,349	£512,097	£568,709	£635,677			
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=1)		£26,395	£74,282	£131,276	£198,543	£114,855	£183,816	£260,756	£345,146	£510,443	£543,849	£622,289	£717,077			
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk-free ZCBs and 22.5% 15 year corporate bonds (p=0.8)		£24,459	£57,950	£93,424	£137,799	£107,906	£148,361	£189,071	£243,806	£491,307	£455,698	£471,126	£521,216			

L	15	20	25
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16	Receiver swaptions	24.32%	20.56%	19.96%	16.99%	29.69%	26.88%	25.30%	20.96%	35.48%	32.65%	29.83%	24.12%
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(iv) The average initial equity and property rental yields are:

Description	Yield (pa)
Initial UK equity yield assumed	3.98%
Initial UK property rental yield assumed	4.30%
Initial EUR equity yield assumed	2.79%

(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	€1,005,635	€1,222,041	€1,605,985	€2,079,327
r	Annualised compound equivalent of the risk free rate assumed for the period	0.11%	1.35%	1.91%	2.11%
1	Risk-free zero coupon bond	€994,397	€818,303	€622,671	€480,925
2	FTSE EUR Index (p=1)	€196,176	€335,606	€442,988	€552,412

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
FPLAL WPF										
Conventional Pension	Intrinsic	0	0	0	0	0	0	0	0	1
	Time	0	1	1	0	0	0	0	0	2
Conventional Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	0	0	0	0	0	0	0	1	1
Total	Intrinsic	0	0	0	0	0	0	0	0	1
	Time	0	1	1	0	0	0	0	1	3
	Total	0	1	1	0	0	0	0	1	4
FP WPF										
Conventional Pension	Intrinsic	23	22	14	6	2	1	1	0	69
	Time	10	13	7	3	1	0	0	0	34
Conventional Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	1	1	0	0	0	0	0	0	2
Unitised With-Profits Pension	Intrinsic	1	3	8	6	2	1	0	0	21
	Time	10	23	24	14	5	1	0	0	77
Unitised With-Profits Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	1	2	0	0	0	0	0	0	3
Total	Intrinsic	24	25	22	12	4	2	1	0	90
	Time	22	39	31	17	6	1	0	0	116
	Total	46	64	54	29	10	3	1	0	206
FLAS WPF										
Conventional Pension	Intrinsic	5	5	3	1	0	0	0	0	14
	Time	0	1	1	0	0	0	0	0	3
Conventional Life	Intrinsic	4	6	9	6	3	2	0	0	30
	Time	0	0	1	1	1	1	1	0	4
Unitised With-Profits Pension	Intrinsic	76	32	12	3	1	0	0	0	124
	Time	0	2	4	3	1	1	0	0	12
Unitised With-Profits Life	Intrinsic	0	0	0	0	0	0	0	0	1
	Time	0	0	0	0	0	0	0	0	0
Total	Intrinsic	85	43	24	10	4	2	1	0	168
	Time	0	4	6	4	2	1	1	1	19
	Total	85	47	29	14	6	4	1	1	187
FLC NWPF										
Conventional Pension	Intrinsic	7	5	1	0	0	0	0	0	14
	Time	0	0	0	0	0	0	0	0	1
Conventional Life	Intrinsic	1	2	1	0	0	0	0	0	4
	Time	0	0	0	0	0	0	0	0	1
Unitised With-Profits Pension	Intrinsic	14	7	4	2	1	0	0	0	28
	Time	3	14	18	13	8	5	3	1	65
Unitised With-Profits Life	Intrinsic	0	0	0	0	0	0	0	0	0
	Time	0	0	0	0	0	0	0	0	1
Total	Intrinsic	22	14	6	3	1	1	1	0	47
	Time	4	15	18	13	8	5	3	1	67
	Total	26	29	24	16	8	5	4	1	114

