

Friends Life Company Limited

(formerly AXA Sun Life Plc)

**Annual FSA Insurance Returns for the year ended
31st December 2011**



(Appendices 9.1, 9.3, 9.4, 9.6)

Friends Life Company Limited

Year ended 31st December 2011

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Friends Life Company Limited

Year ended 31st December 2011

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Statement of solvency - long-term insurance business

Form 2

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Name of insurer **Friends Life Company Limited**

Global business

Financial year ended **31st December 2011**

Adjusted solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R2	3291349	GL	31	12	2011	£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	1538365	1845333
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	809458	1139840
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2347823	2985173

Guarantee fund

Guarantee fund requirement	21	182944	184267
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	2164879	2800906

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	548832	552801
Resilience capital requirement	32		
Base capital resources requirement	33	3056	3040
Individual minimum capital requirement	34	548832	552801
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	548832	552801
Excess (deficiency) of available capital resources to cover 50% of MCR	37	2073407	2708773
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1936199	2570572

Enhanced capital requirement

With-profits insurance capital component	39	1276626	1196294
Enhanced capital requirement	40	1825459	1749095

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1825459	1749095
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	522364	1236078

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		87799
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Covering sheet to Form 2

Form 2

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Name of insurer **Friends Life Company Limited**

Global business

Financial year ended **31st December 2011**

..... **E. B. Bourke** **Director**

..... **A. M. Parsons** **Director**

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

London 20 March 2012

Components of capital resources
**Form 3
(Sheet 1)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	3291349	GL	31	12	2011	£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		92500	92500	92500
Profit and loss account and other reserves	12		1705741	1705741	2431297
Share premium account	13				
Positive valuation differences	14		1489571	1489571	1697668
Fund for future appropriations	15		191858	191858	580943
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		3479670	3479670	4802408

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		3479670	3479670	4802408
Investments in own shares	32				
Intangible assets	33		136418	136418	
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		136418	136418	
Total tier one capital after deductions (31-37)	39		3343252	3343252	4802408

Components of capital resources
**Form 3
(Sheet 2)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	3291349	GL	31	12	2011	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

Components of capital resources
**Form 3
(Sheet 3)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

	Company registration number	GL/UK/CM	Period ended			units	
			day	month	year		
	R3	3291349	GL	31	12	2011	£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		3343252	3343252	4802408
Inadmissible assets other than intangibles and own shares	73		995429	995429	1644508
Assets in excess of market risk and counterparty limits	74				172727
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		2347823	2347823	2985173

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2347823	2347823	2985173
Available capital resources for 50% MCR requirement	82		2347823	2347823	2985173
Available capital resources for 75% MCR requirement	83		2347823	2347823	2985173

Financial engineering adjustments

Implicit items	91				
Financial reinsurance – ceded	92		44059	44059	61233
Financial reinsurance – accepted	93				
Outstanding contingent loans	94				87799
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		44059	44059	149032

Calculation of general insurance capital requirement - premiums amount and brought forward amount

Form 11

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Name of insurer **Friends Life Company Limited**

Global business

Financial year ended **31st December 2011**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R11	3291349	GL	31	12	2011	£000
			This financial year		Previous year	
			1		2	
Gross premiums written		11	19619		17629	
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13	19619		17629	
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15	10261		7557	
Sub-total A (13 + 1/2 14 - 2/3 15)		16	12778		12591	
Gross premiums earned		21	23780		23294	
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	23780		23294	
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25	12344		10220	
Sub-total H (23 + 1/2 24 - 2/3 25)		26	15551		16481	
Sub-total I (higher of sub-total A and sub-total H)		30	15551		16481	
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	2799		2967	
	Excess (if any) over 57.5M EURO x 0.02	33				
Sub-total J (32-33)		34	2799		2967	
Claims paid in period of 3 financial years		41	76431		83275	
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	105494		101796	
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	104276		124610	
Sub-total C (41+42+43-44-45)		46	77649		60461	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	31249		21397	
Sub-total D (46-47)		48	46400		39064	
Reinsurance ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)		49	0.60		0.65	
Premiums amount (Sub-total J x reinsurance ratio)		50	1673		1917	
Provisions for claims outstanding (before discounting and net of reinsurance)		51	59242		58657	
Provisions 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	3870		3870	
Greater of lines 50 and 53		54	3870		3870	

Calculation of general insurance capital requirement - claims amount and result

Form 12

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Name of insurer **Friends Life Company Limited**

Global business

Financial year ended **31st December 2011**

Long-term insurance business

		Company registration number	GL/UK/CM	Period ended			units	
		R12	3291349	GL	31	12	2011	£000
				This financial year		Previous year		
				1		2		
Reference period (No. of months) See <i>INSPRU</i> 1.1.63R		11			36		36	
Claims paid in reference period		21			76431		83275	
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			105494		101796	
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			104276		124610	
Claims incurred in reference period (21+22+23-24-25)		26			77649		60461	
Claims incurred for classes 11, 12 or 13 (included in 26)		27						
Claims incurred for "actuarial health insurance" (included in 26)		28			68889		53273	
Sub-total E (26 + 1/2 27 - 2/3 28)		29			31723		24946	
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			10574		8315	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32			2749		2162	
	Excess (if any) over 40.3M EURO x 0.03	33						
Sub-total G (32 - 33)		39			2749		2162	
Claims amount Sub-total G x reinsurance ratio (11.49)		41			1643		1397	
Higher of premiums amount and brought forward amount (11.54)		42			3870		3870	
General insurance capital requirement (higher of lines 41 and 42)		43			3870		3870	

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£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	234512	249658
	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	5033	129957
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	410042	253550
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	25406
	Other	46	
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		599783
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	70000
Other financial investments	56		

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	1
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				
		Property linked		59				

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	17	6
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	78095	55388
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	98	1189
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	823203	1289531
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Analysis of admissible assets
**Form 13
(Sheet 3)**

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£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	823203	1289531
Admissible assets in excess of market and counterparty limits	92		172727
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		(4556)
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	823203	1457702
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
**Form 13
(Sheet 1)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	10
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings			11			721426		750540

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	64108	58126
	debts and loans	28	4899	5384
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares	41	2299875	2842364	
Other shares and other variable yield participations	42	511281	433955	
Holdings in collective investment schemes	43	315566	476121	
Rights under derivative contracts	44	255258	130284	
Fixed interest securities	Approved	45	1104294	1170354
	Other	46	2317390	2301440
Variable interest securities	Approved	47	257296	181118
	Other	48	207218	35129
Participation in investment pools	49			
Loans secured by mortgages	50	23	38	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	10539	11552	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55	50000	
Other financial investments	56			

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	10
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		230760			206829
	Property linked		59		26050881			28632404

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	72531	23026
	Intermediaries	72	10266	9160
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	15020	14117
	Ceded	75	1325	1221
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	244038	308751
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	70739	125023
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	69890	66963
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	4146	5029

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	34838769	37838928
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Analysis of admissible assets
**Form 13
(Sheet 3)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Total Long-term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
	3291349	GL	31	12	2011	£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	34838769	37838928
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	272425	361316
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	1043885	1460874
Reinsurers' share of technical provisions excluded from line 89	100	4830823	5479255
Other asset adjustments (may be negative)	101	(421987)	(551569)
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	40563915	44588804
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
**Form 13
(Sheet 1)**

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Old With Profits Fund**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	11
							As at end of this financial year	As at end of the previous year
					1			2
Land and buildings				11		143262		149032

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	12286	11106
	debts and loans	28	979	1077
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares	41	456447	563936	
Other shares and other variable yield participations	42	100901	86179	
Holdings in collective investment schemes	43	50242	49161	
Rights under derivative contracts	44	44344	24095	
Fixed interest securities	Approved	45	158153	173248
	Other	46	402789	373134
Variable interest securities	Approved	47	10175	3301
	Other	48	13991	4134
Participation in investment pools	49			
Loans secured by mortgages	50	5	8	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	2096	2323	
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			

Analysis of admissible assets
Form 13
(Sheet 2)

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Old With Profits Fund**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	11
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58			3289		2661
	Property linked		59					

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	769	385
	Intermediaries	72	8	4
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	3931	2045
	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	39357	40459
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	17751	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11281	10810
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	5	

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	1472061	1497098
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Analysis of admissible assets
**Form 13
(Sheet 3)**

 Name of insurer **Friends Life Company Limited**

Printed 19/03/2012 11:04:29

Global business

 Financial year ended **31st December 2011**

 Category of assets **Old With Profits Fund**

R13	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
	3291349	GL	31	12	2011	£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	1472061	1497098
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	16869	22182
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		160
Other asset adjustments (may be negative)	101	30259	(17515)
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	1519189	1501925
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
Form 13
(Sheet 1)

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **New With Profits Fund**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	12
							As at end of this financial year	As at end of the previous year
					1			2
Land and buildings			11			578164		601508

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	49595	44787
	debts and loans	28	3920	4307
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares	41	1842728	2276260	
Other shares and other variable yield participations	42	410380	347776	
Holdings in collective investment schemes	43	214252	207902	
Rights under derivative contracts	44	209320	105421	
Fixed interest securities	Approved	45	706751	769133
	Other	46	1771468	1649615
Variable interest securities	Approved	47	44938	12848
	Other	48	61794	20594
Participation in investment pools	49			
Loans secured by mortgages	50	18	30	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	8443	9229	
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			

Analysis of admissible assets
Form 13
(Sheet 2)

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **New With Profits Fund**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	12
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		19988			16705
	Property linked		59					

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	3394	3207
	Intermediaries	72	65	46
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	563	3834
	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	49714	45586
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	13096	63683
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	51110	48903
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	6039701	6231374
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Analysis of admissible assets
Form 13
(Sheet 3)

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **New With Profits Fund**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£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	6039701	6231374
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	119599	161196
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		212
Other asset adjustments (may be negative)	101	(85621)	(74395)
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	6073679	6318387
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
**Form 13
(Sheet 1)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund One**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£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		2227
	debts and loans	28		
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares		41		700		2168
Other shares and other variable yield participations		42				
Holdings in collective investment schemes		43				154276
Rights under derivative contracts		44			1258	678
Fixed interest securities	Approved	45			102363	117307
	Other	46			70368	143405
Variable interest securities	Approved	47			98203	84887
	Other	48			63839	5352
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				
	More than one month withdrawal	55				50000
Other financial investments		56				

Analysis of admissible assets
Form 13
(Sheet 2)

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund One**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	13
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		72291			61860
	Property linked		59		12975126			13740117

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	49136	7637
	Intermediaries	72	5466	5031
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	8523	7208
	Ceded	75	1094	1093
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	105896	133289
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	11523	61340
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	4171	3890
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2500	1722

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	13574684	14583493
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Analysis of admissible assets
Form 13
(Sheet 3)

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund One**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£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	13574684	14583493
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	83288	123515
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	557989	916845
Reinsurers' share of technical provisions excluded from line 89	100	189249	266533
Other asset adjustments (may be negative)	101	(234893)	(235862)
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	14170317	15654524
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
Form 13
(Sheet 1)

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund Two**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	14
							As at end of this financial year	As at end of the previous year
					1			2
Land and buildings			11					

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	51072	64782	
Rights under derivative contracts	44	336	90	
Fixed interest securities	Approved	45	137027	110666
	Other	46	72765	135286
Variable interest securities	Approved	47	103980	80082
	Other	48	67594	5049
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		
	More than one month withdrawal	55		
Other financial investments	56			

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Friends Life Company Limited**

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Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund Two**

	Company registration number	GL/UK/CM	Period ended			units	Category of assets	
			day	month	year			
	R13	3291349	GL	31	12	2011	£000	14
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		135192			125603
	Property linked		59		13075755			14892287

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	19232	11797
	Intermediaries	72	4727	4079
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	2003	1030
	Ceded	75	231	128
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	49071	89417
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	28369	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	3328	3360
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	1641	3307

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	13752323	15526963
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Analysis of admissible assets
**Form 13
(Sheet 3)**

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund Two**

R13	Company registration number	GL/UK/CM	Period ended			units	Category of assets
			day	month	year		
	3291349	GL	31	12	2011	£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	13752323	15526963
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	52669	54423
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	485896	544029
Reinsurers' share of technical provisions excluded from line 89	100	4641574	5212350
Other asset adjustments (may be negative)	101	(131731)	(223797)
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	18800731	21113968
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long-term insurance business liabilities and margins
Form 14

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Name of insurer **Friends Life Company Limited**
 Global business
 Financial year ended **31st December 2011**
 Fund **Total Long-term insurance business**
 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	32527378	35123094
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	13	18
Balance of surplus / (valuation deficit)	13	136500	20500
Long term insurance business fund carried forward (11 to 13)	14	32663891	35143612
Claims outstanding	Gross	15	193222
	Reinsurers' share	16	
	Net (15-16)	17	193222
Provisions	Taxation	21	36461
	Other risks and charges	22	63797
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	19751
	Reinsurance accepted	32	4951
	Reinsurance ceded	33	59453
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	2939	3767
Creditors	Taxation	37	166627
	Other	38	205227
Accruals and deferred income	39	20586	30200
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	773014	870483
Excess of the value of net admissible assets	51	1401865	1824833
Total liabilities and margins	59	34838770	37838928
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	31217	50409
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	25941259	28485092
Total liabilities (11+12+49)	71	33300405	35993595
Increase to liabilities – DAC related	72	184459	177683
Reinsurers' share of technical provisions	73	4830823	5479255
Other adjustments to liabilities (may be negative)	74	1067587	1146099
Capital and reserves and fund for future appropriations	75	1180641	1792172
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	40563915	44588804

Long-term insurance business liabilities and margins
Form 14

Printed 19/03/2012 11:04:30

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Fund **Old With Profits Fund**

 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	1099569	1072807
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	1099569	1072807
Claims outstanding	Gross	2904	2538
	Reinsurers' share		
	Net (15-16)	2904	2538
Provisions	Taxation	27922	24652
	Other risks and charges	5	7
Deposits received from reinsurers	23		
Creditors	Direct insurance business	40	505
	Reinsurance accepted		
	Reinsurance ceded		
Debenture loans	Secured		
	Unsecured		
Amounts owed to credit institutions	36		
Creditors	Taxation	1073	2965
	Other	14402	24259
Accruals and deferred income	39	1949	2026
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	48295	56952
Excess of the value of net admissible assets	51	322509	367339
Total liabilities and margins	59	1470373	1497098
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	353	145
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	1147864	1129759
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long-term insurance business liabilities and margins
Form 14

Printed 19/03/2012 11:04:30

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Fund **New With Profits Fund**

 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	4694491	4707601
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	13	18
Balance of surplus / (valuation deficit)	13	50000	
Long term insurance business fund carried forward (11 to 13)	14	4744504	4707619
Claims outstanding	Gross	15	23605
	Reinsurers' share	16	
	Net (15-16)	17	23605
Provisions	Taxation	21	8539
	Other risks and charges	22	32
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	304
	Reinsurance accepted	32	4951
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	94293
	Other	38	78511
Accruals and deferred income	39	12783	9682
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	223018	218543
Excess of the value of net admissible assets	51	1073871	1305212
Total liabilities and margins	59	6041393	6231374
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	(714)	481
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	4917522	4926162
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long-term insurance business liabilities and margins
Form 14

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Fund **Non Profit Fund One**

 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	13197099	14128692
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13	86500	20500
Long term insurance business fund carried forward (11 to 13)	14	13283599	14149192
Claims outstanding	Gross	15	122550
	Reinsurers' share	16	
	Net (15-16)	17	122550
Provisions	Taxation	21	
	Other risks and charges	22	5564
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	7399
	Reinsurance accepted	32	
	Reinsurance ceded	33	49053
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	63298
	Other	38	37784
Accruals and deferred income	39	30	9780
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	285678	282019
Excess of the value of net admissible assets	51	5485	152282
Total liabilities and margins	59	13574762	14583493
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	325	28351
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	12929784	13699835
Total liabilities (11+12+49)	71	13482777	14410711
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long-term insurance business liabilities and margins
Form 14

Printed 19/03/2012 11:04:30

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Fund **Non Profit Fund Two**

 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	13536219	15213994
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	13536219	15213994
Claims outstanding	Gross	44163	22497
	Reinsurers' share	16	
	Net (15-16)	17	44163
Provisions	Taxation	21	
	Other risks and charges	22	58196
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	12008
	Reinsurance accepted	32	
	Reinsurance ceded	33	10400
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	2939	3767
Creditors	Taxation	37	7963
	Other	38	74530
Accruals and deferred income	39	5824	8712
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	216023	312969
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	13752242	15526963
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	31253	21432
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	13011475	14785257
Total liabilities (11+12+49)	71	13752242	15526963
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Liabilities (other than long-term insurance business)
Form 15

Printed 19/03/2012 11:04:31

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

	Company registration number	GL/UK/CM	Period ended			units
			day	month	year	
R15	3291349	GL	31	12	2011	£000
			As at the end of this financial year		As at the end of the previous year	
			1		2	

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	6458	4556
	Foreseeable dividend	48		
	Other	49	7287	145135
Accruals and deferred income		51		
Total (19 to 51)		59	13745	149691
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	13745	149691

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			135806
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83			(4556)
Capital and reserves	84		809458	1312567
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		823203	1457702

Profit and loss account (non-technical account)
Form 16

Printed 19/03/2012 11:04:31

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

		Company registration number	GL/UK/CM	Period ended			units	
		R16	3291349	GL	31	12	2011	£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			502275		1002561	
Investment income	Income	14			8983		26304	
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16					225	
Investment charges	Investment management charges, including interest	17			1829		6085	
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19						
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			22		(270)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29			509451		1022735	
Tax on profit or loss on ordinary activities		31			1902		5375	
Profit or loss on ordinary activities after tax (29-31)		39			507549		1017360	
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			507549		1017360	
Dividends (paid or foreseeable)		51			985281		598000	
Profit or loss retained for the financial year (49-51)		59			(477732)		419360	

Analysis of derivative contracts
Form 17

Printed 19/03/2012 11:04:31

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Total Long-term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			units	Category of assets	
		R17	3291349	GL	31	12	2011	£000	10
		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets	Liabilities	Bought / Long		Sold / Short			
		1	2	3		4			
Derivative contracts	Fixed-interest securities	11	758	10168	100236		328395		
	Interest rates	12	102976	2253	415500		16584		
	Inflation	13							
	Credit index / basket	14		377	62483				
	Credit single name	15	9332	617			196740		
	Equity index	16	3819	1991	103707		56855		
	Equity stock	17							
	Land	18							
	Currencies	19	12274	49671			1072903		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	67435		268015				
	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	60506				1067293		
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	257100	65077	949941		2738770		
Adjustment for variation margin		52	(1842)	(8913)					
Total (51 + 52)		53	255258	56164					

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

Analysis of derivative contracts
Form 17

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Old With Profits Fund**

		Company registration number	GL/UK/CM	Period ended			units	Category of assets	
		R17	3291349	GL	31	12	2011	£000	11
		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets	Liabilities	Bought / Long		Sold / Short			
		1	2	3		4			
Derivative contracts	Fixed-interest securities	11	114	1525	15033		49251		
	Interest rates	12	16862	369	68063		2717		
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	1075	71			22655		
	Equity index	16	790	412	21456		11762		
	Equity stock	17							
	Land	18							
	Currencies	19	1075	4961			97391		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	13263		52712				
	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	11546				203672		
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	44725	7338	157264		387448		
Adjustment for variation margin		52	(381)	(1844)					
Total (51 + 52)		53	44344	5494					

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

Analysis of derivative contracts
Form 17

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **New With Profits Fund**

		Company registration number	GL/UK/CM	Period ended			units	Category of assets	
		R17	3291349	GL	31	12	2011	£000	12
		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets	Liabilities	Bought / Long		Sold / Short			
		1	2	3		4			
Derivative contracts									
Futures and contracts for differences	Fixed-interest securities	11	644	8644	85203		279144		
	Interest rates	12	86114	1884	347437		13867		
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	8257	545			174085		
	Equity index	16	3028	1580	82251		45092		
	Equity stock	17							
	Land	18							
	Currencies	19	9605	44325			870161		
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	54173		215303				
	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	48960				863621		
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	210781	56978	730194		2245970		
Adjustment for variation margin		52	(1461)	(7069)					
Total (51 + 52)		53	209320	49909					

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

Analysis of derivative contracts
Form 17

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund One**

		Company registration number	GL/UK/CM	Period ended			units	Category of assets	
		R17	3291349	GL	31	12	2011	£000	13
		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets	Liabilities	Bought / Long		Sold / Short			
		1	2	3		4			
Derivative contracts	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14			377	62483			
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	1258	303				83129	
	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	1258	680		62483		83129	
Adjustment for variation margin		52							
Total (51 + 52)		53	1258	680					

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

Analysis of derivative contracts
Form 17

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 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 Category of assets **Non Profit Fund Two**

		Company registration number	GL/UK/CM	Period ended			units	Category of assets	
		R17	3291349	GL	31	12	2011	£000	14
		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets	Liabilities	Bought / Long		Sold / Short			
		1	2	3		4			
Derivative contracts	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	336	81				22222	
	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	336	81				22222	
Adjustment for variation margin		52							
Total (51 + 52)		53	336	81					

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

With-profits insurance capital component for the fund
Form 18

Printed 19/03/2012 11:04:31

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 With-profits fund **Old With Profits Fund**

 Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	1472061	1497098
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	132343	103619
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	5491	4099
	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	1334227	1389380
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	21	967226	969188
	Regulatory current liabilities of the fund	22	48295	56952
	Total (21+22)	29	1015521	1026140
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	40258	38424
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	1055779	1064564
Regulatory excess capital (19-39)		49	278448	324816

Realistic excess capital

Realistic excess capital	51	(15196)	44798
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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	293644	280018
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	17790	19294
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	275854	260724

With-profits insurance capital component for the fund
Form 18

Printed 19/03/2012 11:04:31

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 With-profits fund **New With Profits Fund**

 Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	6039701	6231374
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	846360	716554
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	35206	28335
	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	5158135	5486485
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	21	3848142	3991065
	Regulatory current liabilities of the fund	22	223018	218542
	Total (21+22)	29	4071160	4209607
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	161366	158740
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	4232526	4368347
Regulatory excess capital (19-39)		49	925609	1118138

Realistic excess capital

Realistic excess capital	51	(150040)	108664
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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	1075649	1009474
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	94984	103289
Present value of other future internal transfers not already taken into account	65	(20106)	(29385)
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	1000771	935570

Realistic balance sheet
Form 19
(Sheet 1)

Printed 19/03/2012 11:04:32

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 With-profits fund **Old With Profits Fund**

 Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic value of assets available to the fund

Regulatory value of assets	11	1334227	1389380
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	22165	26124
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in the fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	1356392	1415504
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1356392	1415504

Realistic value of liabilities of fund

With-profits benefits reserve	31	864917	952579	
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	237514	193309
	Planned deductions for the cost 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	91578	65723
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	86147	46633
	Future costs of smoothing (possibly negative)	44	(25057)	(25820)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	31145	35162
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	421327	315007	
Realistic current liabilities of the fund	51	53391	63498	
Realistic value of liabilities of the fund (31+49+51)	59	1339635	1331084	

Realistic balance sheet

**Form 19
(Sheet 2)**

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**

Global business

Financial year ended **31st December 2011**

With-profits fund **Old With Profits Fund**

Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	1371588	1370706
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	1371588	1370706
Risk capital margin for fund (62-59)	65	31953	39622
Realistic excess capital for fund (26-(59+65))	66	(15196)	44798
Realistic excess available capital for fund (29-(59+65))	67	(15196)	44798
Working capital for for fund (29-59)	68	16757	84420
Working capital ratio for fund (68/29)	69	1.24	5.96

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

Additional amount potentially available for inclusion in line 62	81	15200	
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet
Form 19
(Sheet 1)

Printed 19/03/2012 11:04:32

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 With-profits fund **New With Profits Fund**

 Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic value of assets available to the fund

Regulatory value of assets	11	5158135	5486485
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	153734	188492
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in the fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	5311869	5674977
Support arrangement assets	27	71778	143399
Assets available to the fund (26+27)	29	5383647	5818376

Realistic value of liabilities of fund

With-profits benefits reserve	31	3449947	3749904	
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	940229	888449
	Planned deductions for the cost 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	330705	249310
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	265956	173388
	Future costs of smoothing (possibly negative)	44	(80877)	(102776)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	178209	203368
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1634222	1411739	
Realistic current liabilities of the fund	51	223017	218545	
Realistic value of liabilities of the fund (31+49+51)	59	5307186	5380188	

Realistic balance sheet

**Form 19
(Sheet 2)**

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**

Global business

Financial year ended **31st December 2011**

With-profits fund **New With Profits Fund**

Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	5461909	5566313
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	5461909	5566313
Risk capital margin for fund (62-59)	65	154723	186125
Realistic excess capital for fund (26-(59+65))	66	(150040)	108664
Realistic excess available capital for fund (29-(59+65))	67	(78262)	252063
Working capital for for fund (29-59)	68	76461	438188
Working capital ratio for fund (68/29)	69	1.42	7.53

