

# **NATIONAL PROVIDENT LIFE LIMITED**

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

**31 December 2013**

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

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**Statement of solvency - long-term insurance business**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

Solo solvency calculation

	Company registration number	GL/UK/CM	day month year			Units	
	<b>R2</b>	<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
				<b>As at end of this financial year</b>		<b>As at end of the previous year</b>	
				<b>1</b>		<b>2</b>	

**Capital resources**

Capital resources arising within the long-term insurance fund	<b>11</b>	7533	100
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	251561	364063
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	259094	364163

**Guarantee fund**

Guarantee fund requirement	<b>21</b>	38889	44163
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	205236	314054

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	116667	132489
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	3146	2984
Individual minimum capital requirement	<b>34</b>	116667	132489
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	116667	132489
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	124760	202419
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	95594	169296

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>		
Enhanced capital requirement	<b>40</b>	116667	132489

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	116667	132489
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	142427	231674

**Contingent liabilities**

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units	
	<b>R3</b>	<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		10000	10000	10000
Profit and loss account and other reserves	<b>12</b>		289143	289143	337390
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>				
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		299143	299143	347390

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		299143	299143	347390
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		31799	31799	22706
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>		84250	84250	56021
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>		116049	116049	78727
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		183094	183094	268663

Components of capital resources

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units	
	<b>R3</b>	<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Tier two capital**

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

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>		76000	76000	95500
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>		76000	76000	95500

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		76000	76000	95500
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		76000	76000	95500

**Components of capital resources**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

Company registration number	GL/UK/CM	day month year			Units	
<b>R3</b>	<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		259094	259094	364163
Inadmissible assets other than intangibles and own shares	<b>73</b>				
Assets in excess of market risk and counterparty limits	<b>74</b>				
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		259094	259094	364163

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

Available capital resources for guarantee fund requirement	<b>81</b>		244125	244125	358217
Available capital resources for 50% MCR requirement	<b>82</b>		183094	183094	268663
Available capital resources for 75% MCR requirement	<b>83</b>		183094	183094	268663

**Financial engineering adjustments**

Implicit items	<b>91</b>				
Financial reinsurance - ceded	<b>92</b>				
Financial reinsurance - accepted	<b>93</b>				
Outstanding contingent loans	<b>94</b>				
Any other charges on future profits	<b>95</b>		42023	42023	38064
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>		42023	42023	38064

**Analysis of admissible assets**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3641947	GL	31	12	2013	£000	1
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>			
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	225667	287989	
Rights under derivative contracts	<b>44</b>	89	826	
Fixed interest securities	Approved	<b>45</b>	52628	56022
	Other	<b>46</b>		467
Variable interest securities	Approved	<b>47</b>	2627	258
	Other	<b>48</b>		
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>			
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>			
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>		
	Property linked	<b>59</b>		

**Analysis of admissible assets**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3641947	GL	31	12	2013	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	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	1538	46713
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	13	485
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	559	663
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	39	

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	283161	393422
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**Analysis of admissible assets**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3641947	GL	31	12	2013	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	283161	393422
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	129412	71912
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	412572	465334

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		46015
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**Analysis of admissible assets**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3641947	GL	31	12	2013	£000	10
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	
Land and buildings			<b>11</b>	71413	92167		

**Investments in group undertakings and participating interests**

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

**Other financial investments**

Equity shares	<b>41</b>	987	941	
Other shares and other variable yield participations	<b>42</b>			
Holdings in collective investment schemes	<b>43</b>	445161	414727	
Rights under derivative contracts	<b>44</b>	40961	65336	
Fixed interest securities	Approved	<b>45</b>	1770731	1947694
	Other	<b>46</b>	469579	528645
Variable interest securities	Approved	<b>47</b>	22760	4633
	Other	<b>48</b>	56267	108682
Participation in investment pools	<b>49</b>			
Loans secured by mortgages	<b>50</b>	59	62	
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>			
Loans secured by policies of insurance issued by the company	<b>52</b>	200	212	
Other loans	<b>53</b>			
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>		
	More than one month withdrawal	<b>55</b>		
Other financial investments	<b>56</b>			
Deposits with ceding undertakings	<b>57</b>			
Assets held to match linked liabilities	Index linked	<b>58</b>	718	1277
	Property linked	<b>59</b>	1968	1920

**Analysis of admissible assets**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3641947	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	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	17
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	31818
	due in more than 12 months	79	605

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	65512	115457
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	28009	28818
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	126	528

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	3006270	3311722
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**Analysis of admissible assets**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3641947	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	3006270	3311722
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	31799	22706
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1894543	2335620
Other asset adjustments (may be negative)	<b>101</b>	(130618)	(82968)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	<b>102</b>	4801995	5587079
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
Global business  
Financial year ended **31 December 2013**  
Total business/Sub fund **Long Term Insurance Business**  
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	2837140	3111664	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	7533	100	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	2844673	3111765	
Claims outstanding	Gross	<b>15</b>	11596	10564
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	11596	10564
Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>	1095	405
Deposits received from reinsurers	<b>23</b>			
Creditors	Direct insurance business	<b>31</b>	171	
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	6371	1597
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>	66006	70619	
Creditors	Taxation	<b>37</b>	2133	3158
	Other	<b>38</b>	70918	109389
Accruals and deferred income	<b>39</b>	3307	4225	
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	161597	199958	
Excess of the value of net admissible assets	<b>51</b>			
Total liabilities and margins	<b>59</b>	3006270	3311722	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	2857	2278
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1968	1920

Total liabilities (11+12+49)	<b>71</b>	2998737	3311622
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	1894543	2335620
Other adjustments to liabilities (may be negative)	<b>74</b>	(91286)	(60162)
Capital and reserves and fund for future appropriations	<b>75</b>		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	<b>76</b>	4801995	5587079

**Liabilities (other than long term insurance business)**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

Company registration number	GL/UK/CM	day	month	year	Units	
<b>R15</b>	<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>
					As at end of this financial year	As at end of the previous year
					<b>1</b>	<b>2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>		
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	27703	25480
Accruals and deferred income		<b>51</b>	3896	3879
Total (19 to 51)		<b>59</b>	31600	29360
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>	76000	95500
Total (59 to 63)		<b>69</b>	107600	124860

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>	76000	95500
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	5829	(6916)
Capital and reserves	<b>84</b>	299143	347390
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>	412572	465334

**Profit and loss account (non-technical account)**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2013**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	3641947	GL	31	12	2013
					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			528	(51679)
Investment income	Income		14			1607	7183
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17			5583	8151
	Value re-adjustments on investments		18			4500	1868
	Loss on the realisation of investments		19			1577	951
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			(15)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(9541)	(55467)
Tax on profit or loss on ordinary activities			31			(1540)	(45506)
Profit or loss on ordinary activities after tax (29-31)			39			(8001)	(9961)
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			(8001)	(9961)
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			(8001)	(9961)