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
FLC OWPF										
Conventional Pension	Intrinsic	5	3	1	0	0	0	0	0	8
	Time	0	0	0	0	0	0	0	0	0
Conventional Life	Intrinsic	0	0	0	0	0	0	0	0	1
	Time	0	0	0	0	0	0	0	0	0
Unitised With-Profits Pension	Intrinsic	8	2	1	0	0	0	0	0	11
	Time	1	3	4	4	1	1	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
Total	Intrinsic	13	5	2	1	0	0	0	0	21
	Time	1	3	4	4	1	1	0	0	13
	Total	13	8	7	4	1	1	0	0	34
WL WPF										
Conventional Pension	Intrinsic	44	27	9	0	0	0	0	0	80
	Time	0	0	0	0	0	0	0	0	0
Conventional Life	Intrinsic	0	0	0	0	0	0	0	0	1
	Time	0	0	0	1	1	1	1	1	5
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
Total	Intrinsic	45	27	9	0	0	0	0	0	81
	Time	0	1	1	1	1	1	1	1	7
	Total	45	28	10	1	1	1	1	1	88

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
FPLAL WPF										
Conventional Pension	Intrinsic	8	7	4	2	0	0	0	0	22
	Time	0	0	0	0	0	0	0	0	0
Total		8	7	4	2	0	0	0	0	22
FP WPF										
Conventional Pension	Intrinsic	325	155	70	27	5	1	0	0	584
	Time	0	0	0	0	0	0	0	0	0
Total		325	155	70	27	5	1	0	0	584
FLAS WPF										
Conventional Pension	Intrinsic	64	26	11	2	0	0	0	0	102
	Time	0	1	-1	0	0	0	0	0	1
Total		64	27	10	2	0	0	0	0	103
FLC NWPF										
Conventional Pension	Intrinsic	26	9	1	0	0	0	0	0	37
	Time	0	0	0	0	0	0	0	0	0
Unitised With-Profits Pension	Intrinsic	104	33	9	1	0	0	0	0	147
	Time	1	0	-1	0	0	0	0	0	1
Total		132	42	10	1	0	0	0	0	185
FLC OWPF										
Conventional Pension	Intrinsic	10	3	1	0	0	0	0	0	14
	Time	0	0	0	0	0	0	0	0	0
Unitised With-Profits Pension	Intrinsic	40	13	5	1	0	0	0	0	57
	Time	1	0	0	0	0	0	0	0	0
Total		50	16	5	1	0	0	0	0	71

WL WPF										
Conventional Pension	Intrinsic	4	2	0	0	0	0	0	0	6
	Time	0	0	0	0	0	0	0	0	0
Total		4	2	0	0	0	0	0	0	6

(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 2,000 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 2,000 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.

- (4) (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 2015, **£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 80% to 120% of uplifted asset share.