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

Additional amount potentially available for inclusion in line 62	81	325754	
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business: Revenue account

Form 40

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Name of insurer **Friends Life Company Limited**

Name and number of fund/Summary **Total Long-term insurance business**

Financial year ended **31st December 2011**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	1727630	2451029
Investment income receivable before deduction of tax	12	1212874	1186274
Increase (decrease) in the value of non-linked assets brought into account	13	546710	576455
Increase (decrease) in the value of linked assets	14	(466959)	2316522
Other income	15	292231	1828
Total income	19	3312486	6532108

Expenditure

Claims incurred	21	4582347	4173103
Expenses payable	22	449127	584109
Interest payable before deduction of tax	23	753	13302
Taxation	24	113376	1970
Other expenditure	25	87795	69059
Transfer to (from) non technical account	26	502275	1002561
Total expenditure	29	5735673	5844104

Business transfers-in	31		
Business transfers-out	32	56534	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2479721)	688004
Fund brought forward	49	35143612	34455608
Fund carried forward (39+49)	59	32663891	35143612

Long-term insurance business: Revenue account

Form 40

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**
 Name and number of fund/Summary **Old With Profits Fund**
 Financial year ended **31st December 2011**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	45478	47093
Investment income receivable before deduction of tax	12	59813	56994
Increase (decrease) in the value of non-linked assets brought into account	13	34358	161507
Increase (decrease) in the value of linked assets	14		
Other income	15	336	252
Total income	19	139985	265846

Expenditure

Claims incurred	21	109185	77413
Expenses payable	22	3442	5468
Interest payable before deduction of tax	23	95	113
Taxation	24	(2374)	13054
Other expenditure	25		
Transfer to (from) non technical account	26	2875	17712
Total expenditure	29	113223	113760

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	26762	152086
Fund brought forward	49	1072807	920721
Fund carried forward (39+49)	59	1099569	1072807

Long-term insurance business: Revenue account

Form 40

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**
 Name and number of fund/Summary **New With Profits Fund**
 Financial year ended **31st December 2011**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	210155	227482
Investment income receivable before deduction of tax	12	252045	243655
Increase (decrease) in the value of non-linked assets brought into account	13	210776	101317
Increase (decrease) in the value of linked assets	14		
Other income	15	1340	1576
Total income	19	674316	574030

Expenditure

Claims incurred	21	580366	521601
Expenses payable	22	29062	32110
Interest payable before deduction of tax	23	396	1590
Taxation	24	12207	32471
Other expenditure	25		
Transfer to (from) non technical account	26	15400	12270
Total expenditure	29	637431	600042

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	36885	(26012)
Fund brought forward	49	4707619	4733631
Fund carried forward (39+49)	59	4744504	4707619

Long-term insurance business: Revenue account

Form 40

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**
 Name and number of fund/Summary **Non Profit Fund One**
 Financial year ended **31st December 2011**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	573012	983511
Investment income receivable before deduction of tax	12	477956	476877
Increase (decrease) in the value of non-linked assets brought into account	13	72492	203804
Increase (decrease) in the value of linked assets	14	117289	993847
Other income	15	275526	
Total income	19	1516275	2658039

Expenditure

Claims incurred	21	1508287	1422876
Expenses payable	22	218838	313772
Interest payable before deduction of tax	23	4	5092
Taxation	24	95090	(19635)
Other expenditure	25	56706	44603
Transfer to (from) non technical account	26	484000	972579
Total expenditure	29	2362925	2739287

Business transfers-in	31		
Business transfers-out	32	18943	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(865593)	(81248)
Fund brought forward	49	14149192	14230440
Fund carried forward (39+49)	59	13283599	14149192

Long-term insurance business: Revenue account

Form 40

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**
 Name and number of fund/Summary **Non Profit Fund Two**
 Financial year ended **31st December 2011**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	898986	1192943
Investment income receivable before deduction of tax	12	423060	408748
Increase (decrease) in the value of non-linked assets brought into account	13	229084	109827
Increase (decrease) in the value of linked assets	14	(584248)	1322675
Other income	15	15029	
Total income	19	981911	3034193

Expenditure

Claims incurred	21	2384509	2151213
Expenses payable	22	197784	232759
Interest payable before deduction of tax	23	258	6507
Taxation	24	8453	(23920)
Other expenditure	25	31091	24456
Transfer to (from) non technical account	26		
Total expenditure	29	2622095	2391015

Business transfers-in	31		
Business transfers-out	32	37591	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1677775)	643178
Fund brought forward	49	15213994	14570816
Fund carried forward (39+49)	59	13536219	15213994

Long-term insurance business: Analysis of premiums

Form 41

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Regular premiums	11	455983	630177	1530	1087690	1220473
Single premiums	12	382283	586333	68	968684	1586111

Reinsurance - external

Regular premiums	13	58013	65587		123600	75330
Single premiums	14	1628	13474		15102	42667

Reinsurance - intra-group

Regular premiums	15	26	16019		16045	52322
Single premiums	16	76	173922		173998	185236

Net of reinsurance

Regular premiums	17	397944	548571	1530	948045	1092821
Single premiums	18	380579	398937	68	779584	1358208

Total

Gross	19	838266	1216510	1598	2056374	2806584
Reinsurance	20	59743	269002		328745	355555
Net	21	778523	947508	1598	1727629	2451029

Long-term insurance business: Analysis of premiums

Form 41

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Regular premiums	11	28512	3248	59	31819	34425
Single premiums	12	34	13625		13659	12668

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	28512	3248	59	31819	34425
Single premiums	18	34	13625		13659	12668

Total

Gross	19	28546	16873	59	45478	47093
Reinsurance	20					
Net	21	28546	16873	59	45478	47093

Long-term insurance business: Analysis of premiums

Form 41

Printed 19/03/2012 11:04:32

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Regular premiums	11	135963	25739	1416	163118	178442
Single premiums	12	122	46847	68	47037	49041

Reinsurance - external

Regular premiums	13	1			1	1
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	135962	25739	1416	163117	178441
Single premiums	18	122	46847	68	47037	49041

Total

Gross	19	136085	72586	1484	210155	227483
Reinsurance	20	1			1	1
Net	21	136084	72586	1484	210154	227482

Long-term insurance business: Analysis of premiums

Form 41

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Regular premiums	11	274353		274353	275878
Single premiums	12	349269		349269	750494

Reinsurance - external

Regular premiums	13	50508		50508	42754
Single premiums	14				

Reinsurance - intra-group

Regular premiums	15	26		26	25
Single premiums	16	76		76	82

Net of reinsurance

Regular premiums	17	223819		223819	233099
Single premiums	18	349193		349193	750412

Total

Gross	19	623622		623622	1026372
Reinsurance	20	50610		50610	42861
Net	21	573012		573012	983511

Long-term insurance business: Analysis of premiums

Form 41

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Regular premiums	11	17155	601190	54	618399	731728
Single premiums	12	32858	525861		558719	773908

Reinsurance - external

Regular premiums	13	7504	65586		73090	32575
Single premiums	14	1628	13473		15101	42667

Reinsurance - intra-group

Regular premiums	15		16019		16019	52297
Single premiums	16		173922		173922	185154

Net of reinsurance

Regular premiums	17	9651	519585	54	529290	646856
Single premiums	18	31230	338466		369696	546087

Total

Gross	19	50013	1127051	54	1177118	1505636
Reinsurance	20	9132	269000		278132	312693
Net	21	40881	858051	54	898986	1192943

Long-term insurance business: Analysis of claims
Form 42

Printed 19/03/2012 11:04:33

 Name of insurer **Friends Life Company Limited**

 Total business / subfund **Total Long-term insurance business**

 Financial year ended **31st December 2011**

 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	356972	40535	219	397726	371421
Disability periodic payments	12	45059		130	45189	43923
Surrender or partial surrender	13	1434112	1740182	18132	3192426	2816664
Annuity payments	14	8576	283029	434	292039	287807
Lump sums on maturity	15	131724	868357	2963	1003044	979365
Total	16	1976443	2932103	21878	4930424	4499180

Reinsurance - external

Death or disability lump sums	21	34893			34893	30581
Disability periodic payments	22	8092			8092	7948
Surrender or partial surrender	23		12018		12018	16606
Annuity payments	24					
Lump sums on maturity	25					1191
Total	26	42985	12018		55003	56326

Reinsurance - intra-group

Death or disability lump sums	31		30		30	98
Disability periodic payments	32					
Surrender or partial surrender	33		41977		41977	21944
Annuity payments	34		248193		248193	246491
Lump sums on maturity	35		2874		2874	1218
Total	36		293074		293074	269751

Net of reinsurance

Death or disability lump sums	41	322079	40505	219	362803	340742
Disability periodic payments	42	36967		130	37097	35975
Surrender or partial surrender	43	1434112	1686187	18132	3138431	2778114
Annuity payments	44	8576	34836	434	43846	41316
Lump sums on maturity	45	131724	865483	2963	1000170	976956
Total	46	1933458	2627011	21878	4582347	4173103

Long-term insurance business: Analysis of claims

Form 42

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

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	10509	1193		11702	9993
Disability periodic payments	12					
Surrender or partial surrender	13	35398	13624	2196	51218	35890
Annuity payments	14	3	4740	8	4751	4139
Lump sums on maturity	15	18124	23845	79	42048	28120
Total	16	64034	43402	2283	109719	78142

Reinsurance - external

Death or disability lump sums	21	534			534	729
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	534			534	729

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	9975	1193		11168	9264
Disability periodic payments	42					
Surrender or partial surrender	43	35398	13624	2196	51218	35890
Annuity payments	44	3	4740	8	4751	4139
Lump sums on maturity	45	18124	23845	79	42048	28120
Total	46	63500	43402	2283	109185	77413

Long-term insurance business: Analysis of claims

Form 42

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

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	61624	4702	219	66545	66843
Disability periodic payments	12					
Surrender or partial surrender	13	163327	65606	15933	244866	229012
Annuity payments	14	8	30263	14	30285	27673
Lump sums on maturity	15	100491	135493	2789	238773	198293
Total	16	325450	236064	18955	580469	521821

Reinsurance - external

Death or disability lump sums	21	103			103	220
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	103			103	220

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	61521	4702	219	66442	66623
Disability periodic payments	42					
Surrender or partial surrender	43	163327	65606	15933	244866	229012
Annuity payments	44	8	30263	14	30285	27673
Lump sums on maturity	45	100491	135493	2789	238773	198293
Total	46	325347	236064	18955	580366	521601

Long-term insurance business: Analysis of claims

Form 42

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

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	284804		284804	259310
Disability periodic payments	12	1548		1548	989
Surrender or partial surrender	13	1234549		1234549	1178971
Annuity payments	14	8534		8534	9315
Lump sums on maturity	15	13109		13109	5174
Total	16	1542544		1542544	1453759

Reinsurance - external

Death or disability lump sums	21	34257		34257	29583
Disability periodic payments	22				1300
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26	34257		34257	30883

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	250547		250547	229727
Disability periodic payments	42	1548		1548	(311)
Surrender or partial surrender	43	1234549		1234549	1178971
Annuity payments	44	8534		8534	9315
Lump sums on maturity	45	13109		13109	5174
Total	46	1508287		1508287	1422876

Long-term insurance business: Analysis of claims

Form 42

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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	34	34640		34674	35275
Disability periodic payments	12	43511		130	43641	42934
Surrender or partial surrender	13	838	1660952	4	1661794	1372791
Annuity payments	14	32	248027	411	248470	246680
Lump sums on maturity	15		709019	95	709114	747778
Total	16	44415	2652638	640	2697693	2445458

Reinsurance - external

Death or disability lump sums	21					49
Disability periodic payments	22	8092			8092	6648
Surrender or partial surrender	23		12018		12018	16606
Annuity payments	24					
Lump sums on maturity	25					1191
Total	26	8092	12018		20110	24494

Reinsurance - intra-group

Death or disability lump sums	31		30		30	98
Disability periodic payments	32					
Surrender or partial surrender	33		41977		41977	21944
Annuity payments	34		248193		248193	246491
Lump sums on maturity	35		2874		2874	1218
Total	36		293074		293074	269751

Net of reinsurance

Death or disability lump sums	41	34	34610		34644	35128
Disability periodic payments	42	35419		130	35549	36286
Surrender or partial surrender	43	838	1606957	4	1607799	1334241
Annuity payments	44	32	(166)	411	277	189
Lump sums on maturity	45		706145	95	706240	745369
Total	46	36323	2347546	640	2384509	2151213

Long-term insurance business: Analysis of expenses

Form 43

Printed 19/03/2012 11:04:33

Name of insurer **Friends Life Company Limited**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Commission - acquisition	11	69969	8957	1232	80158	131758
Commission - other	12	24331	13843	76	38250	39786
Management - acquisition	13	22854	54452		77306	160251
Management - maintenance	14	140234	113178		253412	252314
Management - other	15					
Total	16	257388	190430	1308	449126	584109

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	69969	8957	1232	80158	131758
Commission - other	42	24331	13843	76	38250	39786
Management - acquisition	43	22854	54452		77306	160251
Management - maintenance	44	140234	113178		253412	252314
Management - other	45					
Total	46	257388	190430	1308	449126	584109

Long-term insurance business: Analysis of expenses

Form 43

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Commission - acquisition	11	13	83	151	247	238
Commission - other	12	335	90	1	426	399
Management - acquisition	13	51	87		138	217
Management - maintenance	14	1748	883		2631	4614
Management - other	15					
Total	16	2147	1143	152	3442	5468

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	13	83	151	247	238
Commission - other	42	335	90	1	426	399
Management - acquisition	43	51	87		138	217
Management - maintenance	44	1748	883		2631	4614
Management - other	45					
Total	46	2147	1143	152	3442	5468

Long-term insurance business: Analysis of expenses

Form 43

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Commission - acquisition	11	261	217	977	1455	2002
Commission - other	12	2043	521	25	2589	3141
Management - acquisition	13	(2)	670		668	1463
Management - maintenance	14	17715	6635		24350	25504
Management - other	15					
Total	16	20017	8043	1002	29062	32110

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	261	217	977	1455	2002
Commission - other	42	2043	521	25	2589	3141
Management - acquisition	43	(2)	670		668	1463
Management - maintenance	44	17715	6635		24350	25504
Management - other	45					
Total	46	20017	8043	1002	29062	32110

Long-term insurance business: Analysis of expenses

Form 43

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Commission - acquisition	11	67973	(708)	105	67370	115588
Commission - other	12	22118		49	22167	21873
Management - acquisition	13	20649			20649	93025
Management - maintenance	14	108652			108652	83286
Management - other	15					
Total	16	219392	(708)	154	218838	313772

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	67973	(708)	105	67370	115588
Commission - other	42	22118		49	22167	21873
Management - acquisition	43	20649			20649	93025
Management - maintenance	44	108652			108652	83286
Management - other	45					
Total	46	219392	(708)	154	218838	313772

Long-term insurance business: Analysis of expenses

Form 43

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Commission - acquisition	11	1722	9366	11088	13930
Commission - other	12	(164)	13232	13068	14373
Management - acquisition	13	2156	53695	55851	65546
Management - maintenance	14	12118	105660	117778	138910
Management - other	15				
Total	16	15832	181953	197785	232759

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	1722	9366	11088	13930
Commission - other	42	(164)	13232	13068	14373
Management - acquisition	43	2156	53695	55851	65546
Management - maintenance	44	12118	105660	117778	138910
Management - other	45				
Total	46	15832	181953	197785	232759

Long-term insurance business: Linked funds balance sheet

Form 44

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

	Financial year	Previous year
	1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	22379848	24405065
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	3590384	4134596
Total assets (excluding cross investment) (11+12+13)	14	25970232	28539661
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16	2939	3768
Other liabilities	17	106683	143544
Total net assets (14-15-16-17)	18	25860610	28392349

Directly held linked assets

Value of directly held linked assets	21	84645	83808
--------------------------------------	-----------	-------	-------

Total

Value of directly held linked assets and units held (18+21)	31	25945255	28476157
Surplus units	32	20195	22357
Deficit units	33	16199	31026
Net unit liability (31-32+33)	34	25941259	28484826

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

Form 45

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

	Financial year	Previous year
	1	2

Income

Value of total creation of units	11	2657336	3365677
Investment income attributable to the funds before deduction of tax	12	845374	797593
Increase (decrease) in the value of investments in the financial year	13	(466304)	2331562
Other income	14	26398	19957
Total income	19	3062804	6514789

Expenditure

Value of total cancellation of units	21	5212736	4971125
Charges for management	22	223071	231268
Charges in respect of tax on investment income	23	85242	74340
Taxation on realised capital gains	24	1450	9342
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	18989	(23569)
Other expenditure	26	53055	23836
Total expenditure	29	5594543	5286342

Increase (decrease) in funds in financial year (19-29)	39	(2531739)	1228447
Internal linked fund brought forward	49	28392349	27163902
Internal linked funds carried forward (39+49)	59	25860610	28392349

Long-term insurance business: Summary of new business

Form 46

Printed 19/03/2012 11:04:34

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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Number of new policyholders / scheme members for direct insurance business

Regular premium business	11	59275	13206	16	72497	272195
Single premium business	12	7526	8258		15784	25777
Total	13	66801	21464	16	88281	297972

Amount of new regular premiums

Direct insurance business	21	25057	56113	99	81269	143101
External reinsurance	22					
Intra-group reinsurance	23	338	5850		6188	5953
Total	24	25395	61963	99	87457	149054

Amount of new single premiums

Direct insurance business	25	352685	369478	69	722232	1396017
External reinsurance	26	1008			1008	118170
Intra-group reinsurance	27	28590	216854		245444	71924
Total	28	382283	586332	69	968684	1586111

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 1)**

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

UK Life / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
120	Conventional endowment with-profits OB savings	2	1		
325	Level term assurance	18757	7361		
330	Decreasing term assurance	9691	2583	104	710
340	Accelerated critical illness (guaranteed premiums)	26341	13001		
345	Accelerated critical illness (reviewable premiums)	1037	593		
350	Stand-alone critical illness (guaranteed premiums)	1230	579		
355	Stand-alone critical illness (reviewable premiums)	114	55		
360	Income protection non-profit (guaranteed premiums)	1943	834		
365	Income protection non-profit (reviewable premiums)	111	44		
390	Deferred annuity non-profit	1	4	14	899
395	Annuity non-profit (PLA)			172	22701
415	Collective Life				13820
420	Group income protection				6
500	Life UWP single premium			1	99
506	Life UWP whole life regular premium (ISA)				15
700	Life property linked single premium			7087	305317
705	Life property linked single premium quasi index linked			96	2264
710	Life property linked whole life regular premium	48	2		
910	Miscellaneous index linked			52	6854

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 2)**

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance accepted external

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				1008

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 3)**

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
700	Life property linked single premium				6819
710	Life property linked whole life regular premium		338		
794	Property linked investment only reinsurance				21771

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 4)**

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA)			6081	134882
525	Individual pensions UWP	20	20	124	1815
530	Individual pensions UWP - increments		717		1021
535	Group money purchase pensions UWP	168	121	153	174
540	Group money purchase pensions UWP - increments		330		2833
555	Group deposit administration with-profits	211	928		
565	DWP National Insurance rebates UWP				13310
570	Income drawdown UWP			1	10
571	Trustee investment plan UWP				621
725	Individual pensions property linked	370	1104	837	27288
730	Individual pensions property linked - increments		1856		70015
735	Group money purchase pensions property linked	12437	28925	912	10851
740	Group money purchase pensions property linked - increments		22098		29406
745	DWP National Insurance rebates property linked				51738
750	Income drawdown property linked			143	24530
755	Trustee investment plan		13	7	785
760	Small self administered schemes		1		199

Long-term insurance business: Analysis of new business**Form 47
(Sheet 5)**

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**Units **£000**

UK Pension / Reinsurance accepted external

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

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 6)**

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

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
725	Individual pensions property linked		4		259
730	Individual pensions property linked - increments		715		33462
735	Group money purchase pensions property linked		1878		99
740	Group money purchase pensions property linked - increments		3219		3093
745	DWP National Insurance rebates property linked		1		31827
750	Income drawdown property linked				250
755	Trustee investment plan				170
760	Small self administered schemes		33		1662
794	Property linked investment only reinsurance				146032

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 7)**

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Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
175	Group conventional deferred annuity with-profits				69
555	Group deposit administration with-profits	16	99		

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

Form 48

Printed 19/03/2012 11:04:35

Name of insurer **Friends Life Company Limited**
 Financial year ended **31st December 2011**
 Category of assets **Total Long-term insurance business assets**
 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			(2)		
Approved fixed interest securities	12	481888	481888	21975	2.18	
Other fixed interest securities	13	844614	844614	56889	6.21	
Variable interest securities	14	348576	348576	8931	0.49	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	2927	2927			
Other assets	18	386762	386762	1105	0.12	
Total	19	2064767	2064767	88898	3.15	

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

Land and buildings	21	721426	747331	40141	5.37	9.46
Approved fixed interest securities	22	631189	631189	26259	2.12	10.70
Other fixed interest securities	23	1532284	1540289	81785	4.61	3.69
Variable interest securities	24	119181	119181	1978	1.07	4.43
UK listed equity shares	25	1718552	1741349	62286	5.39	(7.58)
Non-UK listed equity shares	26	580623	706398	19285	3.89	(8.81)
Unlisted equity shares	27	61881	586983			(0.68)
Other assets	28	1127225	419641	751	0.18	7.27
Total	29	6492361	6492361	232485	3.82	0.50

Overall return on with-profits assets

Post investment costs but pre-tax	31					(0.07)
Return allocated to non taxable 'asset shares'	32					(0.07)
Return allocated to taxable 'asset shares'	33					(0.18)

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

Form 48

Printed 19/03/2012 11:04:36

Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **Old With Profits Fund**

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	32219	32219	1450	1.89	
Other fixed interest securities	13	93912	93912	6551	6.28	
Variable interest securities	14	1830	1830	30	2.27	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	6586	6586	96	1.38	
Total	19	134547	134547	8127	4.93	

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

Land and buildings	21	143262	147833	7968	5.39	9.46
Approved fixed interest securities	22	129520	129520	5388	2.12	10.70
Other fixed interest securities	23	314756	316212	16812	4.71	3.69
Variable interest securities	24	24137	24137	406	1.09	4.43
UK listed equity shares	25	341178	345924	12806	5.38	(7.58)
Non-UK listed equity shares	26	115269	139567	3923	3.90	(8.81)
Unlisted equity shares	27	12286	116633			(0.68)
Other assets	28	253818	114400	116	0.10	7.27
Total	29	1334226	1334226	47419	3.75	0.72

Overall return on with-profits assets

Post investment costs but pre-tax	31					(0.07)
Return allocated to non taxable 'asset shares'	32					(0.07)
Return allocated to taxable 'asset shares'	33					(0.18)

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

Form 48

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Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **New With Profits Fund**

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	205737	205737	9259	1.89	
Other fixed interest securities	13	604436	604436	42063	6.31	
Variable interest securities	14	11688	11688	191	2.27	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	39716	39716	384	0.89	
Total	19	861577	861577	51897	4.95	

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

Land and buildings	21	578164	599498	32173	5.37	9.46
Approved fixed interest securities	22	501669	501669	20871	2.12	10.70
Other fixed interest securities	23	1217528	1224077	64973	4.62	3.69
Variable interest securities	24	95044	95044	1572	1.07	4.43
UK listed equity shares	25	1377374	1395425	49480	5.39	(7.58)
Non-UK listed equity shares	26	465354	566831	15362	3.89	(8.81)
Unlisted equity shares	27	49595	470350			(0.68)
Other assets	28	873407	305241	635	0.14	7.27
Total	29	5158135	5158135	185066	3.84	0.45

Overall return on with-profits assets

Post investment costs but pre-tax	31					(0.07)
Return allocated to non taxable 'asset shares'	32					(0.07)
Return allocated to taxable 'asset shares'	33					(0.18)

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

Form 48

Printed 19/03/2012 11:04:36

Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **Non Profit Fund One**

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	105920	105920	5479	2.77	
Other fixed interest securities	13	71401	71401	4024	5.79	
Variable interest securities	14	163242	163242	4236	0.41	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	2927	2927			
Other assets	18	183777	183777	571		
Total	19	527267	527267	14310	1.47	

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

Form 48

Printed 19/03/2012 11:04:36

Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **Non Profit Fund Two**

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			(2)	
Approved fixed interest securities	12	138012	138012	5787	2.23
Other fixed interest securities	13	74865	74865	4251	5.79
Variable interest securities	14	171816	171816	4474	0.41
UK listed equity shares	15				
Non-UK listed equity shares	16				
Unlisted equity shares	17				
Other assets	18	156683	156683	54	
Total	19	541376	541376	14564	1.50