**Analysis of derivative contracts**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R17</b>		<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>	<b>1</b>
<b>Derivative contracts</b>		Value as at the end of this financial year				Notional amount as at the end of this financial year		
		Assets <b>1</b>	Liabilities <b>2</b>	Bought / Long <b>3</b>	Sold / Short <b>4</b>			
Futures and contracts for differences	Fixed-interest securities	<b>11</b>						
	Interest rates	<b>12</b>						
	Inflation	<b>13</b>						
	Credit index / basket	<b>14</b>			1483	86525		
	Credit single name	<b>15</b>						
	Equity index	<b>16</b>						
	Equity stock	<b>17</b>						
	Land	<b>18</b>						
	Currencies	<b>19</b>		89		99	7591	6956
	Mortality	<b>20</b>						
	Other	<b>21</b>						
In the money options	Swaptions	<b>31</b>						
	Equity index calls	<b>32</b>						
	Equity stock calls	<b>33</b>						
	Equity index puts	<b>34</b>						
	Equity stock puts	<b>35</b>						
	Other	<b>36</b>						
Out of the money options	Swaptions	<b>41</b>						
	Equity index calls	<b>42</b>						
	Equity stock calls	<b>43</b>						
	Equity index puts	<b>44</b>						
	Equity stock puts	<b>45</b>						
	Other	<b>46</b>						
Total (11 to 46)		<b>51</b>		89		1583	94116	6956
Adjustment for variation margin		<b>52</b>						
Total (51 + 52)		<b>53</b>		89		1583		

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



## Analysis of derivative contracts

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>3641947</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2013</b>	<b>£000</b>	<b>10</b>
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4				
Futures and contracts for differences	Fixed-interest securities	11	867				40173		
	Interest rates	12	34894	65337		478830	573370		
	Inflation	13	5096				110257		
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	104	18		578	6393		
	Mortality	20							
	Other	21		1764			43000		
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	40961	67118		479408	773193		
Adjustment for variation margin		52							
Total (51 + 52)		53	40961	67118					

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

**With-profits insurance capital component for the fund**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**With-profits fund **Long Term Insurance Business**Financial year ended **31 December 2013**Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	3006270	3311722
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	130417	181462
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	2875854	3130260
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	2706723	2930202
	Regulatory current liabilities of the fund	<b>22</b>	161597	199958
	Total (21+22)	<b>29</b>	2868320	3130160
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	108407	117372
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	2976727	3247532
Regulatory excess capital (19-39)		<b>49</b>	(100874)	(117272)

**Realistic excess capital**

Realistic excess capital	<b>51</b>		(56733)
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	(100874)	(60539)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>	52000	65000
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>	55307	67346
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>		
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>		

**Realistic balance sheet**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

With-profits fund **Long Term Insurance Business**

Financial year ended **31 December 2013**

Units **£000**

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

Regulatory value of assets	<b>11</b>	2875854	3130260
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	73126	71704
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	2948980	3201964
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	2948980	3201964

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	1695400	1808485	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	(1673)	(1973)
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	93283	133274
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	919152	1113048
	Future costs of non-contractual commitments	<b>42</b>	1547	1954
	Future costs of financial options	<b>43</b>	4132	5837
	Future costs of smoothing (possibly negative)	<b>44</b>		
	Financing costs	<b>45</b>	125102	139053
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	135903	68332
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1094225	1196924
Realistic current liabilities of the fund	<b>51</b>	159355	196555	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	2948980	3201964	

**Realistic balance sheet**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 With-profits fund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	2948980	3258697
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	2948980	3258697
Risk capital margin for fund (62-59)	65		56733
Realistic excess capital for fund (26-(59+65))	66		(56733)
Realistic excess available capital for fund (29-(59+65))	67		(56733)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	142427	231675
Additional amount potentially available for inclusion in line 63	82		

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

Financial year 1	Previous year 2
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**Income**

Earned premiums	11	(39728)	(34861)
Investment income receivable before deduction of tax	12	82172	104918
Increase (decrease) in the value of non-linked assets brought into account	13	(167863)	(11754)
Increase (decrease) in the value of linked assets	14	(511)	(125)
Other income	15	19405	11919
<b>Total income</b>	<b>19</b>	<b>(106525)</b>	<b>70097</b>

**Expenditure**

Claims incurred	21	118322	140649
Expenses payable	22	27192	24076
Interest payable before the deduction of tax	23	9324	14929
Taxation	24	124	1389
Other expenditure	25		
Transfer to (from) non technical account	26	528	(51679)
<b>Total expenditure</b>	<b>29</b>	<b>155490</b>	<b>129365</b>

Business transfers - in	31	49545	44489
Business transfers - out	32	54622	44489
Increase (decrease) in fund in financial year (19-29+31-32)	39	(267092)	(59268)
Fund brought forward	49	3111765	3171033
Fund carried forward (39+49)	59	2844673	3111765

## Long-term insurance business : Analysis of premiums

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Regular premiums	11	443	16724		17166	19214
Single premiums	12	99	1072		1171	836

**Reinsurance - external**

Regular premiums	13	8			8	9
Single premiums	14		(770)		(770)	596045

**Reinsurance - intra-group**

Regular premiums	15	2	8732		8734	10045
Single premiums	16	154	49939		50093	(551188)

**Net of reinsurance**

Regular premiums	17	433	7992		8424	9160
Single premiums	18	(55)	(48097)		(48152)	(44021)

**Total**

Gross	19	542	17796		18337	20049
Reinsurance	20	165	57901		58066	54910
Net	21	377	(40106)		(39728)	(34861)

## Long-term insurance business : Analysis of claims

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Death or disability lump sums	11	10818	10330		21148	22638
Disability periodic payments	12	3			3	4
Surrender or partial surrender	13	21647	182438		204085	205944
Annuity payments	14	1515	50935		52450	65636
Lump sums on maturity	15	5144	22192		27336	49010
<b>Total</b>	<b>16</b>	<b>39128</b>	<b>265894</b>		<b>305022</b>	<b>343231</b>

**Reinsurance - external**

Death or disability lump sums	21	3			3	6
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		41852		41852	30790
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>3</b>	<b>41852</b>		<b>41855</b>	<b>30795</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	3217	4050		7267	6174
Disability periodic payments	32					
Surrender or partial surrender	33	5300	104597		109897	108029
Annuity payments	34	1315	9652		10967	34285
Lump sums on maturity	35	21	16693		16713	23299
<b>Total</b>	<b>36</b>	<b>9853</b>	<b>134992</b>		<b>144844</b>	<b>171786</b>

**Net of reinsurance**

Death or disability lump sums	41	7598	6280		13877	16458
Disability periodic payments	42	3			3	4
Surrender or partial surrender	43	16347	77841		94188	97915
Annuity payments	44	200	(569)		(370)	561
Lump sums on maturity	45	5124	5499		10623	25711
<b>Total</b>	<b>46</b>	<b>29272</b>	<b>89051</b>		<b>118322</b>	<b>140649</b>