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 2015	As at 31 Dec 2020	As at 31 Dec 2025	As at 31 Dec 2015	As at 31 Dec 2020	As at 31 Dec 2025	As at 31 Dec 2015	As at 31 Dec 2020	As at 31 Dec 2025
FP WPF									
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%	4.03%	4.00%	4.00%	4.06%	4.00%	4.00%	4.02%
Pensions Regular Premium - Other	2.25%	1.07%	2.06%	2.25%	1.38%	2.52%	2.25%	0.80%	1.67%
Pensions Single Premium - Series 1	4.00%	4.00%	4.05%	4.00%	4.01%	4.11%	4.00%	4.00%	4.03%
Pensions Single Premium - Other	2.25%	1.81%	2.60%	2.25%	2.09%	2.98%	2.25%	1.55%	2.26%
OLAB Single Premium	2.25%	2.56%	2.99%	2.25%	2.98%	3.46%	2.25%	2.16%	2.58%
Life Regular Premium - Series 1	3.00%	3.00%	3.05%	3.00%	3.00%	3.14%	3.00%	3.00%	3.03%
Life Regular premium - Other	1.50%	1.15%	1.19%	1.50%	1.33%	1.57%	1.50%	0.99%	0.87%
Life Single Premium	2.00%	1.86%	2.61%	2.00%	2.16%	2.98%	2.00%	1.59%	2.29%
FPLAL WPF									
Equity Backing Ratio	40%	40%	40%	40%	40%	40%	40%	40%	40%
Equity + Property ratio	50%	50%	50%	50%	50%	50%	50%	50%	50%
FLC WPFs									
Equity Backing Ratio	46%	46%	46%	46%	46%	46%	46%	46%	46%
Equity + Property ratio	61%	61%	61%	61%	61%	61%	61%	61%	61%
Investment Bond (RB Series 10)	2.25%	2.97%	3.09%	2.25%	2.32%	2.88%	2.25%	1.73%	2.15%
UWP Pension (RB series 20)	0.00%	0.82%	0.75%	0.00%	0.38%	0.56%	0.00%	0.13%	0.23%
FLAS WPF									
Equity Backing Ratio	42%	42%	42%	42%	42%	42%	42%	42%	42%
Equity + Property ratio	50%	50%	50%	50%	50%	50%	50%	50%	50%
Investment Bond (RB Series 1)	4.25%	3.95%	3.47%	4.25%	3.26%	3.34%	4.25%	2.62%	2.58%
UWP Pension (RB Series 8)	3.50%	3.61%	2.91%	3.50%	2.61%	2.52%	3.50%	2.02%	1.88%
WL WPF									
Equity Backing Ratio	48%	48%	48%	48%	48%	48%	48%	48%	48%
Equity + Property ratio	50%	50%	50%	50%	50%	50%	50%	50%	50%
UWP Pensions	1.0%	4.8%	4.8%	1.0%	4.4%	4.5%	1.0%	4.0%	3.5%
UWP Life	0.4%	2.1%	2.1%	0.4%	1.5%	1.5%	0.4%	1.1%	1.1%
UWP Bonds	1.2%	3.0%	3.2%	1.2%	2.8%	3.3%	1.2%	2.1%	2.5%

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, lapse¹, 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)			
		1-5	6-10	11-15	16-20
FP WPF					
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	9.6	6.0	6.0
UWP target cash endowment	surrender	12.1	12.1	4.5	4.5
UWP bond	surrender	2.9	17.1	5.5	5.5
UWP bond	automatic withdrawals	2.6	2.6	2.6	2.6
CWP pension regular premium	PUP ²	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	2.4	2.6	3.0	9.8
UWP individual pension single premium	surrender	2.6	4.8	4.0	10.8

FLC WPF		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	12.2	8.2	2.9	1.0
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	5.9	3.5
UWP Bond	surrender	9.0	9.0	5.4	3.5
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

FLAS WPF		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	8.0	6.0	3.2	1.5
CWP target cash endowment	surrender	11.2	4.4	3.3	2.5

¹ No allowance is made for partial withdrawals in the model.

² 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	5.35	3.5
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
WL WPF		1-5	6-10	11-15	16-20
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	73%
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 1.75% pa for males and 1.5% 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 1.75% pa for males and 1.5% 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 1.75% pa for males and 1.5% 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 1.75% pa for males and 1.5% 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

FP, FPLAL, FLAS and FLC WPFs

There are no financing arrangements in place. All contingent loan and accrued interest were paid in full in December 2015 between FP WPF and the Non Profit Fund.

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.

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		39				
UWP Provision		98				
Additional manual liabilities		35				
Operational risk provision		15				
Additional tax provision		3	11	18	5	1
Reorganisation Bonus				86	13	
Deferred Maturity guarantees	2	6				
Mortgage Endowment Provision		7				
Other		1	1			
Total With-Profits Benefits Reserve	2	205	12	104	18	1
L47 of Form 19: WPBR	2	205	12	104	18	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	23	306	200	242	33	37
Provisions for Shareholder Tax	0	33	32	0	6	0
Total	23	340	232	242	40	37

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	4	137	0	0	0	4

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 19.9% 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)	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%
Movement in yields	+0.42%	+0.42%	-0.42%	-0.42%	-0.42%	-0.42%