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

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

Overall return on with-profits assets

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

Long-term insurance business: Fixed and variable interest assets

Form 49

Printed 19/03/2012 11:04:36

Name of insurer **Friends Life Company Limited**
 Financial year ended **31st December 2011**
 Category of assets **Total Long-term insurance business assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	768739	9.34	1.67	1.67
Other approved fixed interest securities	21	344338	7.37	3.20	2.90
Other fixed interest securities					
AAA/Aaa	31	182313	8.74	4.15	4.03
AA/Aa	32	338270	9.96	4.30	3.73
A/A	33	784883	8.25	4.95	3.85
BBB/Baa	34	978251	7.98	5.37	3.29
BB/Ba	35	79751	9.03	10.86	6.81
B/B	36	1582	10.87	12.31	7.26
CCC/Caa	37				
Other (including unrated)	38	19853	17.53	1.00	0.24
Total other fixed interest securities	39	2384903	8.52	5.14	3.69
Approved variable interest securities	41	259967	12.80	(0.65)	(0.67)
Other variable interest securities	51	207790	9.52	2.24	1.64
Total (11+21+39+41+51)	61	3965737	8.91	3.77	2.84

Long-term insurance business: Fixed and variable interest assets

Form 49

Printed 19/03/2012 11:04:36

Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **Old With Profits Fund**

Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	101691	8.95	1.58	1.58
Other approved fixed interest securities	21	60048	6.82	0.03	0.03
Other fixed interest securities					
AAA/Aaa	31	32655	8.32	4.12	3.99
AA/Aa	32	64009	9.97	4.31	3.74
A/A	33	128266	8.24	4.81	3.71
BBB/Baa	34	170524	8.12	5.20	3.16
BB/Ba	35	10874	10.36	10.09	6.27
B/B	36	215	10.83	12.27	7.24
CCC/Caa	37				
Other (including unrated)	38	3581	16.67	0.29	0.07
Total other fixed interest securities	39	410124	8.60	4.94	3.55
Approved variable interest securities	41	11328	8.19	(0.54)	(0.55)
Other variable interest securities	51	14639	11.14	2.45	1.70
Total (11+21+39+41+51)	61	597830	8.54	3.71	2.74

Long-term insurance business: Fixed and variable interest assets

Form 49

Printed 19/03/2012 11:04:36

Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **New With Profits Fund**

Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	452205	8.86	1.58	1.58
Other approved fixed interest securities	21	255201	6.72	0.03	0.03
Other fixed interest securities					
AAA/Aaa	31	136832	8.44	4.15	4.03
AA/Aa	32	262119	9.87	4.29	3.72
A/A	33	560709	8.11	4.96	3.85
BBB/Baa	34	792063	7.87	5.37	3.28
BB/Ba	35	60105	9.19	10.53	6.59
B/B	36	1367	10.88	12.32	7.27
CCC/Caa	37				
Other (including unrated)	38	15318	17.71	0.43	0.10
Total other fixed interest securities	39	1828513	8.40	5.13	3.66
Approved variable interest securities	41	45430	7.91	(0.52)	(0.53)
Other variable interest securities	51	61302	10.64	2.44	1.59
Total (11+21+39+41+51)	61	2642651	8.36	3.87	2.83

Long-term insurance business: Fixed and variable interest assets

Form 49

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Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **Non Profit Fund One**

Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	104711	10.55	1.90	1.90
Other approved fixed interest securities	21	1209	7.58	0.04	0.71
Other fixed interest securities					
AAA/Aaa	31	6257	13.07	4.26	4.12
AA/Aa	32	5924	11.82	4.46	3.92
A/A	33	46835	9.11	5.05	4.02
BBB/Baa	34	7640	11.59	7.49	5.23
BB/Ba	35	4280	6.33	14.05	9.03
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	465	17.88	12.81	3.03
Total other fixed interest securities	39	71401	9.84	5.78	4.44
Approved variable interest securities	41	99013	14.15	(0.69)	(0.71)
Other variable interest securities	51	64229	8.82	2.12	1.65
Total (11+21+39+41+51)	61	340563	11.11	2.00	1.62

Long-term insurance business: Fixed and variable interest assets

Form 49

Printed 19/03/2012 11:04:37

Name of insurer **Friends Life Company Limited**

Financial year ended **31st December 2011**

Category of assets **Non Profit Fund Two**

Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	110132	10.56	1.90	1.90
Other approved fixed interest securities	21	27880	7.59	0.04	0.03
Other fixed interest securities					
AAA/Aaa	31	6569	13.07	4.26	4.12
AA/Aa	32	6218	11.81	4.46	3.92
A/A	33	49073	9.11	5.05	4.02
BBB/Baa	34	8024	11.61	7.48	5.23
BB/Ba	35	4492	6.33	14.06	9.03
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	489	17.91	12.83	3.04
Total other fixed interest securities	39	74865	9.84	5.78	4.44
Approved variable interest securities	41	104196	14.16	(0.69)	(0.71)
Other variable interest securities	51	67620	8.82	2.12	1.65
Total (11+21+39+41+51)	61	384693	10.87	1.86	1.51

Long-term insurance business: Summary of mathematical reserves

Form 50

Printed 19/03/2012 11:04:37

Name of insurer **Friends Life Company Limited**
 Total business / subfund **Total Long-term insurance business**
 Financial year ended **31st December 2011**
 Units **£000**

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

Form 51 - with-profits	11	659327	312194	1139	972660	932155
Form 51 - non-profit	12	779352	4202361	12547	4994260	4871218
Form 52	13	1626820	2089439	106958	3823217	3865601
Form 53 - linked	14	12917346	13627323	25252	26569921	29937886
Form 53 - non-linked	15	72863	155783	192	228838	154165
Form 54 - linked	16	254383	462263	1923	718569	651891
Form 54 - non-linked	17	23344	7912	2	31258	26583
Total	18	16333435	20857275	148013	37338723	40439499

Reinsurance - external

Form 51 - with-profits	21					368
Form 51 - non-profit	22	302835			302835	355522
Form 52	23					
Form 53 - linked	24		66856		66856	1452794
Form 53 - non-linked	25	855	(912)		(57)	(1175)
Form 54 - linked	26	47418		304	47722	44769
Form 54 - non-linked	27					
Total	28	351108	65944	304	417356	1852278

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		3404807		3404807	3222373
Form 52	33					
Form 53 - linked	34		561806		561806	
Form 53 - non-linked	35		26		26	26
Form 54 - linked	36	1101	438986		440087	400293
Form 54 - non-linked	37		6742		6742	4280
Total	38	1101	4412367		4413468	3626972

Net of reinsurance

Form 51 - with-profits	41	659327	312194	1139	972660	931787
Form 51 - non-profit	42	476517	797554	12547	1286618	1293323
Form 52	43	1626820	2089439	106958	3823217	3865601
Form 53 - linked	44	12917346	12998661	25252	25941259	28485092
Form 53 - non-linked	45	72008	156669	192	228869	155314
Form 54 - linked	46	205864	23277	1619	230760	206829
Form 54 - non-linked	47	23344	1170	2	24516	22303
Total	48	15981226	16378964	147709	32507899	34960249

Long-term insurance business: Summary of mathematical reserves

Form 50

Printed 19/03/2012 11:04:37

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Form 51 - with-profits	11	164282	66180	423	230885	188799
Form 51 - non-profit	12	26825	101828	211	128864	100845
Form 52	13	266084	453934	11840	731858	635125
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		3289		3289	2661
Form 54 - non-linked	17		190		190	114
Total	18	457191	625421	12474	1095086	927544

Reinsurance - external

Form 51 - with-profits	21					158
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					158

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	164282	66180	423	230885	188641
Form 51 - non-profit	42	26825	101828	211	128864	100845
Form 52	43	266084	453934	11840	731858	635125
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		3289		3289	2661
Form 54 - non-linked	47		190		190	114
Total	48	457191	625421	12474	1095086	927386

Long-term insurance business: Summary of mathematical reserves

Form 50

Printed 19/03/2012 11:04:37

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

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

Form 51 - with-profits	11	495045	246014	716	741775	743356
Form 51 - non-profit	12	149733	675471	189	825393	699243
Form 52	13	1360736	1635505	95118	3091359	3230476
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		19988		19988	16705
Form 54 - non-linked	17		980		980	607
Total	18	2005514	2577958	96023	4679495	4690387

Reinsurance - external

Form 51 - with-profits	21					210
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					210

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	495045	246014	716	741775	743146
Form 51 - non-profit	42	149733	675471	189	825393	699243
Form 52	43	1360736	1635505	95118	3091359	3230476
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		19988		19988	16705
Form 54 - non-linked	47		980		980	607
Total	48	2005514	2577958	96023	4679495	4690177

Long-term insurance business: Summary of mathematical reserves

Form 50

Printed 19/03/2012 11:04:37

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	312822		312822	573147
Form 52	13				
Form 53 - linked	14	12904701	25083	12929784	13699835
Form 53 - non-linked	15	70993	192	71185	60207
Form 54 - linked	16	72291		72291	61860
Form 54 - non-linked	17	266		266	176
Total	18	13361073	25275	13386348	14395225

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	189249		189249	266533
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	189249		189249	266533

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				
Form 51 - non-profit	42	123573		123573	306614
Form 52	43				
Form 53 - linked	44	12904701	25083	12929784	13699835
Form 53 - non-linked	45	70993	192	71185	60207
Form 54 - linked	46	72291		72291	61860
Form 54 - non-linked	47	266		266	176
Total	48	13171824	25275	13197099	14128692

Long-term insurance business: Summary of mathematical reserves

Form 50

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	289972	3425062	12147	3497984
Form 52	13				
Form 53 - linked	14	12645	13627323	169	16238051
Form 53 - non-linked	15	1870	155783		93958
Form 54 - linked	16	182092	438986	1923	570665
Form 54 - non-linked	17	23078	6742	2	25686
Total	18	509657	17653896	14241	20426344

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	113586			88989
Form 52	23				
Form 53 - linked	24		66856		1452794
Form 53 - non-linked	25	855	(912)		(1175)
Form 54 - linked	26	47418		304	44769
Form 54 - non-linked	27				
Total	28	161859	65944	304	1585377

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		3404807		3222374
Form 52	33				
Form 53 - linked	34		561806		561806
Form 53 - non-linked	35		26		26
Form 54 - linked	36	1101	438986		400293
Form 54 - non-linked	37		6742		4280
Total	38	1101	4412367		3626973

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	176386	20255	12147	186621
Form 52	43				
Form 53 - linked	44	12645	12998661	169	14785257
Form 53 - non-linked	45	1015	156669		95107
Form 54 - linked	46	133573		1619	125603
Form 54 - non-linked	47	23078		2	21406
Total	48	346697	13175585	13937	15213994

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

**Form 51
(Sheet 1)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

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
100	Conventional whole life with-profits OB	697	12038	57	n/a	n/a	n/a	7601
120	Conventional endowment with-profits OB savings	24704	203830	15624	n/a	n/a	n/a	145104
125	Conventional endowment with-profits OB target cash	62	828	10	n/a	n/a	n/a	2902
205	Miscellaneous conventional with-profits	8915	11873	1461	n/a	n/a	n/a	8675
300	Regular premium non-profit WL/EA OB	2426	90708	5692	n/a	n/a	n/a	25441
390	Deferred annuity non-profit	6	58		n/a	n/a	n/a	953
395	Annuity non-profit (PLA)	2	2		n/a	n/a	n/a	16
435	Miscellaneous non-profit	84	259		n/a	n/a	n/a	415

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

**Form 51
(Sheet 2)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

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

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

**Form 51
(Sheet 3)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
155	Conventional pensions endowment with-profits	1961	30009	33	n/a	n/a	n/a	55534
205	Miscellaneous conventional with-profits	18	231		n/a	n/a	n/a	288
210	Additional reserves with-profits OB				n/a	n/a	n/a	10358
390	Deferred annuity non-profit	8	13		n/a	n/a	n/a	281
400	Annuity non-profit (CPA)	2078	3421		n/a	n/a	n/a	65580
435	Miscellaneous non-profit	1008	12898		n/a	n/a	n/a	35967

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

**Form 51
(Sheet 4)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

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	10	409	3	n/a	n/a	n/a	305
120	Conventional endowment with-profits OB savings	6	110	1	n/a	n/a	n/a	96
205	Miscellaneous conventional with-profits	3	10		n/a	n/a	n/a	22
395	Annuity non-profit (PLA)	1	8		n/a	n/a	n/a	94
435	Miscellaneous non-profit	2	113		n/a	n/a	n/a	117

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

**Form 51
(Sheet 5)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

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
100	Conventional whole life with-profits OB	4518	55628	358	n/a	n/a	n/a	37267
120	Conventional endowment with-profits OB savings	155675	667646	57317	n/a	n/a	n/a	412328
125	Conventional endowment with-profits OB target cash	328	3912	56	n/a	n/a	n/a	18337
205	Miscellaneous conventional with-profits	42807	38395	5509	n/a	n/a	n/a	27113
300	Regular premium non-profit WL/EA OB	344710	597023	39084	n/a	n/a	n/a	148719
390	Deferred annuity non-profit	1	24		n/a	n/a	n/a	468
395	Annuity non-profit (PLA)	4	8		n/a	n/a	n/a	117
435	Miscellaneous non-profit	106	115		n/a	n/a	n/a	429

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

Form 51
(Sheet 6)

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
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Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)

Form 51
(Sheet 7)

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
155	Conventional pensions endowment with-profits	2904	93297	297	n/a	n/a	n/a	170129
205	Miscellaneous conventional with-profits	61	1467	227	n/a	n/a	n/a	7058
210	Additional reserves with-profits OB				n/a	n/a	n/a	68827
390	Deferred annuity non-profit	96	508		n/a	n/a	n/a	16648
400	Annuity non-profit (CPA)	14175	31748		n/a	n/a	n/a	606315
435	Miscellaneous non-profit	676	21298		n/a	n/a	n/a	52508

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

**Form 51
(Sheet 8)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

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	11	625	11	n/a	n/a	n/a	404
120	Conventional endowment with-profits OB savings	21	285	3	n/a	n/a	n/a	263
205	Miscellaneous conventional with-profits	2	48	1	n/a	n/a	n/a	49
395	Annuity non-profit (PLA)	8	14		n/a	n/a	n/a	179
435	Miscellaneous non-profit	1	10		n/a	n/a	n/a	10

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

**Form 51
(Sheet 9)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

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
300	Regular premium non-profit WL/EA OB	40539	144714	1989	n/a	n/a	n/a	88361
325	Level term assurance	105835	19323874	37307	n/a	n/a	n/a	139716
330	Decreasing term assurance	61458	6202623	14048	n/a	n/a	n/a	10044
340	Accelerated critical illness (guaranteed premiums)	121856	11045852	54939	n/a	n/a	n/a	11755
345	Accelerated critical illness (reviewable premiums)	8588	819955	4468	n/a	n/a	n/a	1103
390	Deferred annuity non-profit	118	94		n/a	n/a	n/a	1633
395	Annuity non-profit (PLA)	752	5488		n/a	n/a	n/a	57387
435	Miscellaneous non-profit	112	475717	26	n/a	n/a	n/a	309
440	Additional reserves non-profit OB				n/a	n/a	n/a	2514

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

**Form 51
(Sheet 10)**

Printed 19/03/2012 11:04:38

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
300	Regular premium non-profit WL/EA OB		392	23	n/a	n/a	n/a	232
325	Level term assurance		17275595	11998	n/a	n/a	n/a	130388
330	Decreasing term assurance		5509134	5281	n/a	n/a	n/a	19617
340	Accelerated critical illness (guaranteed premiums)		8766449	22766	n/a	n/a	n/a	47297
345	Accelerated critical illness (reviewable premiums)		649398	1853	n/a	n/a	n/a	4099
435	Miscellaneous non-profit		31	1	n/a	n/a	n/a	
440	Additional reserves non-profit OB				n/a	n/a	n/a	(12384)

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

**Form 51
(Sheet 11)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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
300	Regular premium non-profit WL/EA OB	12	31		n/a	n/a	n/a	28
330	Decreasing term assurance	5	1		n/a	n/a	n/a	
360	Income protection non-profit (guaranteed premiums)	10182	145971	4507	n/a	n/a	n/a	30536
365	Income protection non-profit (reviewable premiums)	2966	44589	1243	n/a	n/a	n/a	12103
370	Long-term care policy	4817	64172	3617	n/a	n/a	n/a	165251
390	Deferred annuity non-profit	31	738	4	n/a	n/a	n/a	1883
395	Annuity non-profit (PLA)	752	18458		n/a	n/a	n/a	67578
435	Miscellaneous non-profit	9613	664628	4165	n/a	n/a	n/a	8413
440	Additional reserves non-profit OB				n/a	n/a	n/a	4180

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

**Form 51
(Sheet 12)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
360	Income protection non-profit (guaranteed premiums)		114068	2059	n/a	n/a	n/a	24253
365	Income protection non-profit (reviewable premiums)		31547	776	n/a	n/a	n/a	8113
370	Long-term care policy		34816	2611	n/a	n/a	n/a	72534
435	Miscellaneous non-profit		521759	1869	n/a	n/a	n/a	8686

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

Form 51
(Sheet 13)

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
300	Regular premium non-profit WL/EA OB	61	40		n/a	n/a	n/a	150
315	Individual deposit administration non-profit	388	5777	10	n/a	n/a	n/a	5777
325	Level term assurance	416	15965	58	n/a	n/a	n/a	658
390	Deferred annuity non-profit	11095	6314	7	n/a	n/a	n/a	140689
400	Annuity non-profit (CPA)	91062	223697		n/a	n/a	n/a	3262789
435	Miscellaneous non-profit	338	8136	37	n/a	n/a	n/a	12799
440	Additional reserves non-profit OB				n/a	n/a	n/a	2200

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

**Form 51
(Sheet 14)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit		6259	6	n/a	n/a	n/a	138495
400	Annuity non-profit (CPA)		223697		n/a	n/a	n/a	3262789
435	Miscellaneous non-profit		283		n/a	n/a	n/a	1323
440	Additional reserves non-profit OB				n/a	n/a	n/a	2200

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

Form 51
(Sheet 15)

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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
300	Regular premium non-profit WL/EA OB	56	475	12	n/a	n/a	n/a	336
325	Level term assurance	3	165	1	n/a	n/a	n/a	6
330	Decreasing term assurance	2	6		n/a	n/a	n/a	
390	Deferred annuity non-profit	60	118	770	n/a	n/a	n/a	6952
395	Annuity non-profit (PLA)	117	371		n/a	n/a	n/a	4805
435	Miscellaneous non-profit		20909	161	n/a	n/a	n/a	48

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

**Form 52
(Sheet 1)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

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
500	Life UWP single premium	3167	158430		153681	151697	13446	165143
505	Life UWP whole life regular premium	1285	167428	1019	2844	2844	75	2919
510	Life UWP endowment regular premium - savings	108	3216	171	2800	2800	11	2811
515	Life UWP endowment regular premium ? target cash	6399	187954	3669	86708	86708	1018	87726
574	UWP investment only reinsurance		5991		5991	5991		5991
575	Miscellaneous UWP	337	1508	52	1493	1493	1	1494

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

**Form 52
(Sheet 2)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
505	Life UWP whole life regular premium		9221	36				

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

**Form 52
(Sheet 3)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
525	Individual pensions UWP	11920	296573	2074	282648	282496	88246	370742
535	Group money purchase pensions UWP	1203	49252	1094	47643	47640	540	48180
555	Group deposit administration with-profits	2174	19395	59	19395	19395	3297	22692
570	Income drawdown UWP	8	5237		5237	5236	2	5238
571	Trustee investment plan UWP	40	6827	5	6827	6825		6825
575	Miscellaneous UWP	6	213	2	162	153	2	155
610	Additional reserves UWP						102	102

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

**Form 52
(Sheet 4)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		25					

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

**Form 52
(Sheet 5)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

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	10	150		149	149		149
505	Life UWP whole life regular premium	11	4605	17	74	74	3	77
510	Life UWP endowment regular premium - savings	2	177	7	171	171		171
515	Life UWP endowment regular premium ? target cash	38	1738	30	720	720	2	722
555	Group deposit administration with-profits	18	623		623	623	26	649
574	UWP investment only reinsurance		10072		10072	10072		10072

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

**Form 52
(Sheet 6)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

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
500	Life UWP single premium	29628	852336		836083	833922	37104	871026
505	Life UWP whole life regular premium	9295	883717	6111	12658	12658	506	13164
510	Life UWP endowment regular premium - savings	440	11088	707	10126	10126	68	10194
515	Life UWP endowment regular premium ? target cash	29297	1033126	21883	402565	402565	1242	403807
574	UWP investment only reinsurance		52890		52890	52890	84	52974
575	Miscellaneous UWP	4888	9649	52	9559	9559	12	9571

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

**Form 52
(Sheet 7)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
505	Life UWP whole life regular premium		19670	74				

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

**Form 52
(Sheet 8)**

Printed 19/03/2012 11:04:39

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
525	Individual pensions UWP	35451	1017924	14674	919794	919336	265549	1184885
535	Group money purchase pensions UWP	6253	134607	5297	131685	131665	1468	133133
555	Group deposit administration with-profits	13368	252170	5875	252170	252170	35221	287391
570	Income drawdown UWP	53	16235		16235	16234	3	16237
571	Trustee investment plan UWP	97	12077	9	12077	12061	1	12062
575	Miscellaneous UWP	15	1177	31	1103	1093	6	1099
610	Additional reserves UWP						698	698

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

**Form 52
(Sheet 9)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		54					

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

**Form 52
(Sheet 10)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

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	110	4897		4874	4873		4873
505	Life UWP whole life regular premium	192	25287	161	820	820	12	832
510	Life UWP endowment regular premium - savings	9	349	20	347	347	2	349
515	Life UWP endowment regular premium ? target cash	143	10261	185	3092	3092	7	3099
555	Group deposit administration with-profits	415	15474	881	15474	15474	1337	16811
574	UWP investment only reinsurance		69154		69154	69154		69154

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

**Form 53
(Sheet 1)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

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
700	Life property linked single premium	218425	12052180		11943239	11884606	245	11884851
710	Life property linked whole life regular premium	110242	7481909	68679	607492	607492	10530	618022
715	Life property linked endowment regular premium - savings	4785	245140	9980	223839	223839	917	224756
720	Life property linked endowment regular premium ? target cash	7381	309013	9047	156013	156013	3650	159663
794	Property-linked investment only reinsurance		21771		21771	21771		21771
795	Miscellaneous property linked	11434	11003	8005	10980	10980	22	11002
800	Additional reserves property linked						55629	55629

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

**Form 53
(Sheet 2)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
710	Life property linked whole life regular premium		176009	659				

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

**Form 53
(Sheet 3)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

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
700	Life property linked single premium	59	2373		2339	2339		2339
710	Life property linked whole life regular premium	1535	230024	1425	18107	18107	178	18285
715	Life property linked endowment regular premium - savings	84	3608	170	3440	3440	12	3452
720	Life property linked endowment regular premium ? target cash	39	2052	41	740	740	1	741
795	Miscellaneous property linked	358	457	353	457	457	1	458

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

**Form 53
(Sheet 4)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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
795	Miscellaneous property linked	468	5991		12645	12645	1870	14515

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

**Form 53
(Sheet 5)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
795	Miscellaneous property linked		2996				855	855

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

**Form 53
(Sheet 6)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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

**Form 53
(Sheet 7)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
725	Individual pensions property linked	201184	7978440	176581	7839241	7764134	46658	7810792
735	Group money purchase pensions property linked	217556	3993561	298387	3985940	3974811	74500	4049311
750	Income drawdown property linked	5265	681490		681490	681490	1283	682773
755	Trustee investment plan	2701	105917	1251	254773	254551	(220)	254331
760	Small self administered schemes	365	143091	3383	142402	137109	(426)	136683
765	Group managed fund	148	620136		620136	620136		620136
794	Property-linked investment only reinsurance		193523		195092	195092	(12)	195080
800	Additional reserves property linked						34000	34000

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

**Form 53
(Sheet 8)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		483	4				
735	Group money purchase pensions property linked		66856		66856	66856		66856
800	Additional reserves property linked						(912)	(912)

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

**Form 53
(Sheet 9)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked						26	26
735	Group money purchase pensions property linked		554666		554666	554666		554666
755	Trustee investment plan		7140		7140	7140		7140

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

**Form 53
(Sheet 10)**

Printed 19/03/2012 11:04:40

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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
710	Life property linked whole life regular premium	4	169	1	169	169		169

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

**Form 54
(Sheet 1)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
905	Index linked annuity	136	134		3146	3289	190	3479

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

**Form 54
(Sheet 2)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
905	Index linked annuity	653	782		19113	19988	980	20968

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

**Form 54
(Sheet 3)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

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
905	Index linked annuity	19	2902		68291	72291	266	72557

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

**Form 54
(Sheet 4)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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		4700		28897	29307		29307
905	Index linked annuity	240	5912		21733	21808	96	21904
910	Miscellaneous index linked	5255	325372	4056	111726	130977	22982	153959