## Long-term insurance business : Analysis of expenses

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Commission - acquisition	11				
Commission - other	12	91	278	370	321
Management - acquisition	13				
Management - maintenance	14	6635	20186	26822	23755
Management - other	15				
<b>Total</b>	<b>16</b>	<b>6727</b>	<b>20465</b>	<b>27192</b>	<b>24076</b>

**Reinsurance - external**

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

**Reinsurance - intra-group**

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

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42	91	278	370	321
Management - acquisition	43				
Management - maintenance	44	6635	20186	26822	23755
Management - other	45				
<b>Total</b>	<b>46</b>	<b>6727</b>	<b>20465</b>	<b>27192</b>	<b>24076</b>



## Long-term insurance business : Linked funds balance sheet

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business  
 Financial year ended **31 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

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

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
<b>Total net assets (14-15-16-17)</b>	<b>18</b>		

**Directly held linked assets**

Value of directly held linked assets	21	1968	1920
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**Total**

Value of directly held linked assets and units held (18+21)	31	1968	1920
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>1968</b>	<b>1920</b>

**Long-term insurance business : Summary of new business**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Total business

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

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

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

Regular premium business	11				
Single premium business	12				
<b>Total</b>	<b>13</b>				

**Amount of new regular premiums**

Direct insurance business	21				
External reinsurance	22				
Intra-group reinsurance	23				
<b>Total</b>	<b>24</b>				

**Amount of new single premiums**

Direct insurance business	25	99	1072		1171	836
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>99</b>	<b>1072</b>		<b>1171</b>	<b>836</b>

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

Name of insurer

**NATIONAL PROVIDENT LIFE LIMITED**

Total business

Financial year ended

**31 December 2013**

Units

**£000**

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				16
700	Life property linked single premium				83

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

Name of insurer

**NATIONAL PROVIDENT LIFE LIMITED**

Total business

Financial year ended

**31 December 2013**

Units

**£000**

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Individual pensions UWP - increments				208
540	Group money purchase pensions UWP - increments				809
730	Individual pensions property linked - increments				56

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Category of assets **Total long term insurance business assets**  
 Financial year ended **31 December 2013**  
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12	122343	122343	4823	3.05	
Other fixed interest securities	13	296	296	26	6.62	
Variable interest securities	14	3216	3216	35	2.28	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1875	1875	17	0.93	
<b>Total</b>	<b>19</b>	<b>127731</b>	<b>127731</b>	<b>4902</b>	<b>3.01</b>	

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

Land and buildings	21	71413	9676	176	1.82	5.18
Approved fixed interest securities	22	1667837	1641723	67804	3.05	(3.40)
Other fixed interest securities	23	477126	489124	22179	4.34	4.20
Variable interest securities	24	76395	62194	1685	3.44	4.20
UK listed equity shares	25	448	987			15.89
Non-UK listed equity shares	26					
Unlisted equity shares	27	540				
Other assets	28	582096	672149	3197	0.47	0.45
<b>Total</b>	<b>29</b>	<b>2875854</b>	<b>2875854</b>	<b>95041</b>	<b>2.67</b>	<b>(1.01)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					2.92
Return allocated to non taxable 'asset shares'	32					0.96
Return allocated to taxable 'asset shares'	33					0.38

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Category of assets **Total long term insurance business assets**  
 Financial year ended **31 December 2013**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	1183402	9.82	2.75	2.75
<b>Other approved fixed interest securities</b>	<b>21</b>	580665	11.20	3.64	3.54
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	106227	9.28	3.84	3.52
AA/Aa	<b>32</b>	58699	11.70	4.30	3.90
A/A	<b>33</b>	232227	11.04	4.40	3.74
BBB/Baa	<b>34</b>	91927	11.27	4.76	3.70
BB/Ba	<b>35</b>	340	4.50	6.62	5.68
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>				
<b>Total other fixed interest securities</b>	<b>39</b>	489420	10.78	4.34	3.70
<b>Approved variable interest securities</b>	<b>41</b>	24738	6.68	2.47	2.45
<b>Other variable interest securities</b>	<b>51</b>	40672	11.75	3.94	3.37
<b>Total (11+21+39+41+51)</b>	<b>61</b>	2318897	10.37	3.33	3.16

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

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

**Gross**

Form 51 - with-profits	11	18856	371908		390764	449809
Form 51 - non-profit	12	18103	192945		211048	783830
Form 52	13	171360	2156444		2327804	2489667
Form 53 - linked	14	77053	1671483		1748536	1646543
Form 53 - non-linked	15	809	46107		46917	56624
Form 54 - linked	16	462	2573		3035	17557
Form 54 - non-linked	17	20	162		182	619
<b>Total</b>	<b>18</b>	<b>286663</b>	<b>4441622</b>		<b>4728286</b>	<b>5444648</b>

**Reinsurance - external**

Form 51 - with-profits	21					
Form 51 - non-profit	22					569183
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					14445
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>					<b>583629</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32		128081		128081	90140
Form 52	33	11274	3969		15242	11909
Form 53 - linked	34	75085	1671483		1746568	1644623
Form 53 - non-linked	35	2	2151		2152	2865
Form 54 - linked	36	(20)	2337		2317	1835
Form 54 - non-linked	37	20	162		182	619
<b>Total</b>	<b>38</b>	<b>86360</b>	<b>1808183</b>		<b>1894543</b>	<b>1751991</b>

**Net of reinsurance**

Form 51 - with-profits	41	18856	371908		390764	449809
Form 51 - non-profit	42	18103	64863		82966	124506
Form 52	43	160086	2152476		2312561	2477758
Form 53 - linked	44	1968			1968	1920
Form 53 - non-linked	45	808	43956		44764	53759
Form 54 - linked	46	482	236		718	1277
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>200303</b>	<b>2633439</b>		<b>2833742</b>	<b>3109029</b>

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	787	13100	65				11762
120	Conventional endowment with-profits OB savings	707	6974	152				6362
165	Conventional deferred annuity with-profits	10	4					62
205	Miscellaneous conventional with-profits	2	30					3
210	Additional reserves with-profits OB							667
390	Deferred annuity non-profit	12	8					88
395	Annuity non-profit (PLA)	1261	1581					10651
435	Miscellaneous non-profit	2223	32534	180				7364



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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	6804	145565	300				371786
165	Conventional deferred annuity with-profits	14	8					121
205	Miscellaneous conventional with-profits		34					1
390	Deferred annuity non-profit	1659	4864					60103
400	Annuity non-profit (CPA)	10368	10325					130467
435	Miscellaneous non-profit	3502	108718	364				3234
440	Additional reserves non-profit OB							(859)

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)		10321					128081

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
500	Life UWP single premium	8963	172951		171521	126780	35368	162148
610	Additional reserves UWP						9211	9211