(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	64	-0.96%
FPLAL WPF Non profit Portfolio	-	-
FP WPF With-profits Portfolio	99	-8.85%
FP WPF Non profit Portfolio	84	-7.05%

	Average change in spread (bp)	Percentage change in asset values
FLC WPF With-profits Portfolio	76	-4.69%
FLC WPF Non profit Portfolio	27	-1.90%
FLAS WPF With-profits Portfolio	69	-4.09%
FLAS WPF Non profit Portfolio	159	-9.06%
WL WPF Whole Portfolio	28	-0.74%

(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) Credit default swaps are held to adjust credit exposure on selected corporate bonds within 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	WL WPF
Change in spread (bp)	107
Change in value	-378%

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	1.47%
FPLAL WPF	1.08%
FLAS WPF	0.58%
FLC NWPF	0.34%
FLC OWPF	0.16%
WL WPF	0.81%

(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	210	244	63	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, is required at 31 December 2015. 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	18 Mar 2016	£679k
MSCI Emerging Markets	Bought	Increase economic exposure to emerging markets equities in WP benefits reserve	18 Mar 2016	£998k
S&P 500	Bought	Increase economic exposure to US equities in WP benefits reserve	18 Mar 2016	£27k

Equity total return swaps are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 250	Bought	Increase economic exposure to UK equities in WP benefits reserve	17 Feb 2016	£662k
MDAX	Bought	Increase economic exposure to German equities in WP benefits reserve	17 Feb 2016	£774k

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 -£0.5m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure in WP benefits reserve back to Sterling. There is £2.3m 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	18 Mar 2016	£124m
DJ Eurostoxx50	Bought	Increase economic exposure to European equities in WP benefits reserve	18 Mar 2016	£13.1m
Russell 2000	Bought	Increase economic exposure to US equities in WP benefits reserve	18 Mar 2016	£15.1m
MSCI Emerging Markets	Bought	Increase economic exposure to emerging markets equities in WP benefits reserve	18 Mar 2016	£22.1m
S&P 500	Bought	Increase economic exposure to US equities in WP benefits reserve	18 Mar 2016	£41.7m
Nikkei 225	Bought	Increase economic exposure to Japanese equities in WP benefits reserve	10 Mar 2016	£7.9m
FTSE 100	Bought	Managing UK equity risk component of maturity guarantees	18 Mar 2016	£109m
S&P 500	Bought	Managing US equity risk component of maturity guarantees	18 Mar 2016	£17.1m

Equity total return swaps are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 250	Bought	Increase economic exposure to UK equities in WP benefits reserve	17 Feb 2016	£14.7m
MDAX	Bought	Increase economic exposure to German equities in WP benefits reserve	17 Feb 2016	£17.2m

Over the counter FTSE 100 put options with a market value of £46.5m are held to match the strike and term of the equity component of maturity guarantees. The fund currently holds 53,298 equity capital return put options with strikes ranging from 3,988 to 6,647 and expiry dates from 2016 to 2027; and 7,668 equity total return put options with strikes ranging from 3,000 to 8,000 and expiry dates from 2016 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 2024. They have total notional value of £70.2m and total market value of £8.3m. There are also put options on S&P 500 with expiry dates ranging from 2016 to 2021. They have total notional value of £138m and total market value of £9.2m.

Swaptions with a market value of £0.5m are held to match financial options. These swaptions have a notional value of £528m and strikes ranging from 8.0% to 11.1%, and expiry dates from 2016 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 2055, total notional value of £902m, and total market value of £12.8m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates from 2017 and 2025, total notional value of £723m, and total market value of -£28.9m.

Inflation swaps are used to hedge inflation risk. These swaps have total notional value of £89.4m and total market value of -£5.5m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £199m 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 2021 and 2065, total notional value of £850m, and total market value of £27.9m.

Sterling interest rate payer swaps are held for the purpose of hedging interest rate risk. The swaps held have expiry dates between 2016 and 2032, total notional value of £410m, and total market value of -£17.3m.

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 liabilities. The swaps held have expiry dates between 2022 and 2062, total notional value of £407m, and total market value of -£18.6m.