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

**Form 54
(Sheet 5)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment		1141		6898	7327		7327
910	Miscellaneous index linked		65584	3266	38242	40091		40091

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

**Form 54
(Sheet 6)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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		158		1081	1101		1101

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

**Form 54
(Sheet 7)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / 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
905	Index linked annuity	4844	25227		414883	438986	6742	445728

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

**Form 54
(Sheet 8)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		25227		420297	438986	6742	445728

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

**Form 54
(Sheet 9)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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
901	Index linked income protection claims in payment		118		828	977		977
905	Index linked annuity	3	37		680	708	2	710
910	Miscellaneous index linked		11314		223	238		238

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

**Form 54
(Sheet 10)**

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
901	Index linked income protection claims in payment		30		207	244		244
910	Miscellaneous index linked		2653		56	60		60

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

Form 55

Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit mgmt charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Managed	02 - life - balanced managed fund	814857	Issue 83	1.00	15.6370	14.8930	(4.76)
Property	07 - life - property	369973	Issue 87	1.00	1.2990	1.3450	3.54
Equity	05 - life - UK equity	108513	Issue 83	1.00	22.5470	21.2470	(5.77)
Cash	04 - life - other managed fund	125353	Issue 87	1.00	1.1930	1.1880	(0.42)
Distribution	04 - life - other managed fund	4886938	Issue 14	1.00	3.8250	3.7280	(2.54)
Deferred Distribution	04 - life - other managed fund	3107828	Issue 14	1.00	4.4270	4.7370	7.00
Higher Income	05 - life - UK equity	144596	Issue 83	1.00	30.1210	29.5290	(1.97)
Reserve	03 - life - defensive managed fund	410113	Issue 87	1.00	1.1980	1.2670	5.76
Higher Yield Distribution	04 - life - other managed fund	575002	Issue 87	1.00	0.8620	0.8380	(2.78)
Global Distribution	06 - life - overseas equity	133045	Issue 12	1.00	1.6250	1.6300	0.31
Extra income	04 - life - other managed fund	245419	Issue 01	1.00	1.0550	1.1040	4.64
Monthly Distribution	04 - life - other managed fund	218843	Issue 01	1.00	0.9990	0.9720	(2.70)
Individual Managed	12 - individual pension - balanced managed fund	3478312	Issue 23	1.00	26.9180	25.5910	(4.93)
Individual Property	17 - individual pension - property	404390	Issue 58	1.00	12.6180	13.3140	5.52
Individual Equity	15 - Individual pension - UK equity	846419	Issue 23	1.00	47.0170	44.7920	(4.73)
Individual UK Bond	14 - Individual pension - other managed fund	211457	Issue 23	1.00	12.3290	13.7070	11.18
Individual Cash	14 - Individual pension - other managed fund	463208	Issue 23	1.00	7.9080	7.8870	(0.27)
Individual Global Equity	16 - Individual pension - overseas equity	162292	Issue 23	1.00	12.8000	11.7550	(8.16)
Individual Pacific	16 - Individual pension - overseas equity	116272	Issue 23	1.00	15.3740	13.4390	(12.59)
Individual European	16 - Individual pension - overseas equity	141457	Issue 23	1.00	6.3450	5.1240	(19.24)
Individual Retirement Distribution	14 - Individual pension - other managed fund	2168946	Issue 23	1.00	4.7750	5.0180	5.09
Individual Higher Income	15 - Individual pension - UK equity	239886	Issue 42	1.00	10.5280	10.3890	(1.32)
Individual Global Managed	11 - individual pension - stock market managed fund	133645	Issue 33	1.00	4.0170	3.7620	(6.35)
Individual Reserve	13 - individual pension - defensive managed fund	217868	Issue 65	1.00	1.6120	1.7470	8.37
Individual Global Distribution	16 - Individual pension - overseas equity	101028	Issue 04	1.00	1.6750	1.7020	1.61
Individual Retirement 2015	11 - individual pension - stock market managed fund	149054	Issue 65	1.00	1.3090	1.3580	3.74
Individual Retirement 2020	11 - individual pension - stock market managed fund	176121	Issue 65	1.00	1.2910	1.2300	(4.73)
Individual Retirement 2025	11 - individual pension - stock market managed fund	218309	Issue 65	1.00	1.3020	1.2100	(7.07)
Individual Retirement 2030	11 - individual pension - stock market managed fund	227604	Issue 65	1.00	1.3020	1.2110	(6.99)
Individual Retirement 2035	11 - individual pension - stock market managed fund	198529	Issue 65	1.00	1.2990	1.2080	(7.01)
Individual Retirement 2040	11 - individual pension - stock market managed fund	207449	Issue 65	1.00	1.2950	1.2040	(7.03)

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

Form 55
(continuation sheet)
 Printed 19/03/2012 11:04:41

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit mgmt charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Hermes World Equity	14 - Individual pension - other managed fund	115040	Issue 01	1.00	1.7210	1.6010	(6.97)
Group Mixed	22 - group managed fund - balanced managed fund	151396	Group Managed Fund	1.00	61.5720	58.9113	(4.32)

Long-term insurance business: index linked business

Form 56

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business

Financial year ended **31st December 2011**

Units **£000**

		Value of assets	Mean term
		1	2
Analysis of assets			
Approved variable interest securities	11	178027	18.12
Other variable interest securities	12	52733	10.45
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18		
Variation margin	19		
Total (11 to 19)	20	230760	
Credit rating of other fixed interest and other variable interest securities			
AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
Total other fixed interest and other variable interest securities	39		

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 1)**

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business / subfund **Old With Profits Fund**

Financial year ended **31st December 2011**

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 Pens NP Form 51	103008		2.30	2.57
UK Life WP Form 51	167596	3.00		4.68
UK Pens WP Form 51	67011		4.00	4.68
UK Life WP Form 52 PBF	160990		3.00	3.65
UK PBF WP Form 52	276434	3.00		4.48
UK PBF WP Form 52 Guaranteed 4%	295194		3.00	3.65
Misc	26046			2.53
TOTAL	1096279	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 2)**

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business / subfund **New With Profits Fund**

Financial year ended **31st December 2011**

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 Pens NP Form 51	676245		2.30	2.57
UK Life WP Form 51	507040	3.00		4.68
UK Pens WP Form 51	246801		4.00	4.68
UK Life WP Form 52 PBF	811604		3.00	3.65
UK PBF WP Form 52	1446358	3.00		4.48
UK PBF WP Form 52 Guaranteed 4%	836327		3.00	3.65
Misc	150128			2.52
TOTAL	4674503	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 3)**

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51	59110		2.40	2.63
UK L&GA NP Form 51 - GAF	48927	1.90		2.63
UK L&GA NP Form 51 Additional Reserves	14808	1.90		2.63
UK L&GA NP Form 53	71186	1.90		2.63
Misc	994			2.52
TOTAL	195025	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 4)**

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

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 Pens NP Form 51	202727		2.40	2.63
UK Pens NP Form 53	157683		2.40	2.63
UK NP Form 54	23081		2.40	2.63
Misc	6061			0.01
TOTAL	389552	n/a	n/a	n/a

Long-term insurance business: distribution of surplus
Form 58

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**
 Total business / subfund **Total Long-term insurance business**
 Financial year ended **31st December 2011**
 Units **£000**

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

Valuation result

Fund carried forward	11	32663891	35143612
Bonus payments in anticipation of a surplus	12	144986	106977
Transfer to non-technical account	13	502275	1002561
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	33311152	36253150
Mathematical reserves	21	32507899	34960249
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	803253	1292901

Composition of surplus

Balance brought forward	31	20500	800000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	782753	492901
Total	39	803253	1292901

Distribution of surplus

Bonus paid in anticipation of a surplus	41	144986	106977
Cash bonuses	42	13	18
Reversionary bonuses	43	19479	162845
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	164478	269840
Net transfer out of fund / part of fund	47	502275	1002561
Total distributed surplus (46+47)	48	666753	1272401
Surplus carried forward	49	136500	20500
Total (48+49)	59	803253	1292901

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
Form 58

Printed 19/03/2012 11:04:42

 Name of insurer **Friends Life Company Limited**

 Total business / subfund **Old With Profits Fund**

 Financial year ended **31st December 2011**

 Units **£000**

	Financial year	Previous year
	1	2

Valuation result

Fund carried forward	11	1099569	1072807
Bonus payments in anticipation of a surplus	12	21395	13989
Transfer to non-technical account	13	2875	17712
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1123839	1104508
Mathematical reserves	21	1095086	927386
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	28753	177122

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	28753	177122
Total	39	28753	177122

Distribution of surplus

Bonus paid in anticipation of a surplus	41	21395	13989
Cash bonuses	42		
Reversionary bonuses	43	4483	145421
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	25878	159410
Net transfer out of fund / part of fund	47	2875	17712
Total distributed surplus (46+47)	48	28753	177122
Surplus carried forward	49		
Total (48+49)	59	28753	177122

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
Form 58

Printed 19/03/2012 11:04:42

 Name of insurer **Friends Life Company Limited**

 Total business / subfund **New With Profits Fund**

 Financial year ended **31st December 2011**

 Units **£000**

	Financial year	Previous year
	1	2

Valuation result

Fund carried forward	11	4744504	4707619
Bonus payments in anticipation of a surplus	12	123591	92988
Transfer to non-technical account	13	15400	12270
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4883495	4812877
Mathematical reserves	21	4679495	4690177
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	204000	122700

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	204000	122700
Total	39	204000	122700

Distribution of surplus

Bonus paid in anticipation of a surplus	41	123591	92988
Cash bonuses	42	13	18
Reversionary bonuses	43	14996	17424
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	138600	110430
Net transfer out of fund / part of fund	47	15400	12270
Total distributed surplus (46+47)	48	154000	122700
Surplus carried forward	49	50000	
Total (48+49)	59	204000	122700

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

Form 58

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund One**

Financial year ended **31st December 2011**

Units **£000**

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

Valuation result

Fund carried forward	11	13283599	14149192
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	484000	972579
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	13767599	15121771
Mathematical reserves	21	13197099	14128692
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	570500	993079

Composition of surplus

Balance brought forward	31	20500	800000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	550000	193079
Total	39	570500	993079

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	484000	972579
Total distributed surplus (46+47)	48	484000	972579
Surplus carried forward	49	86500	20500
Total (48+49)	59	570500	993079

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

Form 58

Printed 19/03/2012 11:04:42

Name of insurer **Friends Life Company Limited**

Total business / subfund **Non Profit Fund Two**

Financial year ended **31st December 2011**

Units **£000**

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

Valuation result

Fund carried forward	11	13536219	15213994
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	13536219	15213994
Mathematical reserves	21	13536219	15213994
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		

Composition of surplus

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

Distribution of surplus

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

Percentage of distributed surplus allocated to policyholders

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

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

Form 59A

Printed 19/03/2012 11:04:43

Name of insurer **Friends Life Company Limited**

Original insurer **Friends Life Company Limited**

Date of maturity value/open market option

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	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	15209	2535		UWP	N	15209
Regular premium pension	10	40394	13465		UWP	N	40394
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	13489	2248		UWP	N	13489
Single premium pension	10	18977	6326		UWP	N	18977
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 maturity (normal retirement)

Form 59A

Printed 19/03/2012 11:04:43

Name of insurer **Friends Life Company Limited**

Original insurer **Friends AELLAS Limited (formerly AXA Equity & Law)**

Date of maturity value/open market option

147

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	12284	2835		UWP	N	12284
Endowment assurance	20	20520	5863		UWP	N	20520
Endowment assurance	25	32562	10854		UWP	N	32562
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	57378	17288		UWP	N	57378
Regular premium pension	20	99201	25719		UWP	N	99201
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	23130	6969		UWP	N	23130
Single premium pension	20	38727	10040		UWP	N	38727

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

Form 59B

Printed 19/03/2012 11:04:43

Name of insurer **Friends Life Company Limited**

Original insurer **Friends Life Company Limited**

Date of surrender value

148

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	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	10004			UWP	Y	10642
With-profits bond	5	11276			UWP	Y	11276
With-profits bond	10	12538			UWP	Y	12538
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	10862	255		UWP	Y	10862
Single premium pension	5	11832	599		UWP	Y	11832
Single premium pension	10	16029	3378		UWP	Y	16029

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

Form 59B

Printed 19/03/2012 11:04:43

Name of insurer **Friends Life Company Limited**

Original insurer **Friends AELLAS Limited (formerly AXA Equity & Law)**

Date of surrender value

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10091	1539		UWP	Y	38000
Endowment assurance	20	17765	4307		UWP	Y	38400
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirement
Form 60

Printed 19/03/2012 11:04:43

 Name of insurer **Friends Life Company Limited**

Global business

 Financial year ended **31st December 2011**

 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%	20876	20876			
Classes I (other), II and IX	12	0.1%	23832	6137	0.50	12	
Classes I (other), II and IX	13	0.15%	3589007	373406		2692	2388
Classes I (other), II and IX	14	0.3%	37343693	8546948		56016	54992
Classes III, VII and VIII	15	0.3%	8844655	8668774	0.98	26006	27886
Total	16		49822063	17616141		84726	85309

Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					3870	3870
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	9048281	8772513	0.97	87725	87394
Classes III, VII and VIII (investment risk)	33	1%	1385444	1369809	0.99	13698	12335
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1528582	1473700	0.96	14737	15897
Classes III, VII and VIII (other)	35	25%				27412	37180
Class IV (other)	36	1%	364531	213689	0.85	3099	2907
Class V	37	1%					
Class VI	38	1%					
Total	39					146671	155713

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	33	33			
Classes I (other), II and IX	42	3%	9048281	8772513	0.97	263175	262183
Classes III, VII and VIII (investment risk)	43	3%	1385444	1369809	0.99	41094	37006
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1528582	1473700			
Classes III, VII and VIII (other)	45	0%	25031328	24457316			
Class IV (other)	46	3%	364531	213689	0.85	9296	8720
Class V	47	0%					
Class VI	48	3%					
Total	49		37358199	36287060		313565	307909

Long term insurance capital requirement	51					548832	552801
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Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***0201* - Directions modifying the Accounts and Statements Rules**

The Financial Services Authority (FSA), on application of the firm, made a direction effective November 2007 under section 148 of the Financial Services and Markets Act 2000 (the Act). The effect of this direction is stated in notes 1322 and 1901.

The FSA, on the application of the firm, made a direction in October 2008, under section 148 of the Act. 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 Insurance Special Purpose Vehicle (ISPV), Friends Annuities Limited (formerly AXA Annuity Company 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 FSA, on the application of the firm, made a direction under section 148 of the Act in November 2009. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination, see note 5702.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

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

	2011	2010
	£000	£000
Grand total of admissible assets after deduction of market risk and counterparty limits – other than long term business (F13 OTLT L89)	823,203	1,289,531
Grand total of admissible assets after deduction of market risk and counterparty limits – long term business (F13 LT L89)	34,838,769	37,838,928
Mathematical reserves, after distribution of surplus (F14 L11)	(32,527,378)	(35,123,094)
Cash bonuses which had not been paid to policyholders prior to end of the financial year (F14 L12)	(13)	(18)
Total other insurance and non-insurance liabilities (F14 L49)	(773,014)	(870,483)
Total liabilities – other than long term business (F15 L69)	(13,745)	(149,691)
Total capital resources after deductions (F3 L79)	2,347,823	2,985,173

***0306* - Reinsurance arrangement contributing to Form 3 Line 92**

Friends Life Assurance Society Limited (formerly Sun Life Assurance Society plc) (FLAS) has provided new business financing in respect of business reinsured from FLAS to the Company. Although the financing is in connection with reinsurance accepted, with the agreement of the FSA the relevant amount, reflecting the financing element of this arrangement, has been shown in line 92 (Financial Reinsurance – ceded) for clarity.

As at the valuation date:

- No allowance is made for this arrangement in the mathematical reserves at the valuation date as repayments are contingent on future profits of the Company. Thus the reinsurance offset (i.e. the amount of the difference between the mathematical reserves at the valuation date were this arrangement to be ignored and the amount of the mathematical reserves after deducting the reserves reinsured) was zero.
- The amount of the Company's contingent liability under this arrangement at the valuation date was £44.1m.
- There is no formal provision to terminate this agreement for existing business, so there is no commutation value.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***0310* - Valuation differences**

The amounts included at line 14 on Form 3 are as follows:

	2011	2010
	£000	£000
Difference between mathematical and realistic reserves	1,390,970	1,275,291
Differences arising on the valuation of provisions, deferred income and reserves arising from the implementation of FRS 26	120,857	208,759
Valuation differences on tax	(66,316)	64,586
Amount due under reinsurance contract with FLAS (Note 0306)	44,059	61,233
Contingent loan (repaid in 2011)	-	87,799
Valuation differences on liabilities (Note 1405)	1,489,570	1,697,668

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

	2011	2010
	£000	£000
Profit and loss account and other reserves brought forward	2,431,297	2,848,768
Profit/(loss) retained for the financial year (F16 L59)	(477,732)	419,360
Profits recognised in the statutory accounts under the modified statutory basis retained in the long term fund for FSA reporting	269,597	147,072
Movement in revaluation reserve	(15,146)	18,658
Surplus arising in the long term fund transferred to other than long term fund for FSA reporting (F40 L26)	(502,275)	(1,002,561)
Profit and loss account and other reserves carried forward (F3 L12)	1,705,741	2,431,297

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***1104* - Description of any amounts that are discounted**

Provisions held in line 51 are discounted where they are in respect of claims in payment that are calculated using annuity factors.

1301

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***1308* - Aggregate value of assets**

	2011	2010
	£000	£000
The aggregate value of:-		
(i) Unlisted investments	522,276	444,319
(ii) Investments which are not readily realisable	23,028	21,483
(iii) Units in collective investment schemes that are not schemes falling within the UCITS Directive	39,726	44,489

1304

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***1310*- Amounts set off**

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

1305

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***1319* - Maximum counterparty limits**

Under the Insurer's Investment Guidelines, the maximum exposure of unit linked funds ('funds') to a single counterparty for all investment types will vary depending on the individual fund. If any counterparty limits are greater than allowed under the 'permitted links' rules then the latter must apply.

In respect of the non unit linked funds ('portfolios'), the maximum exposure of individual portfolios to a single counterparty for fixed income securities depends on the rating of the counterparty.

The maximum exposure is calculated by multiplying the relevant rating limit expressed as a percentage by the portfolio base.

For sovereign issuers the portfolio base is the total fixed income (excluding private loans) and cash portfolio (i.e. covering all the Main Funds).

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

For corporate and supranational issuers the portfolio base is calculated as the greater of (a) the cash and corporate bonds portfolio (excluding Mortgage Backed Securities) or (b) 50% of the total fixed income and cash portfolio.

The relevant rating limits expressed as a percentage are as follows

RATING AAA	Corporate		Supra National and Government Related	Non Domestic Sovereign	
				AAA	4.0%
AA+	3.3%			AA+	3.3%
AA	3.0%			AA	3.0%
AA-	2.5%			AA-	2.5%
A+	2.0%	2.0%	2.0%	A+	2.0%
A	1.6%	1.6%	1.6%	A	1.6%
A-	1.2%	1.2%	1.2%	A-	1.2%
BBB+	1.0%	1.0%	1.0%	BBB+	1.0%
BBB	0.7%	0.7%	0.7%	BBB	0.7%
BBB-	0.4%	0.4%	0.4%	BBB-	0.4%
BB+	0.2%	No Limit	No Limit	BB+	0.2%
BB	0.1%			BB	0.1%
BB-	0.05%			BB-	0.05%
Below BB-	0.05%			Below BB-	0.05%

The Investment Manager is authorised to select trading counterparties to be used on behalf of the Company subject to the following requirements:

All counterparties have been formally approved by the Investment Manager's principal credit forum prior to a business relationship starting.

No counterparty with a credit rating below A- (or equivalent) will be approved.

Limits set out in the Financial Services Authority Handbook must also be applied.

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 + 1.5%

Other FTSE All Share stocks + 1%

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 funds managed by the Investment Manager the maximum permitted exposure is 7% of the free float. The equity limits do not apply to holdings in collective investment vehicles and investment trusts.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

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 concentration and counterparty exposure limits of this fund are set along two dimensions: (1) country limits and (2) individual name limits. Exposure to a particular country is limited depending on whether the issuer is a government related issuer of a particular country (10%) or a financial institution domiciled in a particular country (ranging from 25% in the UK to 2.5% in a number of European Countries). No maximum exposure limits apply to government and government related issuers in the UK. With regards to the 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) subject to a certain percentage.

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

During 2011 there have been no breaches of the equity limits. Some fixed income breaches occurred as a result of a counterparty rating migration during the year. Upon review, all exposures are within risk appetite and no remedial action has taken place.

Waiver 2.1.22R

A waiver by consent (valid from 5 May 2009 to 31 March 2012) has been granted such that entities which are controlled by HM Treasury (eg bailed out banks) are not considered as closely related for the purposes of determining counterparty excesses.

1306

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***1312*- Exposure at year end to large counterparties**

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

***1309* - Aggregate value of hybrid securities**

The aggregate value of hybrid securities included at line 46 and 48 is £241.0m (2010: £296.9m).

***1313* - Aggregate value of certain fully secured rights**

The aggregate value of fully secured rights on 31 December 2011 was £404.2m (2010: £734.8m).

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***1318* - Other asset adjustments**

The amounts included at line 101 on Form 13 are as follows:

	Other than Long Term Fund		Long Term Fund	
	2011	2010	2011	2010
	£000	£000	£000	£000
Gross up of liabilities within the internal linked funds	-	-	(109,622)	(147,312)
Other gross ups	-	(4,556)	(299,143)	(404,257)
	-	(4,556)	(408,765)	(551,569)

***1321* - Allocation of Assets**

Non Profit invested assets are allocated to the correct fund at source. With Profits invested assets are allocated to the With Profits fund however notionally allocated between the Old With Profits and New With Profits sub-funds. This allocation is in accordance with the Scheme Document approved by the High Court in December 2000.

The apportionment of current assets and current liabilities between subfunds is also notional, rather than being allocated to the subfund in which a transaction first gave rise to the asset or liability.

All allocations are carried out by a method which preserves the correct total value of the net assets of each subfund.

***1322* - Direction modifying the Accounts and Statement Rules**

The FSA issued to the firm, in November 2007, a direction under section 148 of the Act. The effect of the direction is to allow the firm to include assets available to support the New With Profits Funds in its realistic balance sheet (at line 27 of Form 19), in accordance with the firm's Reorganisation Scheme. Those assets are comprised of the amount of £71.8m which is included at line 89 and the amount £nil which is included at line 92 of this form.

Following the five year test performed as at 31 December 2010 consistent with FLC 2000 Court Scheme, the FLC Board subsequently approved a revised support arrangement of up to £406m conditional upon support being required by the Scheme. The shareholder's fund provides support to the extent that the Non Profits Fund is not able to meet support requirements up to £406m. In accordance with the current direction we have only shown the support assets from Non Profit Fund 1 as being available to support the New With Profits Fund.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

1401

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

The Company identified and reviewed all assets which are valued by marking to model, which are subject to restrictions or agreements relating to transactions or which could potentially be subject to less liquid positions. It was determined, following consultation with the investment managers, that none of these assets required an adjustment pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

The Company reviewed its investments to identify whether any provisions were required pursuant to INSPRU 3.2.17R and INSPRU 3.2.18R. It was determined that in each case, sufficient cover is held and no such provisions were required.

1402

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

a) Charges on assets

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

b) Provision for capital gains tax

A capital gains tax liability of £8.7m (2010: £27.2m) 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.

Current tax of £158.1m (2010: £240.9m) would arise if the insurer disposed of its unit linked assets. No explicit provision is made for this taxation because it will be borne by the unit linked funds and the mathematical reserves are sufficient to cover both liabilities to policyholder and deferred tax on unit linked assets.

A charge of £19.0m (2010: £23.6m credit) has been made in unit pricing for the change in the value of tax losses carried within the unit linked funds; the value of these losses is included within Form 13 Line 59.

c) Contingent liabilities

In March 2011 the contingent loan from Friends ASLH Limited was repaid. This loan had a value in the 2010 return of £87.8m.

d) Guarantees, indemnities or other contractual commitments

The Company has provided indemnity to a fellow subsidiary, Friends Life Services Limited (formerly AXA Sun Life Services plc) (FLS), which acts as a distributor and third party administrator for the Company's 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 (i.e. policyholders) in the course of its marketing of investments which the Company is party to. Any liability arising from the indemnity would be met with other than long term fund assets.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

e) Other uncertainties

Levies are made under the Financial Services Compensation Scheme (FSCS) to compensate consumers in the event of the failure of any firm authorised under the Financial Services and Markets Act 2000. At the end of the financial year, no amounts had been provided for such levies as the proposed levies for insurance firms in 2012 are not significant.

Provision has been made for the best estimate of the potential redress to policyholders in respect of endowment mortgage product flaws.