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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	101067	1798329	6310	1798329	1918255	26223	1944478
535	Group money purchase pensions UWP	6977	132206	1562	132206	135892	4472	140365
545	Individual deposit administration with-profits	319	3101		3101	3101	1918	5020
555	Group deposit administration with-profits	603	11350	82	11350	11350	5416	16766
570	Income drawdown UWP	23	3406		3406	2909	406	3315
605	Miscellaneous protection rider	1	1854	3			43	43
610	Additional reserves UWP						46459	46459

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP						2401	2401
535	Group money purchase pensions UWP						1568	1568
570	Income drawdown UWP						(0)	(0)

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium	4876	71528		70849	70849	768	71617
715	Life property linked endowment regular premium - savings	117	4242		4236	4236	36	4272
790	Miscellaneous protection rider			5			1	1
795	Miscellaneous property linked	64	1968	3	1968	1968	4	1972

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		71528		70849	70849	2	70850
715	Life property linked endowment regular premium - savings		4242		4236	4236		4236



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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	106861	1463771	7390	1463282	1463282	34430	1497712
735	Group money purchase pensions property linked	14166	195527	3027	195527	195527	10933	206460
750	Income drawdown property linked	176	11194		11194	11194	57	11251
790	Miscellaneous protection rider	117	10812	169			587	587
795	Miscellaneous property linked		1481		1481	1481	100	1581

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		1463771	6620	1463282	1463282	(816)	1462466
735	Group money purchase pensions property linked		195527	3027	195527	195527	2959	198486
750	Income drawdown property linked		11194		11194	11194	8	11202
795	Miscellaneous property linked		1481		1481	1481		1481

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
Total business / subfund **Long Term Insurance Business**  
Financial year ended **31 December 2013**  
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 (CPA)	22	81		462	462	20	482

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 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
905	Index linked annuity (CPA)				(20)	(20)	20	

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
905	Index linked annuity (CPA)	115	177		2422	2422	161	2583
910	Miscellaneous index linked	10	14		151	151	1	152

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)		177		2338	2338	161	2499
910	Miscellaneous index linked				(1)	(1)	1	

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 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 Life Non Profit	18911	2.80	3.50	3.74
UK Life With Profit	182339	2.56	3.20	3.55
UK Pension Non Profit	108820	3.50	3.50	3.74
UK Pension With Profit	2524384	3.20	3.20	3.55
<b>Total</b>	2834454			

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Total business / subfund **Long Term Insurance Business**  
 Financial year ended **31 December 2013**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	2844673	3111765
Bonus payments in anticipation of a surplus	12	974	784
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2845647	3112548
Mathematical reserves	21	2833742	3109029
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	11905	3520

**Composition of surplus**

Balance brought forward	31	100	49316
Transfer from non-technical account	32	(528)	51679
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	12332	(97475)
Total	39	11905	3520

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	974	784
Cash bonuses	42		
Reversionary bonuses	43	3397	2636
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	4371	3419
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	4371	3419
Surplus carried forward	49	7533	100
Total (48+49)	59	11905	3520

**Percentage of distributed surplus allocated to policyholders**

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



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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Original insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Date of maturity value / open market option **01 March 2014**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	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	19997	0	n/a	CWP	N	19997
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	36068	3630	0	UWP	N	36068
Regular premium pension	20	66690	0	0	UWP	N	66690
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	12013	0	0	UWP	N	12013
Single premium pension	20	24815	0	0	UWP	N	24815

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

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Original insurer **NATIONAL PROVIDENT LIFE LIMITED**  
 Date of surrender value **01 March 2014**

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

**Long-term insurance capital requirement**Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

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

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	1	1		0
Classes I (other), II and IX	13	0.15%	4	4	0.99	0
Classes I (other), II and IX	14	0.3%	167945	166191		499
Classes III, VII and VIII	15	0.3%	13014	11904	0.91	36
<b>Total</b>	<b>16</b>		<b>180963</b>	<b>178100</b>		<b>534</b>

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

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

**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	2932361	2786538	0.95	27865
Classes III, VII and VIII (investment risk)	33	1%	67510	47738	0.85	574
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				2339
Class IV (other)	36	1%	895	895	1.00	9
Class V	37	1%				
Class VI	38	1%				
<b>Total</b>	<b>39</b>					<b>30787</b>

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	2932361	2786538	0.95	83596
Classes III, VII and VIII (investment risk)	43	3%	67510	47738	0.85	1722
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%	1731028	1968		
Class IV (other)	46	3%	895	895	1.00	27
Class V	47	0%				
Class VI	48	3%				
<b>Total</b>	<b>49</b>		<b>4731794</b>	<b>2837140</b>		<b>85345</b>

<b>Long term insurance capital requirement</b>	<b>51</b>					<b>116667</b>
						<b>132489</b>

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

##### Global Business

Financial year ended 31 December 2013

### Appendix 9.1

#### \*0000\* Capital support provided to the Long-Term Fund

There is provision for the insurer's shareholder fund ("SHF") to provide financial assistance or support to the insurer's long-term fund. There are three different forms of shareholder support funds, the Capital Funds, the Earmarked portfolio ("EMP") and the Shareholder Equalisation Fund ("SEF").

The Capital Funds originate from the demutualisation scheme in 2000. Assets are held within a ring fenced fund within the long-term fund. There is moratorium on support charges until 31 December 2014 after which charges of 1.75% per annum are payable.

The EMP consists of two elements. Original earmarked assets and new earmarked assets are held within a ring fenced fund within the long-term fund. No support charges are payable on the original earmarked assets but investment return rolls up within the fund. Support charges of 4.75% and investment return earned by the ring fenced assets are payable on the new earmarked assets.

The SEF assets are held within a ring fenced fund within the long-term fund. No support charges are payable but investment return rolls up within the fund to be included with repayment to the SHF should repayment conditions be satisfied.

The market value of the assets provided in the support arrangements is as follows:

	2013	2012
	£000	£000
Capital funds	156,118	189,903
EMP	117,979	142,328
SEF	68,661	72,731
Total	<u>342,758</u>	<u>404,962</u>

Further details are disclosed in paragraph 7 of the "Abstract of Valuation Report For Realistic Valuation" in Appendix 9.4a.

#### \*0201\* Modification to the provisions of the Accounts and Statements Rules

The Financial Services Authority ("FSA"), on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in December 2012. 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 may be used for its assets taken in combination.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

##### Global Business

Financial year ended 31 December 2013

#### Appendix 9.1 (continued)

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

	2013	2012
	£000	£000
Total other than long-term insurance business assets - Form 13 line 89	283,161	393,422
Total long-term insurance business assets - Form 13 line 89	3,006,270	3,311,722
Less: Liabilities - Form 14 line 71	(2,998,737)	(3,311,622)
Less: Liabilities - Form 15 line 69	(107,600)	(124,860)
Net admissible assets	183,094	268,662
Other tier two liabilities	76,000	95,500
Rounding	-	1
Total capital resources after deductions – Form 3 line 79	259,094	364,163

##### \*0308\* Any other charges on future profits

In April 1998 the insurer entered into a securitised loan agreement which raised £260.0m (£140.0m of 7.39169% Class A1 Limited Recourse Bonds due 2012 and £120.0m of 7.5873% due 2022). The Class A1 bonds were repaid in full during 2012. The block of business securitised consists of a portfolio of unit-linked, unitised with-profit and capital account policies. Under the securitised loan agreement interest and principal payments are made out of surplus emerging (as defined in the agreement).