Sterling receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2016 to 2023, all have a tenor of 20 years and a strike rate of 5%. They have total notional value of £21.9m and total market value of £9.2m.

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 2024 and a strikes ranging from 5200 to 5775. There is a total notional value of £199m for a total market value of £22.9m.

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	18 Mar 2016	£2.9m
FTSE 100	Bought	Hedging UK equity risk	18 Mar 2016	£62.2m
UK 10yr Treasury	Sold	Reduce economic exposure to UK fixed interest in WP benefits reserve	29 Mar 2016	£18.4m
Euro 10yr Treasury	Bought	Increase economic exposure to Euro fixed interest in WP benefits reserve	8 Mar 2016	£15.7m

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £129m exposure to Euro, USD and JPY 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 2021 and 2065, total notional value of £652m, and total market value of £42.3m.

Sterling interest rate payer swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2018 and 2033, total notional value of £46.0m, and total market value of -£2.0m.

A set of asset swaps is held with an obligation to pay inflation linked cash flow in exchange for receiving floating cash flow. The asset swaps are held in conjunction with a set of index-linked bonds, with the purpose that the net cash flow from the bonds together with the swaps is appropriate to back liabilities. The swaps held have expiry dates between 2029 and 2062, a total notional value of £74.6m, 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 2016 to 2032, all have a tenor of 20 years and a strike rate of 5%. They have total notional value of £163m and total market value of £66.8m.

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 2016 to 2025, total notional value of £347m and total market value of £9.6m.

- Listed Equity Options on FTSE 100. Out of the money options with expiry dates ranging from 2016 to 2021, with total notional value of £339m and total market value of £22.7m.
- 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 £122m and total market value of £5.3m.

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	18 Mar 2016	£7.3m
FTSE 100	Sold	Hedging UK equity risk	18 Mar 2016	£57.6m
DJ Eurostoxx50	Sold	Hedging European equity risk	18 Mar 2016	£17.1m
S&P 500	Sold	Hedging US equity risk	18 Mar 2016	£44.7m
TOPIX	Sold	Hedging Japanese equity risk	10 Mar 2016	£5.2m
UK 10yr Treasury	Sold	Reduce economic exposure to UK fixed interest in WP benefits reserve	29 Mar 2016	£401m
Euro 10yr Treasury	Bought	Increase economic exposure to Euro fixed interest in WP benefits reserve	8 Mar 2016	£159m
UK 10yr Treasury	Sold	Duration management of assets backing guarantees	29 Mar 2016	£1.2m

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £506m exposure to Euro, USD and JPY hedged back to Sterling.

WL WPF

Sterling interest rate receiver swaps are held for the purposes of hedging interest rate risk. The swaps held have expiry dates between 2024 and 2059, total notional value of £70.4 m, and total market value of £8.1m.

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 2016 to 2034, and tenors of 20 years to 26 years, and a strike rate of 8%. They have total notional value of £63.0m and total market value of £0.1m.

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 2016 to 2017. They have total notional value of £10.0m and total market value of £0.3m.

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 £51.3m and total market value of -£0.2m.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities in WP benefits reserve	18 Mar 2016	£0.3m
FTSE 100	Sold	Hedging UK equity risk	18 Mar 2016	£18.2m

13. Analysis of Change in Working Capital

The following shows an approximate analysis of change in working capital between 31 December 2014 and 31 December 2015 for the With-Profits Funds.

