

Friends Life announces with-profits bonus rates

17 July 2015

In July 2015 Friends Life announced the bonus rates for its with-profits funds. You'll find a summary of each fund's performance below and some examples of how the declared bonus rates have affected the value of policies.

Most of the profits of the funds come from investments in shares, fixed interest stocks and property. Fixed interest stocks, both British government bonds (gilts) and corporate bonds performed well during the start of 2015. Equity markets (shares) also generally produced strong returns. Against this backdrop, we are pleased to report that all of our with-profits funds have earned reasonable investment returns for our with-profits customers.

Which fund is my policy I invested in?

Please refer to the 'Which fund' section on our website to help you work out which with-profits fund your policy is invested in. You can tell if your policy is 'unitised' or 'conventional' from your annual statement. If it shows units and unit prices then you have a unitised policy; otherwise you have a conventional policy.

Key information about Friends Life's main with-profits funds

Friends Life FLAS With-Profits Fund (including ex Sun Life Assurance Society policies)

- **Fund investment return.** For the first five months of 2015 the fund earned a return of 4.8% before tax.
- **Target asset mix.** Shares and property are targeted to be 50% of the fund's investments.
- **Final bonus rates** for most classes have been increased.
- **No market value reductions** currently apply on any policies.

Friends Life FLC With-Profits Funds (including ex AXA Sun Life policies)

- **Fund investment return.** For the first five months of 2015 the funds earned a return of 5.6% before tax.
- **Target asset mix.** Shares and property are targeted to be 60% of the funds' investments.
- **Final bonus rates** for most classes have generally been increased largely reflecting better than anticipated investment returns.
- **No market value reductions** currently apply on any policies.

Friends Life FP With-Profits Fund (including ex Friends Provident policies)

- **Fund investment return.** For the first five months of 2015 the fund earned a return of:
 - 4.4% in respect of policies written before 9 July 2001 (pre demutualisation) before tax.
 - 5.4% in respect of policies written after 8 July 2001 (post demutualisation) before tax.
- **Target asset mix.** Shares and property are targeted to be:
 - 45% of the fund's investments for pre demutualisation policies.
 - 55% of the fund's investments for post demutualisation policies.
- **Final bonus rates for conventional policies** have generally been increased.
- **Some final bonus rates for unitised policies** have increased and some decreased.
- **No market value reductions** currently apply on any policies.

Impact of the declaration

Some examples of policy payouts reflecting the bonus rate changes are shown below.

25-year with-profits endowment policies

The table below shows a with-profits mortgage endowment policy taken out in July 1990 by a male aged 30 years next birthday. Premiums to pay for the with-profits endowment benefit are assumed to be £50 a month.

Fund	Surrender Value in July 2014 (£)	Maturity Value in July 2015 (£)	Increase over last 12 Months (Excluding premiums) %
Friends Life FLC (Unitised)	32,061	37,905	16.2
Friends Life FP (Conventional)	26,114	30,871	15.7

20-year with-profits pension plans

Unitised with-profits personal pension plan taken out in July 1995 by a male retiring at age 65, paying £200 per month gross. The value of the fund is returned on death before retirement.

Fund	Transfer Value in July 2014 (£)	Maturity Value in July 2015 (£)	Increase over last 12 Months (Excluding premiums) %
Friends Life FLAS	85,316	97,586	11.4
Friends Life FLC	87,061	110,294	23.6
Friends Life FP	74,498	86,726	13.0

With-profits bonds

Unitised with-profits bond taken out in July 2000 with a single premium of £10,000.

Fund	14yr Surrender Value in July 2014 (£)	15yr Surrender Value in July 2015 (£)	Increase over last 12 Months %
Friends Life FLC	17,800	20,400	14.6
Friends Life FP	15,991	17,935	12.2

Notes

With-profits governance

The With-Profits Committee has considered these bonus rates and has assessed them against the Principles and Practices of Financial Management published by Friends Life. The Committee is satisfied that the rates represent reasonable and appropriate application of the company's discretion.

How with-profits policies work

- A with-profits policy differs from a unit linked policy in that it is not totally reliant on the current value of the underlying assets. Some types of with-profits policies offer guarantees that provide a cushion against falling investment markets in certain circumstances. Furthermore, except when bonus rates are changed, the pay-out from a with-profits policy does not vary greatly on a day-to-day basis, as might be the case for a unit linked policy.
- Some with-profits policies give further protection by providing an element of life assurance cover.
- We have a range of bonus series to cater for different product structures and premium rates. These are designed to achieve fairness between policyholders.
- Please note, that as bonus rates are regularly reviewed they may change at any time.
- Future bonuses cannot be guaranteed as they come from profits that have not yet been earned. Further details as to how bonus rates are applied can be found in the PPFM summaries on our website. Market Value Reductions (MVRs) may be applied at any time particularly following a large or sustained fall in the stock market.
- Please refer to your policy/plan literature for details of the plan/policy's aims, commitment, its charges and any risks associated with it.