As at the end of the financial year, the undischarged liability is £98.3m (£260.0m less £155.0m capital repayment less a £6.7m impairment on the Class A2 Limited Recourse Bonds). Of this amount £42.0m is reported in Form 3 Line 95 (Any other charges on future profits), which represents a potential charge against future profits not recognised in Form 14.

Further details are disclosed in paragraph 8 of the "Abstract of Valuation Report" in Appendix 9.4 and Note 14 of the Report and Accounts.

##### \*0310\* Net valuation differences in Form 3

	2013	2012
	£000	£000
Securitised loan valuation difference	42,023	38,064
Liability valuation difference	(132,105)	(94,085)
Deferred tax	5,832	-
Net valuation difference	(84,250)	(56,021)

Returns under the Accounts and Statements Rules

Supplementary Notes

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2013

Appendix 9.1 (continued)

**\*0313\* Reconciliation of profit and loss and other reserves in Form 3**

	2013
	£000
Profit and loss account and other reserves - Form 3 line 12 column 3	289,143
Profit and loss account and other reserves - Form 3 line 12 column 4	337,390
Movement	<u>(48,247)</u>
Explained by:	
Loss retained for the financial year - Form 16 line 59	(8,001)
Accounting valuation difference between Peak 1 and IFRS	(1,040)
Deferred tax	(5,832)
Movement in EMP	27,719
Movement in SEF	24,436
Repayment of capital support	(1,000)
SHF transfer	472
Return of capital contribution	<u>(85,000)</u>
	<u>(48,247)</u>

The EMP and SEF refer to capital support held by the long-term fund, as detailed in note 0000.

The return of capital contribution consisted entirely of cash.

**\*1100\* Calculation of long-term insurance business capital requirement – premiums amount and brought forward amount**

Form 11, calculation of long-term insurance business capital requirement – premiums amount and brought forward amount, has not been included, as the insurer satisfies the de-minimis limit.

**\*1200\* Calculation of long-term insurance business capital requirement – claims amount and result**

Form 12, calculation of long-term insurance business capital requirement – claims amount and result, has not been included, as the insurer satisfies the de-minimis limit.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.1 (continued)

##### \*1301\* & \*1308\* Unlisted and listed investments

Included within Form 13 are the following amounts:

	Long-term	
	2013	2012
	£000	£000
Unlisted investments valued in accordance with the rules in GENPRU 1.3	627	22,985
Listed investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	11,785	15,484
Collective investment schemes, as specified in instruction 5 to Form 13	564	8,835
Total	<u>12,976</u>	<u>47,304</u>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 42, 46 or 48 (Other financial investments) of Form 13. Units or other beneficial interest in collective investment schemes, as specified in instruction 5 to Form 13, are reported within Form 13 line 43 (Holdings in collective investment schemes).

##### \*1304\* & \*1310\* Set off

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person, to the extent permitted by generally accepted accounting principles.

Interfund balances, which exist between the shareholder fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

##### \*1309\* Hybrid securities

The aggregate value of these investments falling within lines 46 or 48 of Form 13 Total long-term business insurance assets is £104.0m (2012: £141.3m).

##### \*1305\* & \*1319\* Counterparty limits

- The investment guidelines, operated by the insurer, limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the market and counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are for strategic investment opportunities where, in order to achieve a target asset mix or diversification, excess exposures may be permitted for a short duration. Where these excess exposures persist for the long-term, modifications may be sought.
- There were no breaches of these limits during the financial year.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.1 (continued)

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

Included in Form 13 line 101 (Other asset adjustments) for 2013, are the following amounts:

	Long-term	Other than long-term
	£000	£000
EMP	(104,979)	104,979
SEF	(24,436)	24,436
Reclassification of other debtors	(1,203)	(3)
	<u>(130,618)</u>	<u>129,412</u>

Included in Form 13 line 101 (Other asset adjustments) for 2012, are the following amounts:

	Long-term	Other than long-term
	£000	£000
EMP	(77,787)	77,787
Reclassification of other debtors	(5,181)	(5,875)
	<u>(82,968)</u>	<u>71,912</u>

The EMP and SEF refer to capital support held by the long-term fund provided by the SHF.

##### \*1321\* Entity reconciliation to Statutory Accounts

	2013	2012
	£000	£000
Form 13 line 102 Total long-term insurance business assets	4,801,995	5,587,079
Form 13 line 102 Total other than long-term insurance business assets	412,572	465,334
Entity adjustments in statutory accounts	(858)	3,667
Total IFRS Assets	<u>5,213,709</u>	<u>6,056,080</u>

The entity adjustment in the statutory accounts is to gross-up the inter-fund and intercompany balances between debtors and creditors. It is not attributable to any specific fund.

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

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid (with a lock up period of greater than one year) or is valued using an internal model. These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R which are applied to all identified assets. In assessing the need for a provision the following assumptions have been made:

The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times. A provision is established for less liquid positions.

No additional provisions have been identified.



## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.1 (continued)

##### \*1402\* & \*1502\* Additional liability details

- (a) No charge has been made on the assets of the insurer.
- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long-term insurance business assets, is £nil (2012: £nil).
- (c) There are no guarantees, indemnities or other contractual commitments, other than in the ordinary course of its insurance business, in respect of the existing or future liabilities of any related companies.
- (d) In the opinion of the Directors, there are no fundamental uncertainties affecting the position of the insurer.

##### \*1404\* Provision for reasonably foreseeable adverse variations

Included within Form 14 Line 36 is an implicit provision of £5.9m as required by INSPRU 3.2.17R. Further details are disclosed in Appendix 9.29 (d).

##### \*1405\* Other adjustments to liabilities

Included in Form 14 line 74 (Long-term insurance business - Other adjustments to liabilities) are the following amounts:

	2013	2012
	£000	£000
Valuation differences (see note '0310')	(90,082)	(56,021)
Reclassification of other creditors	(1,203)	(5,181)
Accounting valuation difference between Peak 1 and IFRS	-	1,040
Total	<u>(91,286)</u>	<u>(60,162)</u>

##### \*1412\* Entity Reconciliation to Statutory Accounts

	2013	2012
	£000	£000
Form 14 line 76 Total liabilities	(4,801,995)	(5,587,079)
Form 15 line 85 Total liabilities	(412,572)	(465,334)
Entity adjustments in statutory accounts	858	(3,667)
Total IFRS liabilities	<u>(5,213,709)</u>	<u>(6,056,080)</u>

The entity adjustment in the statutory accounts is to gross-up the inter-fund and intercompany balances between debtors and creditors. It is not attributable to any specific fund.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.1 (continued)

##### \*1507\* Other adjustments to liabilities

Included in Form 15 line 83 (Other than long-term insurance business - Other adjustments to liabilities) are the following amounts:

	2013 £000	2012 £000
Reclassification of other creditors	(3)	(5,875)
Deferred tax	5,832	-
Accounting valuation difference between Peak 1 and IFRS – EMP	-	(1,040)
	<u>5,829</u>	<u>(6,916)</u>

##### \*1601\* Basis of conversion of foreign currency

Assets and liabilities denominated in a foreign currency are translated using the closing rate method. Exchange differences on opening net assets are dealt with in the profit and loss account.