	FP WPF	FPLAL WPF	FLAS WPF	FLC NWPF	FLC OWPF	WL WPF
	£m	£m	£m	£m	£m	£m
Opening position at start of year on a closed fund basis	200	3	0	0	0	0
Move to open fund basis	238	75	267	141	71	24
Expected investment return on opening working capital on open fund basis	1	0	1	0	0	0
Modelling changes and opening adjustments	27	-2	173	37	3	1
Mismatch profits on assets backing future policy related liabilities	50	1	2	36	13	4
Assumption changes						
Economic	0	0	0	0	0	0
Non-economic	-47	-1	-281	-64	-29	-2
Other variances						
Economic	11	1	3	11	-2	2
Non-economic	-28	-2	0	0	0	0
Change in support arrangement assets	0	0	0	0	0	2
Changes in other liabilities of lines 47 and 51 of Form 19	0	0	0	0	0	0
Other	8	1	77	26	18	-3
Closing position at end of year	459	76	242	188	74	28
Move to closed fund basis	-322	-72	-242	-188	-74	-28
Closing position at end of year as per line 68 of Form 19	137	4	0	0	0	0

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 2015

The Company has requested Michael Robert Kipling, the With Profits Actuary throughout 2015, to provide particulars specified in IPRU (INS) Rule 9.36 and the following details for the full year to 31 December 2015 have been furnished pursuant to that request.

- (a) As at 31 December 2015, Mr Kipling had the following interests in the ordinary shares of no nominal value of the ultimate parent Company, Aviva plc:
- 1,379 shares as a result of his participation in the Share Incentive Plan previously operated by the Friends Life Group;
 - 2,368 share options as a result of his participant in the Aviva Save As You Earn Scheme

He had no interest at any time during the year in any shares in, or debentures of, the Company or its subsidiaries.

- (b) During the year ended 31 December 2015, Mr Kipling received Friends Life Group Limited shares under the following share based long-term incentive awards operated by the Friends Life Group. These awards vested as a result of the acquisition of Friends Life Group Limited by Aviva plc.
- 6,554 shares awarded under the 2013 Deferred Share Award Plan (DSAP);
 - 11,584 shares awarded under the 2014 DSAP;
 - 5,646 shares awarded under the Restricted Share Plan.

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). As a result of the acquisition of Friends Life Group Limited by Aviva plc modifications were made to the scheme, resulting in cash amounts becoming payable on 1 September 2015 and 1 September 2016, subject to Mr Kipling fulfilling conditions relating to ongoing service. The payment received by Mr Kipling on 1 September 2015 is included in the remuneration figure below.

- (c) The aggregate amount of remuneration and value of other benefits received by Mr Kipling in respect of the year ended 31 December 2015, including pension allowance, was £429,038. This amount includes the bonus in respect of 2015 performance which was notified in March 2016.

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 2015
Global Business

We certify that:

- a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
- b) we are satisfied that throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and Fundamental Rules as well as the provisions of IPRU(INS), GENPRU and INSPRU.
- c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the 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;
- d) 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;
- e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
- f) 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 of the FCA Handbook and SUP 4.3.16R of the PRA Handbook.

The statement required by IPRU(INS) Appendix 9.6 paragraph 1(1)(b)(ii) in respect of compliance since the end of the financial year with the requirements in SYSC, Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and ongoing compliance has not been provided. This is because the current regulatory regime has been replaced as from 1 January 2016, the commencement date of Solvency II, so the firm is subject to a new regulatory regime.

Andy Briggs
Director
30 March 2016

John Lister
Director
30 March 2016

Hitesh Patel
Director
30 March 2016

Auditors' report: Regulatory Return for a life insurance company

Friends Life Limited

Global business

Financial year ended 31 December 2015

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

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) on pages 1 to 297 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 298 ('the statement'); and
- the valuation reports required by IPRU(INS) rule 9.31 on pages 300 to 395 ('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) on pages 104 to 113, 130 to 245, 247 to 253, 262 to 277 and 294 to 297;
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 299 and 396; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 397.

Respective responsibilities of the insurer and its auditors

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 a direction treated as being issued under section 138A of the Financial Services and Markets Act 2000 on December 2012, and by directions issued under section 138A of the Financial Services and Markets Act 2000 on March 2013 and October 2014. 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.

This report has been prepared for the directors of the insurer to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

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. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (i) 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
- (ii) 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.

PricewaterhouseCoopers LLP
Chartered Accountants

30 March 2016

- a) The maintenance and integrity of the Friends Life Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the insurance annual return since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of insurance annual returns may differ from legislation in other jurisdictions.