***1405* - Other liability adjustments**

The amount included at line 74 of Form 14 is as follows:

	2011	2010
	£000	£000
Gross up of liabilities within the internal linked funds	(109,622)	(147,312)
Other gross ups	(312,360)	(404,257)
Valuation differences (note 0310)	1,489,570	1,697,668
	1,067,588	1,146,099

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

The value of non-linked assets in the Old With Profits Fund increased during the year by £34.5m (2010: £161.8m increase). For the New With Profits Fund there was an increase during the year of £210.9m (2010: £101.3m increase).

***1507* - Other liability adjustments**

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

	2011	2010
	£000	£000
Other gross ups	-	(4,556)

1601

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

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

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***1603* - Other income and charges**

The amount included at line 21 relates to:

	2011	2010
	£000	£000
Fee rebates received	22	-
Increase in provisions for bad debt	-	(270)

***1700* - Submission of blank form**

The Insurer held no derivative contracts as other than long term insurance business assets at any time during the year and so no Form 17 relating to other than long term insurance business assets is required.

***1701* - Variation margin**

There was no excess variation margin received at the balance sheet date.

***1702* – Use of 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 £1,532.8m (2010: £1,021.1m). The amounts contributed to each line in Form 13 in respect of quasi derivatives is as follows:

	2011	2010
	£000	£000
Line 45	63,613	2,631
Line 46	1,276,299	1,007,224
Line 48	192,843	11,281
	<u>1,532,755</u>	<u>1,021,136</u>

- 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.

***1812* - Form 18 Line 65**

The amount included in Form 18 Line 65 for the New With-Profits Fund represents the present value of tax on future shareholder transfers that, in accordance with the Reorganisation Scheme, is not required to be included in Form 19 Line 51.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***1901* - Direction modifying the Accounts and Statement Rules**

The FSA issued to the firm, effective November 2007, a direction under section 148 of the Act. The effect of the direction is to allow the firm to include assets available to support the New With Profits Fund in its realistic balance sheet (at line 27), in accordance with the firm's Reorganisation Scheme. These assets are also included in 89 and line 92 (if applicable) of Form 13 for the Non Profit Fund One and Non Profit Fund Two.

***4002* - Other income and expenditure**

	2011	2010
	£000	£000
Other income		
Consideration on GOF/TIP transfer	285,359	-
Rebated unit trust charges	6,872	1,828
	292,231	1,828

***4004*- Business transfers out**

On 1 November 2011 a transfer of business was undertaken from the Company to AXA Wealth Limited under Part VII of Financial Services and Markets Act 2000. This involved the transfer of the Guaranteed Over Fifties (GOF) and TIP pension business. The amount shown in Form 40 Line 32 represents the admissible assets transferred in this transaction.

***4006* - Apportionment between notional sub-funds**

The principles and methods of apportionment applied in Form 40 in respect of the long term insurance business funds are as follows:

- (i) Investment income arising from assets notionally identified to the Old With Profits, New With Profits, Non Profit One and Non Profit Two sub-funds respectively has been allocated to those sub-funds;
- (ii) The increase/decrease in the value of non-linked assets is the amount required so that the fund corresponds to the mathematical reserves except in the case of Non Profit Fund 1 where surplus of £86.5m is carried forward unappropriated, and New With Profits Fund where surplus of £50m is carried forward unappropriated;
- (iii) Commission has been allocated according to the nature of the relevant contract;
- (iv) Expenses are directly allocated to the relevant sub-fund according to the nature of individual contracts; and,
- (v) United Kingdom taxation has been allocated based on separate tax calculations for each sub-fund.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***4008* - Management services**

During the financial year ended 31 December 2011 investment management services have been provided to the Company by AXA Investment Managers UK Limited. Various other management services have been provided by Friends Life Services Limited (formerly AXA Sun Life Services plc) (FLS), a fellow subsidiary company.

***4009* - Material connected party transactions**

During the financial year ended 31 December 2011 the Insurer carried out the following transactions which exceed 5% of the Insurer's liabilities arising from its long-term insurance business, excluding property linked liabilities and net of reinsurance ceded.

Transacting Party	Relationship	Type of Transaction	Amount £000
Friends Life Assurance Society Limited (formerly Sun Life Assurance Society plc)	Group Undertaking	Reassurance claims paid	966,407

***4010* - Investment income relating to linked assets**

The amount of investment income relating to linked assets in Line 12 of Form 40 for the Old With Profits Fund is £0.2m (2010: £0.1m). For the New With Profits Fund it is £1.0m (2010: £0.6m).

***4013* - Difference in treatment from accounts prepared under Companies Act 2006**

Financial Reporting Standard 26 has been adopted in the Insurer's accounts prepared under Companies Act 2006 ('the financial statements'). As a consequence, in the financial statements, direct written contracts which do not transfer significant insurance risk have not been accounted for as insurance contracts and no premiums or claims are recorded in respect of these contracts. However, in accordance with paragraph 8 of Appendix 9.3 of IPRU(INS), for the purpose of these returns these contracts continue to be treated as insurance. Due to this difference in treatment certain items in Form 40, Form 41 and Form 42 will not correspond with the amounts reported in the financial statements.

***4201* - Analysis of Claims**

A proportion of the claims reported in Form 42 are paid under reinsurance arrangements to Friends Life Assurance Society Limited (FLAS) which is another insurance company. The analysis of claims shown reflects the nature of the claim from the perspective of the initial insurer.

***4401* - Basis for valuation of assets**

Invested assets including land and buildings are shown at market value in accordance with the policy terms.

***4402* - Aggregate value of derivative contracts**

The gross aggregate value of rights under derivative contracts, or in respect of assets which have the effect of a derivative contract, held by the property linked funds, was £446.0m (£448.5m excluding variation margins).

Name of Insurer **Friends Life Company Limited**

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NOTES TO THE RETURN

***4412* - Provisions for tax on unrealised capital gains**

The provision for tax on unrealised capital gains on assets held within the unit linked funds is reflected in the amount reported as net unit liability and not therefore reported on line 15 of Form 44 as a separate reduction in the value of assets that cover those liabilities.

***4502* - Other income and expenditure**

The amount at line 14 relates to:

	2011	2010
	£000	£000
Rebated unit trust charges	26,177	18,553
Other	221	1,404
	26,398	19,957

The amount at line 26 relates to:

	2011	2010
	£000	£000
Investment management expenses	2,869	2,950
Transaction costs on investment purchases	12,595	20,886
Part VII of GOF TIP business	37,591	0
	53,055	23,836

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

(a) The following are the bonus series that have an asset share philosophy which assumes a variation of asset mix by duration of policy:

Low-Cost Homebuyers' Plan
Homebuyers' Investment Plan
Multivestor
Multipension Series 2
Multipension Series 3
Flexible Pensions
Pensions 1997 Series
Pensions 1999 Series
Pensions 2000 and 2002 Series
Retirement Investment and Income Plan

(b) For conventional with profits business the asset mix used as at 31 December 2011 was as follows:

UK Equities	36.6%
Overseas Equities	14.1%
Properties	12.4%
Fixed Interest	36.2%
Other	0.80%

Name of Insurer **Friends Life Company Limited**

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NOTES TO THE RETURN

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 2011 was as follows:

UK Equities	49.3%
Overseas Equities	18.2%
Properties	16.5%
Fixed Interest	15.6%
Other	0.40%

This applies to the following bonus series:

Investment Bond and Flexible Bond
With Profits Income Bond
Individual Savings Account
Low-Cost Homebuyers' Plan
Homebuyers' Investment Plan
Multivestor
Multiplan
Multipension Series 2
Multipension Series 3
Flexible Pensions
Trustee Plan
Pensions 1997 Series
Pensions 1999 Series
Pensions 2000 & 2002 Series
Retirement Investment and Income Plan
Amulet
AXA Isle of Man Bond (Sterling)

For Retirement Savings Schemes, the asset mix used as at 31st December 2011 was as follows:

UK Equities	24.65%
Overseas Equities	9.1%
Properties	8.25%
Fixed Interest	55.0%
Other	3%

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.

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***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 £399m.

***4804* - Yield of 'other assets'**

The assets included in lines 18 and 28 of Form 48 break down as follows:

	Market Value £m	Yield %
Cash	190	-0.44%
Derivative exposure (assumed to receive the cash return)	113	0.00%
Policy loans	11	4.81%
Miscellaneous assets bearing little or no income	485	0.10%

***4806* - Assets used to determine investment returns in column 5**

The assets included in the calculation of investment returns shown in column 5 are the assets underlying the calculation of asset shares. The asset categories used for asset share return calculations are not in all cases the same as the categories in lines 21-29 of column 2, and have been defined as follows:

Line	Assets included
21	Properties including investments in property through collective investment schemes and limited partnerships.
22 & 23	Non-index-linked gilts and corporate bonds. An approximate basis has been used to split the return between the two lines.
24	Index-linked gilts and bonds and floating rate bonds.
25-27	Equities and collective investment schemes investing 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* - Source of credit ratings**

Credit ratings from Standard & Poor's, Moody's and Fitch are used. If more than one is available the lowest rating is used. If all three ratings are available, discretion is applied if one rating appears out of line with the other two. In the absence of all three a prudent internal rating is used.

***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:

4	Miscellaneous non-profit	7 schemes
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Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***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.

***5203* - Details of policies included in the miscellaneous product code.**

The following product with gross mathematical reserves in excess of £10m has been classified under miscellaneous product code 575:

- Unitised with profits ISA (single premium)

***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	105 schemes
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***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

Name of Insurer **Friends Life Company Limited**

Financial Year Ended **31 December 2011**

NOTES TO THE RETURN

***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

***5702* Risk adjusted yield calculation**

On the 19th November 2009, the Company was granted a waiver to allow the risk adjusted yield in column 5 of form 57 to be calculated based on the overall basket of assets backing product groups. However for the current valuation, the Company has maintained the methodology of using the arithmetic mean of the individual assets backing the liabilities. This gives a more prudent result.

***6002* - Reconciliation with Form 50 and Form 58**

The net reserves included in line 49 of Form 60 do not reconcile with the sum of Form 50 Line 48 and Form 58 Line 43. This is due to the reinsurance of annuity reserves to FAL (the intra-group ISPV). The net reserves in FAL (£3,759.7m) are recaptured in Form 60 for the purpose of calculating the reinsurance ratio in accordance with INSPRU 1.1.92A.

Name of Insurer: **Friends Life Company 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 Company Limited (FLC) (formerly AXA Sun Life Plc)
FLS	denotes	Friends Life Services Limited (formerly AXA Sun Life Services Plc)
FLAS	denotes	Friends Life Assurance Society Limited (formerly Sun Life Assurance Society Plc)
FAL	denotes	Friends Annuities Limited (formerly AXA Annuity Company Limited)

Internal reinsurance arrangements as at 31 December 2011

The reinsurance (which commenced during 2007) of the non-profit pensions annuities in payment business written directly by FLC to FAL remains in force. The arrangement is open to new business. This arrangement is referred to as FAL 2007 reinsurance in this report.

The reinsurance (which commenced during 2009) of 50% of most of the FLAS non-profit pensions annuities in payment to FLC remains in force. The arrangement is closed to new business. The reinsurance was accepted into Non Profit Fund Two of FLC. This business was then reinsured onwards to FAL. The expense risk associated with the business is retained within FLAS. This arrangement is referred to as FAL 2009 reinsurance in this report.

The reinsurance (from 31 December 2008) of 100% of FLAS non-profit life annuities in payment to FLC remains in force. The arrangement is closed to new business.

The reinsurance (from 1 January 2007) of FLAS unit linked business to FLC remains in force. This reinsurance includes the unit liabilities and most policy charges, but excludes most mortality risk and all morbidity risk. Expenses in respect of reinsured policies are charged to FLC.

The information included in the FLC insurance return makes allowance for the business within FAL where appropriate and is in line with the relevant sections of INSPRU.

1. Valuation date

- (1) The actuarial investigation relates to a valuation date of 31 December 2011.
- (2) The valuation date of the previous investigation was 31 December 2010.
- (3) There have been no interim valuations (for the purpose of IPRU(INS) rule 9.4) since the previous valuation date.

2. Changes to product range in 2011

The AXA Protection Account was rebranded as the Friends Life Protection Account in March 2011. There were no other changes to any individual life or pensions products during 2011.

There were no new corporate pension products or changes to product features on existing products in 2011. Following the acquisition of the Company by Friends Provident Holdings (UK) plc, all corporate pension products were closed to new business but remain open to new joiners and increments to existing schemes.

Statement relating to with profits business

Both of the Company's with profits subfunds (the Old With Profits Fund and the New With Profits Fund) are open to new with profits business.

3. Discretionary charges and benefits

(1) Application of Market Value Reduction

During 2011, a Market Value Reduction (MVR) was applied on discontinuance (where permitted, and subject to relevant minima) in respect of the following unitised with profits products effected in the policy years set out below.

Product Description	Period That MVR Applied		Policy Dates of Entry
	From	To	
Sterling onshore bonds	01/01/2011	19/06/2011	1999-2001
	20/06/2011	31/12/2011	2000
Dollar offshore bonds	01/01/2011	19/06/2011	2001 & 2004 -2006
	20/06/2011	31/12/2011	2005-2006
Euro offshore bonds	01/01/2011	31/12/2011	2001-2002 & 2005

For Bonds, MVR rates vary by quarter of entry. For some quarters in the above years, MVR adjustments did not apply.

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

Individual Lifetime Care Plans

The mathematical reserves, net of reinsurance, held for this business at the valuation date are £197m.

All reviewable contracts that reached a review date in 2011 have been reviewed, this totals £88m of net mathematical reserves. The reviewability of a policy is determined by the following conditions:

- Contracts written prior to 1 September 1994 may be reviewed at any time.
- For contracts written after 1 September 1994 but before 1 July 1996, the first review will take place after 10 years with subsequent reviews taking place annually;
- For those written after 1 July 1996 but before 1 May 2003, the first review will take place after 10 years with subsequent reviews being 5 yearly;

- For contracts written after 1 May 2003, the reviews will take place every 5 years.
- For single premium contracts written after 19 June 2000 (or with application date after 1 June 2000) but before 1 May 2003, no reviews will take place after age 70;
- For single premium contracts written after 1 May 2003 no reviews will take place after age 85;
- For regular premium contracts written after 19 June 2000 (or with application date after 1 June 2000) no reviews will take place after age 89.

At review policyholders are given, as appropriate, options of amending premium amounts to maintain the current benefit level, or selecting an equivalent amendment to the benefits under the contract. The following tables provide “quoted” premium changes for policies where a policy review initiated during 2011.

Reviews during 2011

4,618 reviews were initiated during 2011.

334 of these were “first reviews”, typically falling 10 years after a policy was sold. First review results were as follows:		
Favourable: 2 (0.6%)	Neutral: 1 (0.3%)	Unfavourable: 331 (99.1%)
Largest premium increase:	190% (regular premium), 119% (single premium)	
Largest premium decrease:	7% (regular premium)	

4,284 were “subsequent reviews”, as many policies continue to be reviewable after the first review. Results of the subsequent reviews were as follows:		
Favourable: 955 (22.3%)	Neutral: 3,081 (71.9%)	Unfavourable: 248 (5.8%)
Largest premium increase:	36% (regular premium), 31% (single premium)	
Largest premium decrease:	57% (regular premium)	

It should be noted that the premium increase option quoted may not have been chosen in all cases.

It is also worth noting that a fairly significant number of contracts were subject to quinquennial reviews after the expiry of their initial 10 year premium/benefit guarantee. Many of these experienced their first “subsequent review” in 2011 having last been reviewed in 2006. The largest increases and decreases at “subsequent review” arise from these quinquennial reviews (i.e. the largest increases and decreases upon “subsequent review” represent 5 years of change, not just 1 year of change).

For neutral or favourable reviews there was often no change to premiums quoted, instead the benefits under the contracts remained the same or increased.

Individual Critical Illness and Individual Permanent Health Insurance

The premiums for these contracts can be reviewed at any time. However, no reviews took place in 2011 and there is currently no intention to review these products in the future.

The total mathematical reserves for this business are £5.2m.

Friends Life Protection Account

The first review takes place after 5 years. Subsequent reviews then take place annually, unless the premium changes as a result of the review in which case the premium is then guaranteed for a further 5 years.

The outcome of the review is determined by the following conditions:

- If the review shows a premium reduction of more than 10%, the premium is automatically reduced.
- If the review shows a premium increase of more than 10%, the default option is to increase the premium, but the policyholder has the option to reduce the sum assured and keep the premium unchanged.
- If the review outcome would mean that the premium increase/decrease would not exceed 10%, no change is made to the premium.

The mathematical reserves, net of reinsurance, held for this business at the valuation date is £(4.7)m.

2883 contracts reached a review date in 2011 and the net mathematical reserves for these contracts totalled £(0.3)m. The premiums on 56 of these policies reduced by an amount in the range 10% to 18%. The premiums on the other 2827 policies did not change because the increase/reduction was within +/- 10% of the current premium.

(3) Non-profit deposit administration benefits

The annualised rates of interest added to non-profit deposit administration benefits during 2011 were:

Period		Rate of Interest
From	To	
01/01/2011	31/12/2011	0.50%

This rate was before deduction of the rate of annual fund management charge relevant to the policy.

(4) Service charges on linked policies

Service charges for unit-linked policies changed as follows during 2011 or with effect from 1 January 2012:

No change:

Low-cost Homebuyers Plan
Multivestor
Unit-linked pensions (except where described below)

Increase of approximately 5.0% (in line with Retail Prices Index to July 2011):

Flexible Pensions (except paid-up pensions)
Health Care Income Plan
Multiplan

Increase of approximately 5.6% (in line with Retail Prices Index to September 2011):

Flexible Cover Plan
Flexible Mortgage Plan

Increase of approximately 5.4% (in line with Retail Prices Index to October 2011):

Individual Lifetime Care Bond

Increase in line with Retail Prices Index dependent on policy anniversary date:

Homebuyers' Investment Plan

Increase of approximately 2.7% (in line with Average Weekly Earnings Index to July 2011):

Private pension funds

(5) Benefit charges on linked policies

Multiplan

During 2011, the mortality and morbidity charges on these policies were reviewed. The total reserves net of reinsurance for these products at the valuation date are £248m.

The impact of the review resulted in a decrease in mortality charges of 15% for males with no change to morbidity charges. Thus for individual policies, charges either remained static or reduced by 15%.

Other products

No other changes to mortality or morbidity charges for unit-linked policies took place during 2011.

(6) Fund management charges

During 2011, the net annual management charge (the fund charge after rebate) was changed for the following funds:

Fund	Net Annual Management Charge		Fund size at 31/12/2011 £000
	Old	New	
Artemis Income	0.75%	0.65%	24,308
Artemis UK Smaller Companies	0.75%	0.65%	2,774
Artemis UK Special Situations	0.75%	0.65%	5,631
Standard Life Corporate Bond	0.48%	0.53%	4,353
Standard Life Gilt	0.48%	0.53%	5,496

There are no notional charges to accumulating with profits policies.

(7) Unit pricing methods

Funds other than Group Managed Funds and Ex-PPP Lifetime Care Funds

For each fund other than Private Funds, asset prices are normally obtained at 2 pm on each business day. For funds which invest in external OEICs, the assets are valued by the OEIC provider and the latest published prices available are used. Private Funds are valued less frequently – usually monthly or quarterly for large Funds and yearly for small Funds.

The assets are normally valued on a creation basis (i.e. the price at which assets could be bought), unless it is known that there is a net outflow, in which case the assets are normally valued on a cancellation basis (i.e. the price at which assets could be sold). However, judgement is exercised by the Company as to which basis to use, or whether to use an intermediate basis, depending on the expected trend of net inflows and outflows, to ensure fairness to incoming, outgoing and continuing unit holders. In each case allowance is made for dealing costs, accrued income and any tax implications.

The creation or cancellation price, as appropriate, is then calculated by dividing the net asset value by the number of units.

If a creation price basis is being used, the offer price is derived by multiplying the creation price by an offer price factor, with an adjustment for fund management charges. If a cancellation price basis is being used, the offer price is derived by multiplying the cancellation price by an offer price factor, with an adjustment for fund management charges. The bid price is the resulting offer price multiplied by the reciprocal of the offer price factor.

For funds with a 5% bid-offer spread, the offer price factor is 100/95. For funds with no bid-offer spread, the offer price factor is 1.

Except for switches, units are allocated to a policy at offer price and cancelled at bid price.

Normally, for new business and payment of regular premiums for existing business, the price used is on a historic basis, i.e. that derived from the asset valuation at 2 pm on the previous business day. For all other transactions the price used is on a forward basis, i.e. that derived at 2 pm on the same day, except for certain switches, where the price used is that derived at 2 pm on the following day. For Premium Select Bond, all transactions into or out of the externally managed funds are priced on a forward basis.

Notwithstanding the normal rules as described above, the policies give the right in certain circumstances to defer transactions for up to one month (or up to six months for Property Fund units). At the end of such periods of deferral the unit prices used in such deferrals will be those determined immediately following such period.

Group Managed Funds

For each group managed fund, unit prices are calculated once a week (the “dealing” day). Ordinarily the dealing day is on a Thursday, but at month ends it is the last business day of the month whilst at the beginning of April it is on the fifth (or equivalent business day). On the dealing day asset prices are normally obtained at close of business on that day. For each fund unit prices are obtained by dividing the middle market prices of the underlying assets by the number of units, with an adjustment for fund management charges.

All purchases and sales of units (including switches) take place at the unit prices adjusted upwards for the average expenses of purchase or downwards for the average expenses of sale. These expenses are based on actual dealing costs and are regularly reviewed. Adjustment may also be made on account of income accrued but not received and expenses incurred but not paid (including provision for any potential liability for tax or other statutory payments).

Ex-PPP Lifetime Care Funds

For internal linked funds available to the Individual Lifetime Care Bond and the Money Market Fund available to the Triple Bonus Bond, prices are determined on a daily basis. For the Balanced Fund available to the Special Investment Bond, unit prices are determined on the first working day of the month.

The Money Market Fund and the Long Term Care Deposit Fund are invested in short term deposits and cash. The remainder of the unit funds are directly invested in unit trusts.

The assets are normally valued on a creation basis (i.e. the price at which assets could be bought), unless it is known that there is a net outflow, in which case the assets are normally valued on a cancellation basis (i.e. the price at which assets could be sold). However, judgement is exercised by the Company as to which basis to use, or whether to use an intermediate basis, depending on the expected trend of net inflows and outflows, to ensure fairness to incoming, outgoing and continuing unit holders.

Units are created or cancelled within each fund at the valuation bid price. This price is determined by taking the value of unit trust units and adjusting for any allowance for distributed income notified but not paid, any associated tax credits, and any investment management charges. This total fund value is divided by the number of units.

Units are purchased by the fund from policyholders at the bid price, which is calculated as the valuation bid price rounded to the lower 0.1p. Units are sold to policyholders at the offer price that is calculated as the bid price multiplied by 100/95 and rounded to the higher 0.1p.

The unit trust assets are valued using the creation price or cancellation price set by the underlying unit trust company on the day of valuation. In general these prices are set at or around 12.00 noon. On any given day the Company deals at the internal prices calculated at the next public valuation which is at 5.00pm.

(8) Tax deductions from unit-linked funds

Life Funds

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

Provision is made in the unit pricing for the potential tax liability on unrealised gains (including gains on collective investment schemes that are not treated as realised gains) at rates between 15% and 17.5% for funds priced on an offer basis and 20% for funds priced on a bid basis. No money is removed from the funds in respect of these provisions.

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

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

Other Funds

The only other funds are pension and PHI 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-PPP Lifetime Care 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 exception to this agreement is with Close Fund Managers where a 0.5% initial charge is levied on unit purchases.

An arrangement is in place with certain fund managers whereby the internal funds receive a rebate on the annual management charge levied by the underlying unit trust:

- Lifetime Care JPMF Balanced Fund A	0.75% pa
- Lifetime Care JPMF Balanced Fund B	0.50% pa

These rebates are reflected in the unit price offered to policyholders.

Other Funds

The MLC Bond can be invested in funds managed by external fund managers. Where this is the case, part of the discount received from the fund manager is retained by the Company.

In most other instances, discounts and rebates accrue to the benefit of the policyholders. However, policies which invest in these funds are subject to a higher fund management charge than other similar policies. There are no other discounts etc. allowed on purchases, sale or holding of these types of unit. There are a number of fund managers with whom the Company has negotiated improved rebates and the Company has retained the additional amount.