##### \*1603\* Other income and charges

Other income and charges consists of professional fees of £15k (2012: £nil).

##### \*1701\* Variation margin

The practice of the insurer is to seek “variation margin” (which includes collateral on over the counter derivatives), for derivative asset positions from counterparties to mitigate exposure to credit risk. Variation margin on derivative positions are settled on the basis of “net” exposure from derivative assets and liabilities with each counterparty. Variation margin is received in the form of cash or approved fixed interest securities. The table below presents the net exposure to derivative counterparties and total variation margin received and pledged.

	Assets £000	Liabilities £000	Net £000
<b>Gross Derivatives</b>			
Other than long-term fund	89	1,583	(1,494)
Long-term fund (excluding assets held to match linked liabilities)	40,961	67,118	(26,157)
<b>Total</b>	<u>41,050</u>	<u>68,701</u>	<u>(27,651)</u>
<b>“Net” Exposure by counterparty</b>			
Exchange trade derivatives	867	-	867
Over the counter derivatives	56	28,574	(28,518)
<b>Total</b>	<u>923</u>	<u>28,574</u>	<u>(27,651)</u>
<b>Variation Margin</b>			
On Exchange trade derivatives	882	-	
On OTC derivatives	-	25,898	
<b>Total</b>	<u>882</u>	<u>25,898</u>	

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.1 (continued)

##### **\*1701\* Variation margin (continued)**

As per the requirements of IAS 39, the insurer recognises variation margin received in the form of cash on balance sheet, and any variation margin received in the form of securities off balance sheet. This is due to the transfer of risk and return. In the case of cash – it is in the control of the insurer and can be reinvested in other investment classes if considered appropriate. Securities received as variation margin are not deemed to transfer the risk and return of the assets to the insurer, other than in the event of counterparty default, and as such are not held on balance sheet, but shown for disclosure purposes only.

As a result, no variation margin is included in Form 17 Line 52 to remove undue reconciling entries between the PRA Forms and published statutory accounts.

In respect of exchange traded derivatives, the insurer has a liability to repay “excess” variation margin received at the end of the financial year of £0.8m included within Form 13 Line 81.

On OTC derivatives, variation margin received in the form of cash amounting to £nil is included within Form 13 Line 43 and a corresponding liability to repay this balance is included within Form 14 Line 38 or Form 15 Line 49. Variation margin received in form of approved fixed interest securities amounts to £nil and is not reported as an asset in Form 13 or a liability in Form 14.

##### **\*1702\* Contracts which have the effect of derivatives (long-term business)**

Contracts which have the effect of derivative contracts, were excluded from Form 17, but were included in Form 14 as follows:

Loan liabilities with a total value of £66.0m contain embedded derivatives and were included in Form 14 Line 36 (Amounts owed to credit institutions).

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.3

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

Other income consists of annual management fee income of £19.4m (2012: £11.9m).

##### **\*4004\* Business transfers**

Included in business transfers is £49.5m (2012: £44.5m) of vesting annuities that have remained within the Fund. These amounts have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively but as “business transfers - in” and “business transfers - out”. As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47.

On 27 June 2012, the insurer entered into a business transfer agreement (“BTA”) with Guardian Financial Services Limited (“Guardian”). The transfer was originally effected under a reinsurance agreement effective from 1 July 2012. In accordance with the BTA, the business was transferred to Guardian on 30 September 2013 using a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 12 September 2013.

As part of the transfer, the insurer paid £5.1m consideration to Guardian during 2013 in connection with the on-going servicing of the transferred policies. This amount is included as a business transfer out.

##### **\*4008\* Provision of management services**

Pearl Group Services Limited has provided management services to the insurer. Ignis Investment Management Limited, Ignis Asset Management Limited and Henderson Global Investors Limited have provided investment services during the financial year to the insurer.

State Street Bank and Trust Company and HSBC Bank plc have provided custody, accounting, transaction management and associated services for managed assets of the insurer during the financial year.

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

Since 1 January 2000, the insurer has entered into a number of reinsurance treaties with Phoenix Life Assurance Limited (“PLAL”) and Phoenix Life Limited (“PLL”). Details of these reinsurance treaties are to be found in paragraph 9 of the “Abstract of Valuation Report” in Appendix 9.4, required by rule 9.31(a).

At 31 December 2013 there were £102.0m (2012: £115.0m) in loans made from PLAL. These loans are interest bearing and are repayable on 30 June 2016 and 2 September 2019.

During the year the insurer paid £21.0m (2012: £21.3m) and £2.3m (2012: £2.1m) to Pearl Group Services Limited and Ignis Asset Management Limited respectively in respect of services provided.

During the year the insurer repaid capital contributions to its parent company, NP Life Holdings Limited, of £85.0m (2012: the insurer received capital contributions of £151.0m).

On 5 March 2013, the insurer’s SHF repaid £13m of the 9.25% £65.0m subordinated unsecured loan notes to PLAL, a fellow group company.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### NATIONAL PROVIDENT LIFE LIMITED

#### Global Business

Financial year ended 31 December 2013

#### Appendix 9.3 (continued)

##### **\*4009\* Material connected-party transactions (continued)**

On 26 September 2013, the insurer repaid £11m limited recourse bonds (2012: £16m) to Mutual Securitisation plc, the results of which are consolidated into the accounts of Phoenix Group Holdings, the insurer's ultimate parent undertaking.

##### **\*4401\* Basis of valuation of assets**

Investments are stated at current value at the end of the financial year, calculated as follows:

- listed investments are stated at the bid market value;
- short-term deposits are included at fair value, which is considered to be equivalent to cost;
- other investments are shown at directors' estimates of bid market value.

##### **\*4500\* & \*5500\* Internal linked funds**

The insurer's internal linked funds are wholly reinsured to PLL and all amounts required to be shown would be zero. These Forms have, therefore, not been included in the Return.

##### **\*4803\* Assumptions regarding redemption dates**

For assets that may be redeemed in full at the option of the guarantor or the issuer on specified dates, the assumed maturity date has been at the first call date. The value of callable corporate bonds at the valuation date was £26.0m. It has been assumed the sinking bonds will be redeemed according to schedules of planned redemptions provided by the investment manager. The value of sinking bonds was £103.0m at the valuation date.