Fund manager	Discount on Initial Charge	Discount on Management Charge for benefit of policyholders	Discount on Management Charge for benefit of the Company
	%	%	%
Aberdeen Asset Management	4.00 - 4.25	0.75	
Allianz	4.00	0.893	
Architas Multi-Manager	4.00 - 5.00	0.31 - 1.30	
Artemis Fund Managers Ltd	5.00 - 5.25	0.50 - 0.75	
Aviva Investors	4.50 - 5.00	0.50 - 0.625	0.125 – 0.25
AXA Framlington	5.25 - 5.50	0.50 - 1.00	
Ballie Gifford	1.00	Up to 0.15	
Barclays Investor Services	4.00	0.50	
BlackRock	5.00	0.75 - 0.875	
Cazenove	5.00	0.50 - 0.75	
CF Danske	3.75	0.625 - 0.75	
CF Midas	4.50	0.70	
CF Miton	5.00	0.50	
Close	3.00	0.5	
EFA	4.20 - 5.00	0.60	
F & C	5.00	0.60 - 0.75	
Fidelity	3.50 - 5.25	0.30 - 0.77	
First State Investment Ltd	4.00	0.50	0.25
Franklin Templeton Investment Ltd	5.00	0.75	
Hargreaves Lansdown	5.00	0.50	
Henderson	4.25 - 5.25	0.50 – 0.875	0.05 - 0.075
HSBC	Up to 4.00	Up to 0.625	
IFSL Sinfonia	5.50	0.75	
Ignis	4.25	0.55	
Insight	4.00	0.75	
INSYNERGY	4.75	0.54 - 0.90	
Invesco Perpetual Fund Managers Ltd	5.00	0.30 - 0.75	
Investec	4.50	0.625 - 0.75	
JP Morgan	Up to 5.50	Up to 0.75	
Jupiter Unit Trust Managers	4.00 - 5.50	0.24 - 0.75	0.25
L & G (Barclays)	1.00 - 2.50	0.50	
Legg Mason Investments	4.25	0.75	
M & G	4.00 - 5.00	0.15 - 0.75	
Margetts	4.00	0.50	
MLC Trust Management	4.50	1.00	
Neptune	5.00	0.80 - 0.875	
Newton	3.00 - 4.00	0.50 - 0.75	
Old Mutual	3.50 - 4.00	0.55 - 0.75	
Psigma	5.25	0.75	

Fund manager	Discount on Initial Charge	Discount on Management Charge for benefit of policyholders	Discount on Management Charge for benefit of the Company
	%	%	%
River & Mercantile	5.00	0.60	
Sarasin	5.00	Up to 0.75	
Schroders Investments Ltd	3.25 - 5.25	Up to 0.75	0.1
Standard Life Investments Ltd	3.00 - 4.00	0.475 - 0.75	
Threadneedle Asset Management Ltd	Up to 3.75	0.20 - 0.75	
UBS	4.00	0.90	

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)

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

(1) Valuation methods

General principles and methods used in the valuation

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

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

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

Negative reserves are permitted on Friends Life Protection Account policies. For all other products, any negative reserves arising on any policy have been eliminated.

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

Conventional Business

For the majority of business a gross premium method of valuation has been used. No allowance for future bonuses has been made for with profits business.

For products where the reserves otherwise calculated are less than the discontinuance value for a material proportion of policies, the reserve for each policy has been increased where necessary to ensure that it is not less than the amount payable on discontinuance. Furthermore, the reserve is not less than the amount required so that, on the valuation assumptions, this condition will be satisfied at all times in the future.

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.

For the main classes of life with profits business, an allowance for future voluntary discontinuance has been made; discontinuance values are determined in the same way as described above. No allowance has been made for voluntary discontinuance of with profits pensions business (where almost all policies have attaching Guaranteed Annuity Rates).

For non-profit pensions annuities in payment written directly by the Company, the valuation interest rate has been derived using a portfolio internal rate of return on the assets backing the liabilities. The Company has a waiver under section 148 of the Financial Services and Markets Act 2000 to perform this calculation.

For Individual Lifetime Care Plans and Immediate 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.

For 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.

Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest.

For conventional pensions policies in postponed retirement where the benefit at normal retirement date is expressed in the form of a cash sum, the reserves are equal to the value of benefit that would be payable on immediate retirement. This is equal to the cash sum payable at normal retirement date plus interest added in respect of the period of postponement.

Unit-linked Business

For each unit-linked policy the gross reserve is the sum of:

- (i) the value of units allocated at the valuation date, discounted, in the case of capital units and certain accumulation units subject to a discontinuance charge, at a rate not exceeding the rate of future annual management charge or other periodic charges; and
- (ii) a non-unit reserve.

For each individual policy the non-unit reserve is determined by discounting the expected future net cash flow determined on a set of assumptions relating to mortality, interest, expenses and future unit prices. Unit prices are assumed to grow from the prices calculated on the valuation date. Regard is had in the calculations to present and future discontinuance values under each policy so that the total reserve for each policy is adequate for the discontinuance value to be met at any time.

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.

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.

For the main classes of pensions business, a prudent allowance for future voluntary discontinuance has been made.

For classes where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve.

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.

Unitised With Profits Business and Retirement Savings Schemes

The reserve for each plan is calculated using a gross premium valuation method, with no allowance for non guaranteed future bonuses. For contracts with a Guaranteed Interest Rate, the valuation interest rate is not less than that rate.

The reserve is subject to a minimum to ensure that it is not less than the amount payable on discontinuance. Furthermore, the reserve is not less than the amount required so that, on the valuation assumptions, this condition will be satisfied at all times in the future. In determining the assumed current and future discontinuance values, allowance is made for Market Value Reductions (MVR) that were in force at the valuation date.

For most classes, the calculation of the reserves makes an allowance for future voluntary discontinuance. The assumed amount payable on discontinuance is the same as is used to determine the minimum reserves, as described above. No allowance has been made for voluntary discontinuance of policies subject to a Guaranteed Interest Rate or with an attaching Guaranteed Annuity Rate.

Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest.

(2) Valuation interest rates

	31 December 2011 %	31 December 2010 %
<i>With Profit Business</i>		
Unitised With Profits (except Multipension Series 2) and Retirement Savings Scheme	3.00	3.00
Multipension Series 2	4.00	4.00
Conventional With Profits Life	3.00	3.00
Conventional With Profits Pensions	4.00	4.00
Annuity guarantees in payment (except where valued using stochastic methods)	2.15	3.30
<i>Non Profit Business written in WP funds</i>		
Over 50 Plan	1.80	2.40
NP Life (other than Over 50 Plan)	1.85	2.40
NP Pensions	2.30	3.00
<i>Non Profit Business written in NP funds</i>		
Over 50 Plan	1.80	2.05
Additional Life reserves	1.90	2.65
Other NP Life [see note below]	1.90	2.05

PHI business [see note below]	2.40	4.40
Pension Annuities in Payment reinsured to FAL (2007 reinsurance)	3.60	4.25
Pension Annuities in Payment (RPI-linked) reinsured to FAL (2007 reinsurance)	(0.25)	0.20
Pension Annuities in Payment reinsured to FAL (2009 reinsurance)	3.40	4.00
Pensions Annuities in Payment (RPI-linked) reinsured to FAL (2009 reinsurance)	(0.40)	0.60
Life Annuity business reinsured from FLAS	2.40	3.00
Unclassified Pension reserves	2.40	3.30
Other NP Pensions	2.40	2.55
RPI-linked benefits	(0.30)	0.40
Unit-linked life	1.90	3.10
Unit-linked pensions	2.40	3.85

Note At 31 December 2011, negative reserves were allowed on Friends Life Protection Account policies and additional margins were 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%.

(3) Risk adjustments to yields

In determining risk adjusted yields reported in Form 57, the following adjustments have been made, in addition to the 2.5% reduction required by INSPRU 3.1.28R.

Fixed interest

The following deductions for non-gilt assets have been made from gross redemption yields:

Rating	Term to redemption (years)		
	<10 % p.a.	10-20 % p.a.	>20 % p.a.
AAA	0.11	0.13	0.14
AA	0.70	0.52	0.47
A	1.32	0.83	0.74
BBB	2.54	1.67	1.50
BB	4.32	3.07	2.66
B	6.78	5.05	4.38
CCC	14.85	9.24	7.57

For subordinated debt, the above deductions are increased by a factor of 1.2.

The credit risk adjustments are subject to a maximum of the size of the spread on any individual asset.

For fixed interest stocks with a lower rating than CCC, individual deductions are calculated to reduce the gross redemption yield to the yield on a gilt of equivalent term.

For fixed interest stocks with a rating of D, the gross redemption yield is set to zero.

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.

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%.

Equities

Yields have been reduced by 0.1% and have been constrained not to exceed 6.40% p.a.

Property

A deduction of 5% of the yield applies.

Currency Risk

For any asset not denominated in sterling, a 5bp deduction is made to allow for the currency risk.

(4) Mortality

Product group	31 December 2011		31 December 2010	
	Males	Females	Males	Females
With profits endowment assurance (Top Flight)	140% AMC00 ult	125% AFC00 ult	140% AMC00 ult	125% AFC00 ult
With profits endowment assurance (Moneysaver)	155% AMC00 ult	130% AFC00 ult	155% AMC00 ult	130% AFC00 ult
With profits endowment assurance (Postal Staff Scheme)	90% AMC00 ult	95% AFC00 ult	90% AMC00 ult	95% AFC00 ult
Other with profits endowment assurance	90% AMC00 ult	95% AFC00 ult	90% AMC00 ult	95% AFC00 ult
With profits whole life	95% AMC00 ult	95% AFC00 ult	95% AMC00 ult	95% AFC00 ult
Non-profit endowment assurance	65% AM92 ult	65% AF92 ult	65% AM92 ult	65% AF92 ult
Guaranteed Over 50 Plan	modified ELT14M	modified ELT14F	modified ELT14M	modified ELT14F
Other non-profit whole life	105% AM92 ult	135% AF92 ult	105% AM92 ult	135% AF92 ult
Term assurance (Friends Life Protection Account)	modified TM00 ult	modified TF00 ult	modified TM00 ult	modified TF00 ult
Other term assurance life	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Conventional pensions in deferment	75% AM92 ult	75% AF92 ult	75% AM92 ult	75% AF92 ult
Pensions annuities in payment	92.0% PCMA00 CMI 2011[2%]	87.4% PCFA00 CMI 2011[2%]	93.0% PCMA00 2000-2010 100% medium cohort with 1.5% floor Post 2010 100% medium cohort with 2.1% floor	90.5% PCFA00 2000-2010 75% medium cohort with 1.25% floor Post 2010 75% medium cohort with 1.8% floor
Non-pensions annuities in payment	75% IM80 C=2010	75% IF80 C=2010	75% IM80 C=2010	75% IF80 C=2010
Deferred pensions annuities and annuity guarantees (after deferment)	92.0% PCMA00 CMI 2011[2%]	87.4% PCFA00 CMI 2011[2%]	93.0% PCMA00 2000-2010 100% medium cohort with 1.5% floor Post 2010 100% medium cohort with 2.1% floor	90.5% PCFA00 2000-2010 75% medium cohort with 1.25% floor Post 2010 75% medium cohort with 1.8% floor
Bonds & Individual Savings Accounts	105% AMC00 ult	120% AFC00 ult	105% AMC00 ult	120% AFC00 ult

Low-Cost Homebuyers' Plan & Homebuyers' Investment Plan	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Multiplan & Maximum Cover Plan	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Multivestor	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Whole Life Investment Plan	modified A67/70 sel	modified A67/70sel	modified A67/70 sel	modified A67/70sel
Other unit-linked life	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Flexible pensions (group personal pensions)	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Flexible pensions (other)	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Group pensions (2002 series)	90.91% AM80 ult	90.91% AF80 ult	90.91% AM80 ult	90.91% AF80 ult
Multipension (series 2)	modified A67/70 ult	modified AF80 ult	modified A67/70 ult	modified AF80 ult
Other unit-linked & unitised with profits pensions	modified A67/70 ult	modified AF80 ult	modified A67/70 ult	modified AF80 ult

Where the mortality table is described above as modified, the following are specimen mortality rates used at 31 December 2011:

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Guaranteed Over 50 Plan</u>						
25	n/a	n/a	0.00089	n/a	n/a	0.00043
35	n/a	n/a	0.00124	n/a	n/a	0.00086
45	n/a	n/a	0.00365	n/a	n/a	0.00241
55	n/a	n/a	0.01546	n/a	n/a	0.00940
<u>Term assurance (Friends Life Protection Account)</u>						
25	0.00037	0.00059	n/a	0.00011	0.00015	n/a
35	0.00052	0.00081	n/a	0.00022	0.00030	n/a
45	0.00104	0.00172	n/a	0.00052	0.00100	n/a
55	0.00262	0.00508	n/a	0.00151	0.00370	n/a
<u>Other term assurance life</u>						
25	0.00043	0.00055	n/a	0.00020	0.00027	n/a
35	0.00044	0.00073	n/a	0.00037	0.00061	n/a
45	0.00125	0.00266	n/a	0.00090	0.00175	n/a
55	0.00407	0.00917	n/a	0.00233	0.00510	n/a
<u>Low Cost Homebuyers' Plan, Homebuyers' Investment Plan, 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>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 – 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>Other unit-linked life</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 pensions (group personal pensions)</u>						
25	n/a	n/a	0.00050	n/a	n/a	0.00023
35	n/a	n/a	0.00057	n/a	n/a	0.00045
45	n/a	n/a	0.00171	n/a	n/a	0.00116
55	n/a	n/a	0.00556	n/a	n/a	0.00318
<u>Flexible pensions (other)</u>						
25	0.00048	0.00071	0.00053	0.00023	0.00034	0.00026
35	0.00055	0.00080	0.00060	0.00045	0.00064	0.00049
45	0.00165	0.00241	0.00181	0.00116	0.00167	0.00127
55	0.00537	0.00784	0.00591	0.00318	0.00459	0.00350
<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
<u>Other unit-linked and unitised with profits 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

For annuities in payment and deferred annuities, expectations of life are as follows:

Product group	Current age	Age at which expectation is determined	31 December 2011		31 December 2010	
			Males years	Females years	Males years	Females years
Pensions annuities in payment		65	25.1	27.4	25.1	26.7
		75	15.5	17.4	15.4	16.9
Non-pensions annuities in payment		65*	20.0	23.1	20.0	23.1
		75	12.9	14.9	12.9	14.9
Deferred pensions annuities and annuity guarantees valued using a stochastic model	45	65	28.2	30.6	29.9	30.5
	55	65	26.6	29.0	27.4	28.6
Annuity guarantees valued using a deterministic method	45	65	24.7	28.0	24.6	26.9
	55	65	24.7	28.0	24.6	26.9

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

No additional reserves are held in respect of the possible detrimental impact of other changes in the incidence of disease or developments in medical science.

Individual Lifetime Care Plan

This product provides long-term care benefits to the policyholder. The tables for both healthy and claim mortality used in the multi-state model to value these contracts have been constructed based on the previous experience of the office. There is an adjustment to the base tables of 1% p.a. and 0.5% p.a. for mortality improvement of healthy and claim mortality respectively. In addition to the allowances for mortality improvement, there are also prudent margins of 5% and 12% on healthy and claim mortality respectively.

Immediate Lifetime Care Plan

This contract is essentially an impaired life annuity. The mortality table for each life is uniquely determined by applying a flat percentage to the base mortality table (IM80/IF80), using an individually assessed best estimate of life expectancy. An allowance for future mortality improvement is built into the best estimate of life expectancy, depending on the health conditions of each life. There is also a prudent margin of 10% on the mortality rates. It is not appropriate to indicate example mortality rates as they are unique to each policy.

Individual Lifetime Care Bond

This contract provides long term care benefits to the policyholder. The mortality assumption is built into the charging annuity factors used in the calculation of the non-unit reserves. The charging annuity factors vary by age, gender, cover type and deferred period. The deferred period is defined as the number of months for which the unit fund value is estimated to last in the event of a long term care benefit claim.

(5) Morbidity

Friends Life Protection Account (IFA sales channel)

Specimen critical illness inception rates for term assurance with accelerated critical illness, which are the same for 2011 and 2010, 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 2011 and 2010, 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 at both 31 December 2011 and 31 December 2010 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
<u>Multiplan (pre-1998)</u>						
25	0.00041	0.00063	0.00048	0.00046	0.00063	0.00051
35	0.00083	0.00147	0.00103	0.00110	0.00162	0.00125
45	0.00293	0.00528	0.00365	0.00255	0.00403	0.00299
55	0.00833	0.01507	0.01040	0.00646	0.00958	0.00738
<u>Multiplan (1998 and after)</u>						
25	0.00038	0.00059	0.00044	0.00043	0.00058	0.00047
35	0.00077	0.00137	0.00095	0.00102	0.00150	0.00116
45	0.00271	0.00489	0.00338	0.00236	0.00373	0.00277
55	0.00771	0.01395	0.00963	0.00598	0.00887	0.00683

Individual Lifetime Care Plan

The tables for claim inception rates used in the multi-state model to value the long term care benefit under these contracts have been constructed based on the experience of the office for all years up to and including 2008. There is an adjustment to the base tables of 10% of the morbidity rates to act as a prudent margin. The model assumes no recoveries.

There are three claim states used within the model, defined by the state of health of each policy in claim. The state of health is assessed through the failure of a number of Activities of Daily Living (ADLs), such as washing or dressing. In addition, a life can become a claim through a cognitive impairment.

Specimen independent base morbidity rates to the three claim states for females are as follows:

Age	2ADL 2011	3ADL+ 2011	Cognitive 2011	2ADL 2010	3ADL+ 2010	Cognitive 2010
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 2011	3ADL+ 2011	Cognitive 2011	2ADL 2010	3ADL+ 2010	Cognitive 2010
25	0.00014	0.00030	0.00019	0.00015	0.00030	0.00019
35	0.00014	0.00030	0.00019	0.00015	0.00030	0.00019
45	0.00014	0.00030	0.00019	0.00015	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 2011	3ADL+ 2011	Cognitive 2011	2ADL 2010	3ADL+ 2010	Cognitive 2010
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 2011 and 2010, 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

(6) Expenses

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

At 31 December 2011, for conventional business, the per policy expenses have been based on the actual unit costs of Friends Life Services Limited, and were uplifted by 5% to provide a margin for prudence. For unit-linked and UWP business, the actual unit costs (uplifted by 5% to provide a margin for prudence) have been allocated as 65% attributable and 35% non-attributable, with the non-attributable expenses being covered by profits emerging from the unit-linked and UWP business.

At 31 December 2010, the per policy expenses were based on the actual fees payable to Friends Life Services Limited under the Management Services Agreement, and were uplifted in respect of expenses not covered by the Agreement. A further uplift was included for business within the With Profit funds to make prudent allowance for the outcome of a fee review under the terms of the Agreement, which is due to be implemented during 2013.

During 2011 and 2010, the costs associated with a number of projects were recharged back to the Life Company. However, due to the discretionary nature of the projects being recharged to FLC, no allowance is made in the reserves for future project costs, other than a provision in respect of future Solvency II implementation costs.

Product	Product codes	31 December 2011 £ p.a.	31 December 2010 £ p.a.
<i>Conventional With Profits</i>			
Endowment (savings)	120	8.48	15.72
Endowment (target cash)	125	55.29	52.39
Pensions	155, 165	55.29	52.39
<i>Non-profit</i>			
Term assurance	325, 330	26.66	22.53
Critical illness	340 – 355	27.67	22.53
Income protection	360, 365	21.67	22.53
Annuity	400	34.94	26.20
<i>Unitised with profits</i>			
Bonds	500	48.24	52.39
Endowment (savings)	510	53.54	52.39
Endowment (target cash)	515	53.54	52.39
Individual pensions (regular premium)	525	78.39	104.79
Individual pensions (single premium)	525	47.03	26.20
Group pensions (regular premium)	535	87.97	104.79
Group pensions (single premium)	535	47.03	26.20
<i>Unit-linked</i>			
Bonds	700	101.99	52.39
Endowment (savings)	715	53.54	52.39
Endowment (target cash)	720	53.54	52.39
Individual pensions (regular premium)	725	78.39	52.39
Individual pensions (single premium)	725	47.03	26.20
Group pensions (regular premium)	735	116.24	52.39
Group pensions (single premium)	735	58.12	19.91

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 2011. 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 each product, per policy expenses are identical for unitised with profits and unit-linked policies. Differences in assumptions shown above arise where the largest group of unitised with profits is a different product from the largest group of unit-linked policies.

For with profits and non-profit business, provision for gross investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest. The margins are:

With profits business	0.34% p.a.
Non-profit business	0.14% p.a.

For unit-linked business, the assumed gross investment expenses are the following percentages of fund size:

Life business	0.19% p.a.
Pensions business	0.19% p.a.

For life business, tax relief on the above expense assumptions is assumed at the rate of 20%.

(7) Inflation rate and unit growth rates

The future inflation rate assumed in the valuation is 3.50% per annum for annuity business and 3.25% per annum for non-annuity business.

For expenses excluding Diligenta costs, expense inflation is assumed to be 4.50% per annum for annuity business and 4.25% per annum for non-annuity business. For Diligenta costs, these rates are reduced by 0.5%.

The unit growth rates assumed in the calculation of non-unit reserves for unit-linked business are:

Life business	2.46% p.a. (net of tax)
Pensions business	2.90% p.a.

(8) Future bonus rates

No future bonus rates have been assumed in the gross premium valuation of conventional with profits business or in the valuation of unitised with profits business except where guaranteed.

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

The following average annual rates of lapse, surrender and conversion to paid-up have been assumed:

Product		Average lapse / surrender /paid-up rate for the policy years			
		1-5 % p.a.	6-10 % p.a.	11-15 % p.a.	16-20 % p.a.
Level term	lapse	9.5	5.3	4.0	4.0
Decreasing term	lapse	8.4	8.3	7.5	7.5
Accelerated critical illness	lapse	13.9	7.2	5.5	5.5
Income Protection	lapse	0	0	0	0
CWP savings endowment	surrender	8.1	5.6	2.9	1.7
CWP target cash endowment	surrender	0.7	0.7	0.7	0.7
UWP savings endowment	surrender	5.1	5.3	6.0	5.3
UWP target cash endowment	surrender	8.3	8.5	5.9	4.0
UL savings endowment	surrender	3.3	3.9	8.7	6.7
UL target cash endowment	surrender	9.7	8.9	6.7	6.7
UWP Bond – with surrender penalty	surrender	1.5	6.7	5.5	5.0
UWP Bond – without surrender penalty	surrender	6.7	6.7	5.5	5.0
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
UL Bond	surrender	3.6	6.5	5.3	4.8
UL Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0	0	0	0
CWP pension regular premium	surrender	0	0	0	0
CWP pension single premium	surrender	0	0	0	0
UWP individual pension regular premium	PUP	0	0	0	0
UWP individual pension regular premium	surrender	0	0	0	0
UWP individual pension single premium	surrender	0	0	0	0
UL individual pension regular premium	PUP	0	0	0	0
UL individual pension regular premium	surrender	See note 1.			
UL group. pension regular premium	PUP	0	0	0	0
UL group pension regular premium	surrender	See note 1.			
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.

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. In particular, the surrender rates for UWP individual pensions are shown as nil, as more than 50% of reserves for such policies relate to a group of policies for which no surrender assumption is made. Surrender rates are assumed for other policies of this type.

For classes where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve. Other than this, no allowance is made for conversion to paid-up.

(10) Other material assumptions

There are no assumptions not stated elsewhere that are considered to be material to the results of the valuation.

(11) Derivative contracts

The Company uses derivatives to hedge the Guaranteed Annuity Options on its WP deferred annuity 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 New With Profits Fund (£65.6m) and the Old With Profits Fund (£9.6m).

The company holds credit default swaps to hedge the credit risk on a holding of corporate bonds. In the calculation of valuation interest rates, these derivatives have been ignored and standard credit risk margins have been applied to the corporate bonds (as set out in section 4.(3)). A check has been performed to ensure that this approach gives a more prudent result than if the credit default swaps had been fully reflected.

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

At 31 December 2011, valuation expenses for unit-linked and UWP business were split between attributable and non-attributable expenses. The attributable expenses were allowed for in the calculation of the non-unit reserves on unit-linked business and the gross premium reserve on UWP business. The non-attributable expenses were compared to future profits expected to emerge from the unit-linked and UWP business, and no additional reserve was deemed necessary. At 31 December 2011, the reduction in the non-unit reserves resulting from this change in methodology was £168.1m and the reduction in the gross premium reserves on UWP business was £35.4m.

At the previous valuation, no allowance was made for lapses when calculating the reserves on Friends Life Protection Account (formerly AXA Protection Account) policies. At 31 December 2011, allowance was made for lapses. The effect of this change in methodology was to reduce the gross reserves by £287m, and the net reserves by £113m, at 31 December 2011.

At the previous valuation, any negative reserves arising on any Friends Life Protection Account policy were eliminated. At 31 December 2011, negative reserves were permitted on these policies. The effect of this change in methodology was to reduce the gross reserves by £38m, and the net reserves by £86m, at 31 December 2011.

During 2009, the administration of traditional business within the Company was outsourced to an external partner. The costs associated with this arrangement are expected to be incurred over the next three years. For reserving purposes, these additional expenses are treated as non-attributable expenses and are considered at a homogeneous risk group level. The total expenses are less than £10m.

No additional changes have been made since the previous valuation.

5. Options and guarantees

The valuation bases set out in section 5 relate to options and guarantees in respect of groups of products where the basic reserves exceed £10m. The grouping of products is that relevant to the particular option or guarantee.

(1) Guaranteed Annuity Rate options

- (a) For most pensions contracts with a Guaranteed Annuity Rate option at retirement, the value of the option has been calculated using both a stochastic model and a deterministic valuation, and the greater of the two values is taken as the valuation liability. For a few minor classes the stochastic model is not used, and for these classes the valuation liability is the result of a deterministic valuation

The stochastic model used is the same as that used in the realistic valuation and described in the report on that valuation, and the economic scenario generation assumptions were calibrated to 97.5% of risk-free yields, in line with requirements for yields used in regulatory valuations. The assumed take-up rate for the option, when in the money, is 95% at all durations in all scenarios. The assumed mortality basis in payment for males is based on 92.0% of PCMA00 with CMI 2011[2%] improvements. The assumed mortality basis in payment for females is based on 87.4% of PCFA00 with CMI 2011[2%] improvements. For practical reasons an equivalent one-dimensional table is used.

The deterministic valuation uses corresponding assumptions, but assumes 100% take-up for the option.

(b)

Product	Basic reserve £m	Outstanding durations (years)			Guarantee reserve £m	Guaranteed annuity rate (annuity p.a. per £100 cash sum)	Open to increments
		Minimum	Median	Maximum			
Endowment Plans	143	0	4	27	173	11.00	No
Multipension	270	0	8	25	229	9.39	In certain circumstances

The specimen guaranteed annuity rates shown above are for a male aged 65. The annuity is a non-increasing single life annuity, payable monthly for a minimum period of five years. Payments are in advance for conventional policies and in arrears for Multipension. Annuities on equivalent terms to those indicated above are available on an increasing or joint lives basis or with other payment frequencies or other minimum payment periods.

Guaranteed annuity rates are applicable on early or late retirement at any age permitted by the terms of the policy. The relevant rates are determined on the same basis as that applicable at the normal retirement date, allowing for the age at retirement.

(2) Guaranteed surrender and unit-linked maturity values

- (a) Certain unitised with profits pensions policies include a provision that no market value reduction (MVR) will be applied on early retirement within five years of the normal retirement date, in respect of regular premiums that have been paid or single premiums that have been invested for at least five years at the early retirement date. The method used to determine the basic reserves, described in (4).(1), explicitly makes allowance for this provision, and no separate additional reserve is required.

Unitised with profits pensions policies invested in the Group With Profits Fund include a provision that no MVR will apply on discontinuance in certain specified circumstances, for example on early retirement or following leaving service. In consequence, the basic reserves for policies invested in this fund make no allowance for the application of MVR at any time, and no separate additional reserve is required in respect of the provision.

Certain Low Cost Homebuyers' Plans (LCHP) and Homebuyers' Investment Plans (HIP) effected since 1998 include a provision whereby a guaranteed amount may be payable on the maturity date. The guarantee may be selected ten years before the maturity date, and if selected the premium must be increased where necessary to a level advised by the Company at the time. Furthermore, for HIP invested in unit-linked funds, the plan must be switched to unitised with profits. In the case of LCHP, for all plans where the guarantee is in force, the guaranteed amount in respect of this provision does not exceed the normal guaranteed amount at maturity, taking into account the Guaranteed Interest Rate. The basic reserves are therefore sufficient to cover the value of the guarantee. In the case of plans that are more than ten years from the maturity date, including HIP currently invested in unit-linked funds, the terms on which the increase in premium is determined if the guarantee is selected are currently, and it is intended will remain, such as to ensure that no additional reserve will be necessary at the time the guarantee comes into force, taking into account the explicit allowance in the basic reserve for the Guaranteed Interest Rate for LCHP and the provision that no MVR will apply at maturity date. It is therefore considered that the basic reserve is sufficient to cover the value of the prospective guarantee for such plans.

- (b) All guaranteed surrender values affecting groups of policies where the basic reserve exceeds £10m have been explicitly valued within the calculation of the basic reserve, as described above.

(3) Guaranteed insurability options

- (a) 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. No additional reserve is deemed necessary for such options for the following reasons:

- the conditions for the exercise of each option are limited to specified circumstances, which might normally imply good health
- mortality charges include a prudent margin which would cover a worsening of experience
- policy conditions permit future amendments to mortality charges based on experience

- (b) There are no conversion or renewal options where the total sum assured exceeds £1bn.

(4) Other guarantees and options

Certain with profits Flexible T-Plans and Multipensions include a provision that the annuity secured on retirement at State Pensionable Age will not be less than the amount of Guaranteed Minimum Pension accrued in respect of contracting out of the State Earnings Related Pension Scheme.

These guarantees are generally significantly in the money, and additional reserves are determined for each policy equal to the excess of the value of the annuity over the basic reserve. The assumed mortality basis in payment for males is based on 92.0% of PCMA00 with CMI 2011[2%] improvements. The assumed mortality basis in payment for females is based on 87.4% of PCFA00 with CMI 2011[2%] improvements. For practical reasons an equivalent one-dimensional table is used. Interest in payment is 2.15% p.a. The assumed take-up rate for the guarantee is 100%. The basis during deferment is the normal basis for unitised with profits pensions policies.

Basic with profits reserve for policies with the guarantee: £12m
 Additional reserve in respect of the guarantee: £9m

6. Expense reserves

(1) Expense loadings

The aggregate amount, grossed up for tax where appropriate, arising during the twelve months after the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £170.1m, after allowing for expenses recovered through the internal reinsurance arrangements. The amounts arising from each of the implicit allowances, explicit allowances for investment expenses, explicit allowances for other maintenance expenses and the non-attributable expenses are shown in the table below:

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Unit-linked business	49.6	-	44.2	23.8	117.6
UWP business	13.0	-	8.2	4.4	25.6
All expenses attributable	5.5	-	21.4	n/a	26.9
Total	68.1	-	73.8	28.2	170.1

Renewal commission is not included in these amounts.

(2) Implicit expense allowances

The implicit allowances shown in 6.(1) above are in respect of investment expenses 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 £23.2m, 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.

During 2011, the costs (£78.4m) incurred on certain projects were recharged to the Company. However, due to the discretionary nature of the projects being recharged to FLC, no allowance is made in the reserves for future project costs, other than in respect of Solvency II implementation costs.

After allowing for initial transaction costs on assets and project costs, the amount of maintenance expenses (£151.8m) included in line 14 of Form 43 is lower than the expense loadings (£170.1m) 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

The comparison in section 6.(3) above indicates that FLC does not have a maintenance expense overrun at 31 December 2011.

It is assumed that the same level of per policy expenses would apply following closure to new business and no additional expense reserve is deemed necessary for such an event. No redundancy costs have been allowed for, as these would be met by FLS. The costs of terminating the management services agreement with FLS have not been allowed for as it is assumed that the agreement will continue in force.

(6) Non-attributable expenses

The expenses associated with a project to outsource the policy administration of traditional business have been treated as non-attributable expenses within the valuation. The total costs associated with the project have been split across the main policy types in scope, weighted by the volume of business within each group. The following reserves have been set up:

Homogeneous Risk Group	Reserves (£m)
Life Annuities	0.1
Long Term Care Plans	1.1
Immediate Care Plans	0.2

The expenses associated with the project to implement Solvency II have been treated as non-attributable expenses within the valuation and an additional expense reserve of £4.0m has been set up in the With Profits Fund and £15.0m in the Non Profit Fund to provide for the expected future costs of completing the project.

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

All other expenses have been treated as attributable.

7. Mismatching reserves

(1) Analysis of reserves by currency

The mathematical reserves in respect of liabilities denominated in sterling (other than liabilities for property linked benefits) amount to £6,526m. An analysis by currency of the matching assets is set out in the following table.

Currency of asset	Value of assets £m
Sterling	4,647
Euro	567
U.S. Dollar	667
Japanese Yen	189
Other	456
Total	6,526

(2) Other currency exposures

The mathematical reserves in respect of liabilities denominated in currencies other than sterling amount to £40m. The proportion of these liabilities that is matched by assets in the same currency as the liability is 73%.

(3) Currency mismatching reserve

No reserve is deemed necessary in respect of currency mismatching. The backing of liabilities by assets in a different currency relates to the exposure of with profits contracts to investments in a range of currencies.

(4) Most onerous scenario under INSPRU 3.1.16R

INSPRU 3.1.16R does not apply to the Company. See 7.(6).

(5) Most onerous scenarios under INSPRU 3.1.23R

INSPRU 3.1.23R does not apply to the Company. See 7.(6).

(6) Amount of resilience capital requirement

The Company is not required to determine a resilience capital requirement, as it is not a regulatory basis only life firm.

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

Based on an analysis of expected cash inflows from assets held and future regular premiums and expected cash outflows from insurance liabilities as they fall due, it is believed that the assets held to cover the technical provisions and other long-term insurance liabilities are of a sufficient amount, and of an appropriate currency and term, to ensure that the cash inflows will meet the expected cash outflows without requiring any additional reserve.

8. Other special reserves

The following special reserves exceed £10m:

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 £131.6m. These are included within the reserves for the relevant classes of with profits business on Forms 51 and 52.

The reserves are equal to the balance of the 'RBM 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.

Tax Equalisation Provision

For unit linked life contracts effected on or after 1 January 1977, the prospective liability for tax on unrealised capital gains is allowed for in the unit pricing. However a Tax Equalisation Provision of £20.0m is held to meet future liability to tax which may arise on account of timing differences in the payment of tax on disposal of investments.

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 December 2011, a provision of £21.8m was held in respect of FLC external reinsurance arrangements.

Misallocation of Additional Voluntary Contributions

FLC has invested some AVCs in the Managed Fund but this was not in line with the policyholder's main policy investments. The difference between (i) the value of the units had the AVCs been invested in line with the policyholder's main policy investments and (ii) the value of the units in the Managed Fund is held as an additional reserve to ensure the policyholder receives the correct policy fund value at retirement. At 31 December 2011, the additional reserve held was £17m.

Diligenta

During 2011, Friends Life Services Limited entered into an outsourcing arrangement with an external partner, Diligenta. The impact on FLC will be some additional short term costs which will be offset by long term contractual expense savings resulting from the Diligenta deal. For reserving purposes, the net additional expenses provision at 31 December 2011 was £30m.

The Diligenta outsourcing has also resulted in an increase to the proportion of expenses on unit-linked business which are deemed to be attributable; this is allowed for in the figures in section 4.(6).

9. Reinsurance

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

During 2011 no reinsurance business was ceded on a facultative basis to reinsurers not authorised to carry on insurance business in the UK.

(2) Reinsurance treaties

Details of reinsurance treaties under which the Company is the cedant and either the premiums payable to the reinsurer during 2011 or the reduction in mathematical reserves in respect of the reinsurance exceed £10m are contained in the following table.

Reinsurer	Nature and extent of cover	Premiums payable during 2011 £m	Whether treaty closed to new business	Reduction in mathematical reserves £m
Swiss Re Life & Health Ltd	<p>A single treaty covering:</p> <p><u>Regular Premium Individual Lifetime Care Plans</u></p> <p>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.</p> <p><u>Individual Permanent Health Insurance</u></p> <p>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..</p> <p><u>Individual Level Term Assurance and Individual Critical Illness</u></p> <p>Death and/or Critical illness risks on an original terms surplus basis in excess of the Company's retention of £15,000.</p>	4.3	Yes	70
Swiss Re Europe S.A. UK Branch	Unitised Income Protection 25% quota share written from 1 st July 1989 plus the excess over the Company's retention of £30,000pa on a facultative basis	1.4	Yes	23
Kolnische Ruckversicherungs-Gesellschaft AG	Single Premium Individual Lifetime Care Plans Benefits on an original terms quota share basis for plans written after 1st September 1994 and prior to 1st July 1997, and a risk premium quota share basis for plans written on or after 1st July 1997 and prior to 16th August 2004. The cover is 50% of each benefit up to £60,000 p.a., 100% of the excess over £60,000 p.a.. The cover for original terms policies following a policy review has changed to 50% of the benefit covered by the original premium.	1.5	Yes	45
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.	8.6	Yes	78
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.	10.0	Yes	24

Reinsurer	Nature and extent of cover	Premiums payable during 2011 £m	Whether treaty closed to new business	Reduction in mathematical reserves £m
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.	6.6	Yes	56
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.	4.7	Yes	12
Pacific Life	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.	4.7	Yes	12
FAL (2007 reinsurance)	Reinsurance of the non-profit pensions annuities in payment business directly written in FLC.	81	No	1,803
FAL (2009 reinsurance)	Reinsurance of the non-profit pensions annuities in payment business reinsured to FLC from FLAS.	0	Yes	2,048
Unit Reinsurance	Linked benefits where the member has chosen to invest in the funds of the below companies on a 100% quota share basis: Winterthur Life UK Baillie Gifford Life Blackrock Pensions Management	185.0 0.1 1.5	No	562 37 22

In respect of the above treaties:

- No amounts have been deposited under any deposit back arrangements.
- There are no undischarged obligations of the Company other than outstanding reinsurance premiums.

With the exceptions of Kolnische Ruckversicherungs-Gesellschaft AG and RGA Reinsurance Company (Barbados) Ltd, the above companies are authorised to carry out insurance business in the UK.

With the exceptions of FAL and Winterthur Life UK, the reinsurers are not connected with the Company.

The Company has credit risk exposure to each of the above reinsurers. The exposure does not exceed internal exposure limits, taking account of the rating of each reinsurer. A separate reserve is held in respect of the possibility of default of external reinsurance counterparties.

There are no legal disputes at the present time in connection with the Company's reinsurance treaties, and it is not believed that these treaties present any material legal risk or other risks.

No provision is made for the liability of the Company to refund any amounts of reinsurance commission in the event of lapse or surrender of contracts, as in each case the amount of such refund is less than the amount of premium refundable, if any, by the reinsurer.

Historically FLAS has provided new business financing in respect of regular premium business reassured to the Company. The outstanding amount of the Company's undischarged obligation at the valuation date was £44.1m. This is repayable monthly out of surplus arising on the business being financed. It should be noted that this financing is provided by a company within the Group, and the disclosures in this section and in Form 3 lines 91-95 should be viewed with this in mind.

This undischarged obligation has not been taken into account in the valuation because it is repayable out of margins in the policies financed. No allowance has been made for contingencies associated with this arrangement for the purposes of the return.

10. Regular bonus

Name of Bonus Series	Mathematical Reserves £m	Bonus Rate for 2011	Bonus Rate for 2010	Guaranteed Rate for 2011 ⁶
Conventional With Profits				
Conventional Life Series 1 ¹	19	1.21%/0.00%	1.17%/0.00%	-
Conventional Life Series 2	74	1.00%	1.00%	-
Top Flight and Moneysaver	553	2.00%	2.00%	-
Conventional Life IBM Series	14	1.25%	1.25%	-
Conventional Pensions	234	0.00%	0.00%	-
Unitised With Profits²				
Investment Bond and Flexible Bond	1031	2.75%	2.75%	-
With Profits Income Bond	10	3.25%	3.25%	-
Individual Savings Account ³	11	3.50% ⁷	3.50%	-
Low-Cost Homebuyers' Plan	495	0.00%	0.00%	3.00%
Multivestor	14	0.50%	0.50%	1.75%
Multiplan	17	3.25%	3.25%	-
Multipension Series 2	1132	0.00%	0.00%	4.00%
Multipension Series 3	289	1.50%	1.50%	-
Flexible Pensions:				
Group WP fund	13	3.50% ⁷	3.50%	-
with GMP guarantee	21	1.75%	1.75%	-
Other ⁴	83	2.25%	2.25%	-
Other Trustee Plans	15	3.00%	3.00%	-
Pensions 1997 series ⁵	101	2.00%	2.00%	-
Pensions 1999 series	38	2.00%	2.00%	-
Pensions 2000 & 2002 series ³	73	3.00%	3.00%	-
Retirement Investment and Income Plan	15	3.50%	3.50%	-
Retirement Savings Schemes	328	0.50%	1.50%	-
Amulet (other than Investment Plan)	12	3.50%	3.50%	-
AXA Isle of Man Bonds:				
Series 3 (Sterling)	90	3.00%	3.00%	-
Series 3 (Euro)	19	2.50%	2.50%	-
Series 3 (Dollar)	17	4.00%	4.00%	-

Notes:

- ¹ For Conventional Life Series 1, the rate of bonus is a percentage of sum assured dependent on the age of the policyholder at outset. The rates stated above are weighted averages. The second rate stated is the rate of bonus on attaching bonus.
- 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 The bonus rates for Individual Savings Account, Pensions 2000 and 2002 Series and Amulet (other than Investment Plan) are before deduction of management charges.
- ⁴ The rates stated above are for accumulation units. The corresponding rates for capital units were 0.00% for both 2011 and 2010.
- ⁵ 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.
- ⁶ The guaranteed bonus rate is in addition to the base bonus rate declared.
 - ⁷ For Individual Savings Accounts and Pensions in the Group WPF, an Additional Regular Bonus (ARB) of 3% applies in 2011. This is in addition to the above bonus rates of 3.00% and 3.50% respectively.

NAME OF INSURER: FRIENDS LIFE COMPANY LIMITED

IPRU(INS) RULE 9.31(b) - APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The actuarial investigation relates to a valuation date of 31 December 2011.
- (2) The valuation date of the previous valuation was 31 December 2010.
- (3) An interim valuation was carried out on 30 June 2011.

2. Assets

- (1) The economic assumptions used in calculating the future profits on non-profit business are as follows:

This financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve. For fixed interest assets matching annuities in payment, a +70 basis points liquidity premium has been added to the risk-free rate
Expense inflation	Price inflation +1% p.a., where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate calibrated to the gilt yield curve + 150 basis points p.a. additional risk adjustment to reflect risk and uncertainty + (for annuity business only) 70 basis points p.a. liquidity premium. For release of long-term insurance capital component: risk-free rate calibrated to the gilt yield curve + (for annuity business only) 70 basis points p.a. liquidity premium.

Preceding financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve. For fixed interest assets matching annuities in payment, a +55 basis points liquidity premium has been added to the risk-free rate
Expense inflation	Price inflation +1% p.a., where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate + 150 basis points p.a. + 55 basis points for annuities in payment. For release of long-term insurance capital component: risk-free rate + 55 basis points p.a. for annuities in payment

Note: 1 basis point = 0.01%

- (2) No amounts have been included in the realistic value of assets under INSPRU 1.3.33R(2).
- (3) No business is written outside the With Profits fund
- (4) A single set of economic assumptions has been used in valuing the non-profit contracts
- (5) Not applicable

3. With Profits Benefits Reserve Liabilities

- (1) The table below shows the With Profits Benefits Reserve and the future policy related liabilities for each group of contracts with materially different guarantees and options.

	NWPF		OWPF	
	With Profits Benefit Reserve (£m)	Future policy related liabilities (£m)	With Profits Benefit Reserve (£m)	Future policy related liabilities (£m)
Retrospective method (asset share)				
UWP Bonds (no MVR-free date)	858	273	160	39
UWP Regular Premium Life	452	199	94	38
UWP Pensions (no minimum bonuses or GARs)	556	164	156	43
UWP Pensions with minimum bonuses but no GARs	367	160	152	66
UWP Pensions with minimum bonuses and GARs	218	276	65	79
Conventional Life	615	276	197	85
Conventional Pensions	46	108	15	40
ISA	8	2	1	0
Other	0	0	0	0
Prospective method (regulatory reserve)				
Retirement Savings Scheme	323	0	23	0
Other	7	0	0	0
Total	3,450	1,456	865	390

- (2) The total amounts of the With Profit Benefits Reserve in the table above correspond to the amounts shown in Form 19, Line 31. The future policy related liabilities in the table above reconcile to Form 19, Line 49 as shown below. For details of the reconciling items, refer to Sections 8 and 11 of this Report.

£m	NWPF	OWPF
Future Policy Related Liabilities, from above table	1,456	390
Reorganisation Bonus	115	17
Tax and expense on assets in excess of asset share and other provisions.	63	14
Future Policy Related Liabilities, Form 19, Line 49	1,634	421

4. With Profits Benefits Reserve – Retrospective method

- (1) In all cases where a retrospective method (i.e. asset share) is used, this is calculated on a policy by policy basis
- (2) No significant changes have been made to the valuation method since the previous valuation.
- (3) The basis of allocating expenses to the With Profits funds in the valuation is given below.

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 FLC 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 2011 are shown below.

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.

Some expenses met directly by the fund, such as regulatory fees, are charged to asset shares. These are apportioned between individual policies using a method that is believed to be equitable.

Also shown below are the expenses that have been charged to the With Profits fund during 2011, 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).

The table below shows the expenses incurred by the fund in 2011:

£m	NWPF	OWPF
Initial fees chargeable to asset shares	0.6	0.1
Maintenance fees chargeable to asset shares	9.8	2.0
Investment fees chargeable to asset shares	6.8	1.3
Other expenses chargeable to asset shares	0.1	0.0
Expenses on non-profit contracts	2.5	0.4
Other expenses not chargeable to asset shares	3.5	0.7

- (4) During 2011, no significant charges for guarantees or cost of capital have been made to asset shares. As indicated in the PPFM, this practice is reviewed periodically and is subject to change.
- (5) No charges have been deducted from the funds for non-insurance risk.
- (6) The ratio of claims paid to underlying asset shares for with profits insurance contracts over the three year period are:

Year	Average Payout ratio
2011	117%
2010	113%
2009	125%

- (7) For the full year 2011, the investment return before tax and expenses for both New and Old With Profits Funds was -0.07%

For most UWP policies, the gross return applied to asset shares was -1.87%. For such policies approaching the end of their policy term, a different rate was applied. This varied from -1.87% to 6.70% depending on product type and unexpired term. The return applied to conventional with profits business was 0.27%.

Further details of how returns are applied to asset shares are given in the PPFM.

5. With Profits Benefits Reserve – Prospective method

For Retirement Savings Scheme a prospective method is used rather than asset share, with the with profits benefit reserve calculated deterministically using realistic assumptions including an allowance for future bonuses. The approach assumes a risk-free investment return and discount rate consistent with table 6 (4) (a) (iii), no annual bonuses and additional interest other than the guaranteed return, expense inflation at the regulatory assumption of 4.25% p.a., an expense of £134.56 p.a. per person, per policy charges of £31 p.a. per person (£41 if premiums ceased) and no future lapses. It is assumed that the with profits benefits reserve determined in this way is sufficient to cover any cost of guarantees and smoothing on this contract.

For other classes where a prospective method is used rather than asset shares, the with profits benefit reserve is set equal to the regulatory reserve.

6. Costs of guarantees, options and smoothing

- (1) Not applicable.
- (2) For all products where the valuation of guarantees, options and smoothing is carried out using a full stochastic model, grouped data is used. Contracts are grouped according to their major product features, term gone and term to go, policyholder age and the extent to which guarantees are in or out of the money.

	Policies	Experience Model Points
NWPF	382,529	1626
OWPF	77,074	572

The results from the stochastic model using grouped data are validated against the results from a closed-form model using individual data. An approximate upward adjustment has been made to the cost of guarantees and smoothing to allow for the estimated grouping error.

No significant changes have been made to the liability projection model used.

- (4) (a) (i) The liabilities being valued using a full stochastic approach are:
 - The guarantee that no market value reduction will be applied on maturity or on death. The extent to which these options are in the money at the valuation date depends on the ratio of guaranteed benefits to asset share for each policy at that date, and varies both across and within lines of business. On average, the ratio of the present value of guaranteed benefits to asset share is around 90% for policies with around 5 years and less to maturity, increasing to 100% for policies with around 10 years to maturity, and reducing to 90% again for policies with around 20 years and more to go.
 - The guarantee that no market value reduction will be applied on regular income withdrawals that are within the limits defined in the contract terms.
 - Guaranteed annuity rates (GARs), which offer an annuity calculated on guaranteed terms on normal and early retirement. These options are currently in the money.
 - The cost of smoothing. This reflects a combination of short-term and long-term effects: in the short term the difference between payouts and the sustainable level (glidepath); and in the long term the under or overpayment of asset share.

Within the stochastic model the liabilities are valued in the following order: asset share; costs of contractual guarantees; planned enhancements; costs of smoothing. So, for instance, if guarantees bite on a claim, the excess of the claim over the asset share is attributed to costs of contractual guarantees. As smoothing is calculated last there is a partial offset between the cost of guarantees and cost of smoothing.

- (ii) The nominal interest rate model used (Libor Market Model) 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 and property returns are based on short term rates from the interest rate model with an additional log-normal component with a mean of zero. Equity volatilities are calibrated to a term structure of FTSE option-implied volatilities. The model is arbitrage-free.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2011. 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. The volatility for fixed interest investments is the overall figure for the assumed portfolio mix of government and corporate bonds.