##### **\*4806\* Assets used to calculate investment returns in column 5 Form 48**

The assets used in the calculation of the with profit return are all assets backing asset shares excluding deposit administration, capital account and the estate fund.

##### **\*4807\* Allocation of assets to column 2 of Form 48 (economic exposure)**

A number of reallocations are made between columns 1 and 2 according to instructions 2, 3 and 4.

##### **\*4901\* Credit rating agency**

The credit rating agencies used to provide the split were UBS, Standard and Poor's and Moody's.

##### **\*5104\* & \*5204\* & \*5304\* Number of policyholders / scheme members**

Where a policy can have a combination of profit sharing (conventional with profit code 155), capital account/unitised with profit (unitised with profit code 525 or 535) or unit linked (code 725 or 735) elements, it has been counted as a unit linked policy and included in column 3 for Form 53 if there is a unit linked element. Otherwise, it has been included in column 3 for Form 51 if there is a profit sharing element or in column 3 of Form 52 if there is only capital account/unitised with profit.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**NATIONAL PROVIDENT LIFE LIMITED**

**Global Business**

**Financial year ended 31 December 2013**

**Appendix 9.3 (continued)**

**\*5600\* Long-term insurance business: index-linked business**

Form 56, long-term insurance business: index linked business, has not been included, as the insurer satisfies the de-minimis limit.

**\*5702\* Risk adjusted yields**

The risk-adjusted yield is calculated as the arithmetic mean of the risk-adjusted yield on each asset weighted by that asset's market value.

	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UK Life Non Profit	3.03%	0.70%	3.74%
UK Life With Profit	3.16%	0.39%	3.55%
UK Pension Non Profit	3.03%	0.70%	3.74%
UK Pension With Profit	3.16%	0.39%	3.55%

**\*5802\* Transfer to non-technical account**

During the financial year, the long-term fund repaid £1.0m of capital support to the SHF. The SHF transferred £0.5m to the long-term fund representing unclaimed demutualisation compensation which, under the terms of the demutualisation scheme, can be transferred to the long-term fund. These amounts are shown in Line 32 of Form 58.

**\*6001\* Estimation of the insurance health risk capital component**

The gross annual office premium of Class IV business was £6,133. The insurance health risk capital component was estimated as 18% of this premium amount for consistency with INSPRU 1.1.85R.

## Returns under the Accounts and Statements Rules

### Statement of additional information on derivative contracts required by rule 9.29

#### National Provident Life Limited

#### Global Business

#### Financial year ended 31 December 2013

- (a) During the financial year the insurer operated an investment policy for the use and control of derivatives. This policy lists the approved derivative contracts and the approved uses of derivatives, establishes procedures for introducing new contracts or uses, identifies areas of risk, and establishes a control framework for dealing, settlement and independent monitoring and reporting of derivatives.

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management). In addition, the insurer uses derivatives to match liabilities to mitigate the effect of changes in market variables on its capital position.

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

The insurer controls market risks through the setting of exposure limits which are subject to detailed monitoring and review. Sophisticated risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

The insurer permits the purchase of partly paid shares, subject to the unpaid capital being covered by cash, and also convertible bonds as alternatives to investment in the underlying equities.

- (b) Subject to the investment principles described above, the investment policy permits the writing of contracts, under which the insurer has a right or an obligation to acquire or dispose of assets. The portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset, in case the contract is subsequently exercised.

The investment policy does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of derivatives that cannot be sufficiently well modelled using the Investment Manager's internal risk management systems, without the prior approval of the senior management of the Investment Manager.

- (c) The company was not a party to any such contracts of the kind described in (b) at any time during the financial year.

## **Returns under the Accounts and Statements Rules**

### **Statement of additional information on derivative contracts required by rule 9.29**

#### **National Provident Life Limited**

#### **Global Business**

#### **Financial year ended 31 December 2013**

(continued)

- (d) Amounts owed to credit institutions include a quasi derivative. This relates to a refinancing arrangement entered into on 30 September 1999 with a wholly owned subsidiary of Abbey National Group plc (now Santander plc). The insurer has originated a portfolio of residential property investments subject to life tenancies (reversions) against which it has sold Extra Income Plan annuity contracts. As part of the arrangement, the subsidiary indemnifies the insurer against regional house price inflation in exchange for a fixed return and the insurer has undertaken to indemnify the subsidiary against profits or losses arising from mortality and surrender experience, which differs from the basis used to calculate the reversion amount. The level of the mortality provision recognised at 31 December 2013 was £5.9m.
  
- (e) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £nil.



## Returns under the Accounts and Statements Rules

### Statement of additional information on controllers required by rule 9.30

#### National Provident Life Limited

##### Global Business

##### Financial year ended 31 December 2013

The persons who, to the knowledge of the insurer, have been controllers at any time during the financial year were:

- a) NP Life Holdings Limited
- b) Phoenix Life Assurance Limited
- c) Pearl Group Holdings (No. 2) Limited;
- d) Phoenix Life Holdings Limited
- e) PGH (LCA) Limited;
- f) PGH (LCB) Limited;
- g) Phoenix Group Holdings;
- h) Jambright Limited #;
- i) TDR Capital Nominees Limited #; and
- j) TDR Capital LLP #

# ceased to be a controller of the insurer on 10 December 2013

In relation to each such person, the information required to be disclosed pursuant to rule 9.30 (b) is as follows:

#### 1. NP Life Holdings Limited

As at 31 December 2013, NP Life Holdings Limited held 100% of the issued share capital of National Provident Life Limited and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of National Provident Life Limited.

#### 2. Phoenix Life Assurance Limited

As at 31 December 2013, Phoenix Life Assurance Limited held 100% of the issued share capital of NP Life Holdings Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of NP Life Holdings Limited.

#### 3. Pearl Group Holdings (No. 2) Limited

As at 31 December 2013, Pearl Group Holdings (No. 2) Limited held 100% of the issued share capital of Phoenix Life Assurance Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Phoenix Life Assurance Limited.

#### 4. Phoenix Life Holdings Limited

As at 31 December 2013, Phoenix Life Holdings Limited held 100% of the issued share capital of Pearl Group Holdings (No. 2) Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Pearl Group Holdings (No. 2) Limited.

## **Returns under the Accounts and Statements Rules**

### **Statement of additional information on controllers required by rule 9.30**

#### **National Provident Life Limited**

##### **Global Business**

##### **Financial year ended 31 December 2013**

(continued)

##### **5. PGH (LCA) Limited**

As at 31 December 2013, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

##### **6. PGH (LCB) Limited**

As at 31 December 2013, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

##### **7. Phoenix Group Holdings**

As at 31 December 2013, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited which between them owned 100% of the shares of Phoenix Life Holdings Limited, a company of which National Provident Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Phoenix Group Holdings was not entitled to exercise, or control the exercise of, any voting power at any general meeting of National Provident Life Limited or another company of which National Provident Life Limited is a subsidiary undertaking.