Volatility over period (years)	Equity	Property	Fixed interest
5	28%	15%	8%
10	28%	15%	7%
20	30%	16%	7%

The correlations assumed between the main assets classes are:

Correlation between:	
Equities and medium term fixed interest assets	44%
Equities and property	36%
Medium term fixed interest assets and property	27%

- (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		0.75			
n	Duration (n)	5	15	25	35
r	Annualised compound equivalent of the risk-free rate assumed for the period (r)	1.03%	2.74%	3.29%	3.36%
1	Risk-Free Zero Coupon Bond	£950,194	£666,258	£444,883	£314,358
2	FTSE All Share Index (p=1)	£102,912	£254,571	£362,862	£450,194
3	FTSE All Share Index (p=0.8)	£99,675	£219,426	£285,925	£332,938
4	Property (p=1)	£29,204	£102,804	£177,266	£245,362
5	Property (p=0.8)	£27,421	£79,516	£120,960	£156,507
6	15yr Risk-Free ZCBs (p=1)	£13,048	£7,857	£4,014	£33,031
7	15yr Risk-Free ZCBs (p=0.8)	£12,170	£4,815	£932	£5,953
8	15yr Corporate Bonds (p=1)	£20,365	£24,638	£34,612	£64,013
9	15yr Corporate Bonds (p=0.8)	£19,125	£15,719	£14,273	£23,664
10	Portfolio 1 (p=1)	£57,667	£170,588	£262,872	£342,541
11	Portfolio 1 (p=0.8)	£55,170	£141,462	£196,441	£240,128
12	Portfolio 2 (p=1)	£45,374	£139,972	£222,983	£297,139
13	Portfolio 2 (p=0.8)	£43,208	£113,219	£161,378	£199,796
14	Portfolio 3 (p=1)	£21,508	£76,940	£138,311	£201,700
15	Portfolio 3 (p=0.8)	£20,001	£56,644	£88,949	£120,002
	Sterling Receiver Swaptions	L = 15			
16		17.78%	12.16%	10.63%	8.44%

K		1.00			
n	Duration (n)	5	15	25	35
r	Annualised compound equivalent of the risk-free rate assumed for the period (r)	x	x	x	x
1	Risk-Free Zero Coupon Bond	x	x	£x	x
2	FTSE All Share Index (p=1)	£237,088	£422,846	£548,930	£650,970
3	FTSE All Share Index (p=0.8)	£230,721	£368,787	£436,932	£486,168
4	Property (p=1)	£131,236	£235,605	£329,109	£412,377
5	Property (p=0.8)	£125,532	£189,035	£235,579	£274,066
6	15yr Risk-Free ZCBs (p=1)	£83,210	£53,991	£72,230	£151,369
7	15yr Risk-Free ZCBs (p=0.8)	£78,431	£30,170	£15,794	£48,052
8	15yr Corporate Bonds (p=1)	£101,618	£110,027	£128,947	£183,910
9	15yr Corporate Bonds (p=0.8)	£96,608	£74,801	£64,637	£80,936
10	Portfolio 1 (p=1)	£175,466	£320,586	£431,137	£524,434
11	Portfolio 1 (p=0.8)	£169,445	£270,492	£329,051	£374,456
12	Portfolio 2 (p=1)	£157,713	£283,405	£383,470	£473,691
13	Portfolio 2 (p=0.8)	£151,723	£234,304	£284,806	£328,100
14	Portfolio 3 (p=1)	£115,794	£201,433	£280,620	£361,150
15	Portfolio 3 (p=0.8)	£110,159	£156,917	£191,681	£228,877
	Sterling Receiver Swaptions	L = 20			
16		21.15%	15.60%	13.40%	10.33%

	<i>K</i>	1.50			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
<i>r</i>	<i>Annualised compound equivalent of the risk-free rate assumed for the period (r)</i>	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	£615,628	£806,555	£954,233	£1,075,214
3	<i>FTSE All Share Index (p=0.8)</i>	£602,894	£712,933	£771,010	£812,623
4	<i>Property (p=1)</i>	£522,118	£610,437	£704,231	£805,775
5	<i>Property (p=0.8)</i>	£508,088	£515,559	£528,202	£557,317
6	<i>15yr Risk-Free ZCBs (p=1)</i>	£497,903	£501,594	£503,489	£548,182
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	£482,783	£385,889	£291,080	£287,740
8	<i>15yr Corporate Bonds (p=1)</i>	£498,870	£500,220	£511,873	£564,332
9	<i>15yr Corporate Bonds (p=0.8)</i>	£484,385	£391,405	£317,423	£314,995
10	<i>Portfolio 1 (p=1)</i>	£558,303	£695,550	£817,013	£928,686
11	<i>Portfolio 1 (p=0.8)</i>	£545,019	£602,643	£639,490	£676,046
12	<i>Portfolio 2 (p=1)</i>	£546,711	£656,980	£764,931	£869,604
13	<i>Portfolio 2 (p=0.8)</i>	£533,156	£563,516	£588,530	£622,148
14	<i>Portfolio 3 (p=1)</i>	£517,668	£577,403	£653,074	£742,858
15	<i>Portfolio 3 (p=0.8)</i>	£503,425	£480,658	£477,413	£500,743
	<i>Sterling Receiver Swaptions</i>	L=25			
16		24.39%	18.70%	15.73%	11.75%

- (iv) The initial UK equity yield assumed is 3.59%.
The Initial UK property yield assumed is 4.30%
- (iii) No asset classes outside the UK are modelled separately.
- (iv) The average outstanding term of with profits liabilities in the New With Profits Fund is approximately 6 years. The average outstanding term of with profits liabilities in the Old With Profits Fund is approximately 8 years. A breakdown for selected product types is shown in the table below.

Outstanding term (yrs)	NWPF	OWPF
Bonds	7	6
Conventional Pensions	4	4
Conventional Life	4	4
UWP Life	4	7
UWP Pensions	9	10

Term is the outstanding term of the contract weighted by the asset share.

The outstanding duration of with profits guarantees is fairly evenly spread over the term of the liabilities, though the cost of guarantees is greater at shorter durations. The outstanding duration of GAR guarantees is also shorter but still evenly spread.

The model was calibrated to a moneyness of between 100% and 85%. The table below shows the extent of the fit of the modelled equity volatilities to market implied volatility.

Term (years)	Strike	Market Equity Volatility	Modelled Equity Volatility
1	95%	25.4%	27.0%
2	85%	28.6%	27.2%
3	85%	28.3%	27.3%
5	90%	27.4%	27.6%
10	100%	27.2%	28.2%
20	90%	29.5%	29.1%

- (vii) We have checked that the asset model reproduces the current asset values for the different types of assets modelled when the future income, gains and losses are projected and discounted to the valuation date.
- (viii) The valuation is based on 2,000 simulations of the asset model. Asset shares are accumulated and discounted back to the valuation date and the average across all simulations is compared against the starting value. Other policy related liabilities are similarly accumulated and discounted. Using results from the individual simulations, we analyse the running average as the number of simulations increases, applying statistical theory to demonstrate convergence.
- (b) None of the costs of guarantees, options and smoothing has been valued using the market costs of hedging.
- (c) None of the cost of guarantees, options and smoothing has been valued using a series of deterministic projections with attributed probabilities.
- (5) (a) The management actions assumed in the projection of assets and liabilities are derived from the PPFM, as set out below. The actions modelled below are consistent with the PPFM, although the PPFM does allow for larger movements in regular bonus rates and payouts when solvency is at risk.

Regular bonuses

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

Terminal bonuses

The model determines a scale of terminal bonus rates for maturing policies (surrendering policies for bonds). These are also used to derive rates for death and surrender. Terminal bonus rates are set for a cohort of similar policies in the same bonus series. For a given group of policies, the payout on an identical maturing policy is restricted to move by a 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 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 unitised with profits business, 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 a defined percentage (10% for bonds and trustee plans, and 15% for other pensions) of

the face value; 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

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

(b) Best estimates of the future proportions of assets backing the with profits benefit reserves and future bonus rates under specified scenarios are:

Return	Risk-Free Rate unadjusted			Risk-Free Rate reduced by 0.43% p.a.			Risk-Free Rate increased by 0.43% p.a.		
	Current	5	10	Current	5	10	Current	5	10
Years into projection									
Equity backing ratio	65%	65%	65%	65%	65%	65%	65%	65%	65%
Annual bonus rate Investment Bond	2.75%	0.00%	1.00%	2.75%	0.00%	0.00%	2.75%	0.25%	1.25%
Annual Bonus rate UWP Pension (effected 1999)	2.00%	0.50%	1.00%	2.00%	0.00%	0.50%	2.00%	1.00%	1.25%

Note: Equity backing ratio includes equities and property.

(6) The persistency assumptions used for the main classes of business are:

Product		Average lapse / surrender /paid-up rate for the policy years			
		1 - 5 % p.a.	6 - 10 % p.a.	11 - 15 % p.a.	16 - 20 % p.a.
CWP savings endowment	surrender	12.2	8.4	4.3	2.5
CWP target cash endowment	surrender	1	1	1	1
UWP savings endowment	surrender	7.6	8	9	8
UWP target cash endowment	surrender	12.4	12.8	8.8	6
UWP Bond	surrender	2.3	10	8.3	7.5
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	5	5	5.2	6
CWP pension regular premium	surrender	2.6	2	2	2
CWP pension single premium	surrender	2.6	2	2	2
UWP individual pension regular premium	PUP	6.5	6.5	5.0	8.0
UWP individual pension regular premium	surrender	4.0	4.0	5.0	7.5
UWP individual pension single premium	surrender	4.0	4.0	5.0	7.5

The take-up rates on GARs are assumed to vary with scenario. When the option is in the money, the take-up rate varies between 75% and 80%, depending on the relative values of the tax free cash alternative and the value of the annuity net of tax.

The mortality assumption in possession of any GAR is assumed to be 100% of PCMA00 (CMI 2011) for males, and 95% of PCFA00 for females. Improvement factors are based on CMI2011 tending to 1.25% pa over the long term. For practical reasons, an equivalent one-dimensional table is used.

(7) 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

There are no financing arrangements in place.

8. Other long-term insurance liabilities

Form 19 Line 47 includes the value of the future tax and investment expenses on the assets backing the Future Policy Related Liabilities in excess of asset share. It also includes the value of the future Reorganisation Bonus payable in accordance with the reorganisation scheme governing the company. Section 3(2) details the amounts of each.

9. Realistic current liabilities

In the OWPF, the realistic current liabilities are equal to the regulatory current liabilities plus an amount reflecting the tax liability on future shareholder transfers and on the shareholders' share of the Reorganisation Bonus.

In the NWPF the realistic current liabilities are equal to the regulatory current liabilities. An amount reflecting the tax liability on future shareholder transfers and on the shareholders' share of the Reorganisation Bonus is subtracted from the support asset shown on Form 19 Line 27 and is also included in Form 18 Line 65.

10. Risk Capital Margin

(a) The Risk Capital Margin is £155m for the NWPF and £32m for OWPF. This has been calculated assuming:

- (i) Equity values fall by 20% and property values fall by 12.5%. No separate assumption is made for non UK assets.
- (ii) Fixed interest yields are assumed to fall by the amounts shown in the table below. The percentage change in yields is 17.5%. No overseas fixed interest assets are treated as being invested in significant territories.

Currency	Long term yield (annualised)	Nominal fall in yields
Sterling	2.475%	0.43%

- (iii) In respect of credit risk, average changes in spread and consequent changes in asset value are as follows:

(a) The average (weighted by value) 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 (basis points)	Percentage change in asset values
With profits portfolio	101	-6.5%
Non-profit portfolio	109	-4.9%

- (b) Not applicable
- (c) Not applicable
- (d) Not applicable
- (e) Credit default swaps are held to adjust credit exposure on selected corporate bonds within the non-profit portfolio. The average (weighted by

notional) change in spread is 204bps, resulting in an increase in the value of these assets of 206%

No other asset values are adjusted in the credit risk scenario

- (iv) The overall percentage change in the realistic value of liabilities that results from applying the persistency risk scenario, assuming the market and credit risk stress scenarios have occurred is given in the table below.

	Percentage change in liabilities
NWPF	0.71%
OWPF	0.87%

- (v) Not applicable.

(b)

- (i) In the stress scenario that defines the Risk Capital Margin calculation, it is assumed that the Long Term Target Payout Ratio is reduced from 135% to 125%.

No other changes to management actions are assumed from the base calculation. 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 is £169m for NWPF and £42m for OWPF.

- (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 it is not assumed that such charges are taken.

- (c) To cover the Risk Capital Margin, £150m of support assets are held within the non-profit fund and shareholders fund for NWPF and £16m of assets are held within the shareholders fund for OWPF.

11. Tax

- (i) Tax on assets backing the With Profits Benefit Reserve (asset share) is charged to the asset share.
- (ii) 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

Derivatives held as at 31 December 2011 are as follows:

Sterling interest rate receiver swaps are held for the purposes of hedging interest rate risk. The swaps held have maturity dates between 2012 and 2049, a total notional of £415.5m, and a total market value of £102.9m.

Sterling interest rate payer swaps are held for the purposes of hedging interest rate risk. The swaps held have maturity dates between 2014 and 2016, a total notional of £16.6m, and a total market value of -£2.3m.

Sterling receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2012 to 2032, all have a tenor of 20 years and a strike rate of 5%. They have a total notional of £268.0m and a total market value of £67.4m.

Equity put options are held for the purpose of hedging equity risk. They are:

- Total return options on a basket of indices weighted as follows:

Index	Economy	Weighting
FTSE 100 Total Return	UK	71%
S&P 500 Total Return	US	13%
Dow Jones EUROSTOXX 50 Total Return	Europe	8%
TOPIX Total Return	Japan	8%

They are out of the money options with maturity dates ranging from 2012 to 2025, a total notional of £453.8m and a market value of £52.8m.

- OTC Equity Options on indices (S&P 500, DJ Eurostoxx50). They are out of the money options. There is a total notional of £156.9m for a market value of £3.1m.
- Listed Equity Options on FTSE100. They are out of the money options. There is a total notional of £456.5m for a market value of £4.7m.

Single name Credit default swaps are held to hedge against credit risk on identified bonds. There is £196.7m of notional bought protection. They are maturing between 2012 and 2019. The total market value is £8.7m.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Bought	Increase economic exposure to UK equities	16 Mar 2012	£5.0m
FTSE 100	Sold	Reduce economic exposure to UK equities	16 Mar 2012	£56.9m
DJ Eurostoxx50	Bought	Increase economic exposure to European equities	16 Mar 2012	£98.7m
UK 10yr Gilt	Sold	Duration management	28 Mar 2012	£328.4m
US 10yr Treasury	Bought	Duration management	21 Mar 2012	£100.2m

Cross currency swaps are held to hedge overseas currencies exposure. They have a total notional of £180.2m and a market value of -£42.4m.

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £787.4m exposure to Euro, USD and JPY back to Sterling.

13. Analysis of change in working capital

£m	NWPF	OWPF
Realistic working capital 31 December 2010	438	84
Opening Adjustments to valuation of WP liabilities	0	0
Model & Methodology Changes on valuation of WP liabilities	0	0
Return on Working Capital	2	1
Mismatch profits on assets backing future policyholder liabilities	-126	-32
Changes to persistency & mortality assumptions	25	10
Changes to economic assumptions	4	1
Changes to non-economic assumptions	-144	-37
New Business	0	-0
Profit from Non Profit Business in the With profits Fund	-23	-7
Changes in other liabilities of lines 47 and 51 of Form 19	0	0
Change in Support Arrangement Assets	-72	0
Other	-28	-4
Realistic working capital 31 December 2011	76	17

The change in Support Arrangement Assets is essentially the change in the Non-Profit Funds surplus, which is lendable to NWPF under the rules of the Reorganisation Scheme.

The main component of the changes to non-economic assumptions item is the increase in the level of uplift to asset share in the sustainable payouts assumed in the valuation.

Name of Insurer **Friends Life Company Limited**

IPRU(INS) RULE 9.29 - STATEMENT ON DERIVATIVE CONTRACTS

Financial year ended 31 December 2011

a) **Investment Guidelines**

The investment guidelines of Friends Life Company Limited allow for the use of derivative contracts for the purposes of efficient portfolio management, the generation of additional capital or income or the reduction of investment risk.

The guidelines restrict the investment in derivative contracts to specified exchange traded derivatives on a limited number of markets, plus the following non exchange traded derivatives: forward foreign exchange contracts, credit default swaps, interest rate swaps and inflation rate swaps.

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 on the extent to which derivatives may be used within a given portfolio. Derivatives must not be used to gear the portfolio.

The use of non exchange traded derivatives, with the exception of the derivative contracts noted above, is not permitted without the prior approval of the Group Finance Director or the Chief Investment Officer.

Approval has been given for the use of over the counter (OTC) derivatives to support particular unit linked, With Profits and Non Profits funds. As at the end of 2011, the value of the OTC derivatives held to cover such contracts was £nil (2010: £nil).

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

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

c) **Derivatives not likely to be exercised**

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

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

e) **There were no rights granted under derivative contracts, or instruments of similar nature, for which fixed consideration was received by the Insurer during the year.**

Name of Insurer **Friends Life Company Limited**

IPRU (INS) RULE 9.30 - STATEMENT OF CONTROLLERS OF FRIENDS LIFE COMPANY LIMITED

The following information is provided in respect of IPRU(INS) Rule 9.30 and SUP 16.4.

Until 18 March 2011

Controller	Shareholding/Voting Rights
Friends ASLH Limited (formerly AXA Sun Life Holdings plc) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 3479251	100% shareholding in Friends Life Company Limited (formerly AXA Sun Life plc)
Friends Life Group plc (formerly Friends Provident Holdings (UK) plc) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Friends ASLH Limited
Resolution Holdings (Guernsey) Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Provident Holdings (UK) plc
Resolution Holdco No.1 LP Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No:1118	100% shareholding in Resolution Holdings (Guernsey) Limited
Resolution Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 49558	99.9% shareholding in Resolution Holdco No. 1 LP which exercised 100% of the voting rights at any general meeting. No shareholder owns 10% or more of the shares or votes in Resolution Limited

Name of Insurer **Friends Life Company Limited**

IPRU (INS) RULE 9.30 - STATEMENT OF CONTROLLERS OF FRIENDS LIFE COMPANY LIMITED

From 18 March 2011 and as at 31 December 2011

Controller	Shareholding/Voting Rights
Friends Life Limited (formerly Friends Provident Life and Pensions Limited) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 4096141	100% shareholding in Friends Life Company Limited
Friends Life FPL Limited (formerly Friends Provident Limited) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 4113107	91.5% shareholding in Friends Life Limited (100% voting rights)
Friends Life FPG Limited (formerly Friends Provident Group Limited) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06861305	100% shareholding in Friends Life FPL Limited
Friends Life Group plc (formerly Friends Provident Holdings (UK) plc) Pixham End, Dorking, RH4 1QA Incorporated in England Registered No: 06986155	100% shareholding in Friends FPG Limited
Resolution Holdings (Guernsey) Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 50756	100% shareholding in Friends Provident Holdings (UK) plc
Resolution Holdco No.1 LP Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 1118	100% shareholding in Resolution Holdings (Guernsey) Limited
Resolution Limited Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL Incorporated in Guernsey Registered No: 49558	99.9% shareholding in Resolution Holdco No. 1 LP which exercised 100% of the voting rights at any general meeting. No shareholder owns 10% or more of the shares or votes in Resolution Limited

Name of Insurer **Friends Life Company Limited**

IPRU(INS) RULE 9.36 - STATEMENT OF INFORMATION ON THE ACTUARY APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION

Peter Jonathan Shelley performed the with-profits actuary function throughout the financial year. He was requested to furnish the insurer with particulars specified in Rule 9.36 of the Interim Prudential Sourcebook for Insurers and he has confirmed that the information below is correct.

1. Shares

Mr Shelley had no interest in the shares of the insurer or the insurer's group.

2. Remuneration

In respect of 2011 Mr Shelley received management remuneration and other benefits (other than pension contributions) to the value of £131,827. A bonus payment in respect of 2011 will be payable subject to confirmation by the remuneration committee in March 2012.

3. Pension contributions

Mr Shelley is a contributing member of the defined contribution Friends Pension Plan.

CERTIFICATE OF THE MONITORING BOARD OF FRIENDS LIFE COMPANY LIMITED**Financial Year ended 31 December 2011**

1 Overall Conclusion

- (a) The Monitoring Board, having been advised by the Monitoring Actuary, hereby certifies pursuant to paragraph 2(b) of Part VII of the Scheme (see note 1) that in 2011 ('the period'), the Old With Profits Fund (OWPF) of Friends Life Company (formerly AXA Sun Life Plc) (FLC) was managed in a manner that was consistent with the Scheme.

2 Detailed Conclusions

- (a) The Monitoring Board is satisfied that:

- (i) the operation and management of the sub-funds in the period, and
- (ii) the reassurance into the OWPF from the New With Profits Fund of FLC (NWPF) of new with profits business written by FLC during the period were performed in accordance with the Scheme.

- (b) The Monitoring Board has reviewed:

- (i) the investment policy of the OWPF during the period (the equity backing ratio having been above that of the median of the companies which FLC could reasonably determine as 'Peer Companies' as at the end of 2010, the latest available date for information)
- (ii) the bonus policy of FLC in respect of policies allocated to the OWPF during the period (during which bonus rates, including rates of Reorganisation Bonus, on policies allocated to the OWPF were identical to those on identical policies allocated to the NWPF),
- (iii) the volumes, mix and terms of new business which was written in or reassured in the OWPF during the period and which is planned to be written in or reassured in the OWPF during 2012, and
- (iv) the surrender terms applied in the period to policies allocated to the OWPF

and is satisfied that none of those items have been managed by FLC in a way prejudicial to the reasonable expectations of holders of 'Monitored Policies'.

3 Financial Support from the Non Profit Funds (NPF) of FLC

- (a) The need for financial support for the OWPF and for the NWPF was assessed by FLC at 1 January 2011 in accordance with paragraph 21.3 of the Scheme. No financial support was required by the OWPF or by the NWPF.
- (b) The solvency on both a regulatory and a realistic basis of the OWPF and of the NWPF were assessed by FLC throughout the period. No financial support was required by the OWPF or by the NWPF.

The Monitoring Board is satisfied that these assessments in paragraphs 3 (a) and 3 (b) were made by FLC in accordance with the provisions of the Scheme.

- (c) A further assessment of the need for financial support for the OWPF and for the NWPF in accordance with paragraph 21.3 of the Scheme is in the process of being made by FLC. The Monitoring Board will report further on this assessment in its certificate in respect of 2012.

4 Basis for the Certificate of the Monitoring Board

- (a) In preparing this certificate, the Monitoring Board has, as stated above, been advised by the Monitoring Actuary, and has had full access to documents and reports prepared by FLC and by its With Profits Actuary and Actuarial Function Holder.

Note 1: The 'Scheme' means the transfer of the long term business of Friends AELLAS Limited (formerly AXA Equity & Law Life Assurance Society Plc) to FLC and the subsequent financial reorganisation of the long term business of FLC as approved by the High Court and by the Royal Court of Jersey in December 2000. 'Peer Companies' and 'Monitored Policies' are as defined in the Scheme.

M Bolton
Member of the Monitoring Board

19 March 2012

Name of Insurer **Friends Life Company Limited**

IPRU(INS) 9.34 - DIRECTORS' CERTIFICATE

Financial year ended 31 December 2011

We certify that:

- (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) we are satisfied that:
 - (i) throughout the financial year in question, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the Company has continued to comply subsequently and will continue so to comply in future;
- (c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (other than liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3;
- (f) we have, in preparing the return, taken and paid due regard to:
 - (i) advice from the actuary appointed by the Company to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from the actuary appointed by the Company to perform the with-profits actuary function in accordance with SUP 4.3.16AR; and
- (g) in our opinion, the Company was managed in a manner that was consistent with the Scheme approved by the High Court in December 2000 to transfer the business of AXA Equity & Law Life Assurance Society plc to the Company.

Signed on behalf of Friends Life Company Limited

E. B . Bourke	Director
A. M. Parsons	Director
V. Hames	Secretary
on behalf of Friends Life Secretarial Services Limited	

20 March 2012

Name of Insurer **Friends Life Company Limited**

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Global business

Financial year ended 31 December 2011

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statement Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 (‘the statement’);
- the valuation reports required by IPRU(INS) rule 9.31 (‘the valuation reports’).

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36;
- the certificate required by IPRU(INS) rule 9.34(1); and
- the certificate of the monitoring board of Friends Life Company Limited.

This report is made solely to the insurer’s directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer’s directors those matters we are required by the Rules to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its 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 directions issued under section 148 of the Act referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or
- the Forms, the statements and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Name of Insurer **Friends Life Company Limited**

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS

Global business

Financial year ended 31 December 2011

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 20 March 2012. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP

Statutory Auditor

London

20 March 2012