##### **8. Jambright Limited**

As at 31 December 2013, Jambright Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, held 0.93% of the issued share capital of Phoenix Group Holdings, a company of which National Provident Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Jambright Limited was entitled to exercise 0.93% of the voting power at any general meeting of Phoenix Group Holdings.

## **Returns under the Accounts and Statements Rules**

### **Statement of additional information on controllers required by rule 9.30**

#### **National Provident Life Limited**

##### **Global Business**

##### **Financial year ended 31 December 2013**

(continued)

#### **9. TDR Capital Nominees Limited**

As at 31 December 2013, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, directly held the legal title to 5.27% of the issued share capital of Phoenix Group Holdings, a company of which National Provident Life Limited is a subsidiary undertaking.

In addition, to the knowledge of the insurer, as at 31 December 2013, TDR Capital Nominees Limited's ownership of the legal title to 91.7% of the issued share capital of Jambright Limited, ultimately entitled them to the 0.93% interest in the issued share capital of Phoenix Group Holdings held by Jambright Limited.

On this basis, as at 31 December 2013, TDR Capital Nominees Limited's overall interest in the issued share capital of Phoenix Group Holdings, a company of which National Provident Life Limited is a subsidiary undertaking, amounted to 6%.

At the end of the financial year, to the knowledge of the insurer, TDR Capital Nominees Limited was entitled to exercise, or control the exercise of, 6% of the voting power at any general meeting of Phoenix Group Holdings.

#### **10. TDR Capital LLP**

As at 31 December 2013, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking of TDR Capital LLP, in aggregate held 6% of the issued share capital of Phoenix Group Holdings, a company of which National Provident Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, TDR Capital LLP was entitled to control the exercise of 6% of the voting power at any general meeting of Phoenix Group Holdings.

# NATIONAL PROVIDENT LIFE LIMITED

## APPENDIX 9.4

### ABSTRACT OF VALUATION REPORT

#### 1. INTRODUCTION

##### (1) Valuation Date

The date to which the actuarial investigation relates is 31 December 2013.

##### (2) Previous Valuation

The date to which the previous actuarial investigation under IPRU (INS) rule 9.4 related was 31 December 2012.

##### (3) Interim Valuations

Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU (INS) rule 9.4).

#### 2. PRODUCT RANGE

There have been no significant changes to products during the financial year. The NPLL with profits sub-fund is closed to new business except by increment.

#### 3. DISCRETIONARY CHARGES AND BENEFITS

##### (1) Application of Market Value Reduction

Market value reductions ("MVR") were applied as follows:

<b>Product</b>	<b>Premium Investment Date</b>	<b>Period applied</b>
PPP, FSAVC, PRA & FIP Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2012	Jan 2013 to Dec 2013
Ordinary units	Jan 1988 to Dec 2012	Jan 2013 to Dec 2013
PPP, FSAVC, PRA & FIP Unitised With-profit Series 2:		
Initial units	Jan 1994 to Dec 2012	Jan 2013 to Dec 2013
Ordinary units	Jan 1998 to Dec 2001	Jan 2013 to Dec 2013
	Jan 2006 to Dec 2006	Jan 2013 to Dec 2013
	Jan 2007 to Dec 2007	Jan 2013 to Jun 2013
PPP, FSAVC, PRA & FIP Capital Account:		
Initial units	Jan 1994 to Dec 2012	Jan 2013 to Dec 2013
Ordinary units	Jan 2012 to Dec 2012	Jan 2013 to Dec 2013
New Approach EPP Single Premium Unitised With-Profit Account	Jan 1998 to Dec 2001	Jan 2013 to Dec 2013
	Jan 2006 to Dec 2006	Jan 2013 to Dec 2013
	Jan 2007 to Dec 2007	Jan 2013 to Jun 2013

<b>Product</b>	<b>Premium Investment Date</b>	<b>Period applied</b>
GMP, VGPPP, GAPP, GIA Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2012	Jan 2013 to Dec 2013
Ordinary units	Jan 1988 to Dec 2012	Jan 2013 to Dec 2013
Penfund Series 1	Jul 1990 to Dec 2012	Jan 2013 to Dec 2013
Trustee With Profit Bond	Jan 1997 to Dec 2001	Jan 2013 to Dec 2013
With Profit Bond Series 1	Jun 1991 to Dec 2001	Jan 2013 to Dec 2013
With Profit Bond Series 2	Jul 1993 to Dec 1994 Jan 1995 to Mar 1995 Apr 1995 to Dec 2001	Jan 2013 to Dec 2013 Jan 2013 to Jun 2013 Jan 2013 to Dec 2013
With Profit Bond Series 3	Oct 1995 to Dec 2001	Jan 2013 to Dec 2013
With Profit Bond Series 4	Jan 1997 to Dec 2001	Jan 2013 to Dec 2013
With Profit Bond Series 5	Oct 1997 to Dec 2001	Jan 2013 to Dec 2013
With Profit Bond Series 6	Jul 1998 to Dec 2001	Jan 2013 to Dec 2013
With Profit Bond Series 7	Jan 1999 to Dec 2001	Jan 2013 to Dec 2013
GMP, VGPPP, GAPP, GIA Capital Account		
Initial units	Jan 1988 to Dec 2012	Jan 2013 to Dec 2013
Ordinary units	Jan 2012 to Dec 2012	Jan 2013 to Dec 2013
EPP and PTP Capital Account		
Initial units	Jan 1985 to Dec 1990 Jan 1993 to Dec 2000 Jan 2011 to Dec 2012	Jan 2013 to Dec 2013 Jan 2013 to Dec 2013 Jan 2013 to Dec 2013
Ordinary units	Jan 2012 to Dec 2012	Jan 2013 to Dec 2013
Portfolio Bond Series 1	Jul 1999 to Jun 2001	Jan 2013 to Dec 2013
	Jul 2001 to Sep 2001	Jan 2013 to Jun 2013 Oct 2013 to Dec 2013
	Oct 2001 to Mar 2002	Jan 2013 to Mar 2013
	Jan 2006 to Sep 2006	Jan 2013 to Mar 2013
	Oct 2006 to Dec 2007	Jan 2013 to Dec 2013
	Apr 2013 to Jun 2013	Oct 2013 to Dec 2013

Note: MVRs apply by date of each investment in the fund, not by policy date

## **(2) Premiums on Reviewable Protection Policies**

National Provident Life Limited has not sold any reviewable protection business.

## **(3) Non-profit Deposit Administration**

No policies have been sold in this category.

## **(4) Service Charges on Linked Policies**

The following table shows the changes to policy fees on linked contracts from 1 January 2013:

Product	% Increase
New Approach PPP & FSAVC, PPP Series II	2.65%
New Approach EPP	2.65%
VGMP, VGPPP, GAPP, GIA & GPMU	2.65%
VGF and Pooled Managed Fund	2.16%
CPP	2.16%
CAP	2.16%

## **(5) Benefit Charges on Linked Policies**

During the financial year, benefit charges remained unchanged on linked policies.

## **(6) Accumulating With-Profits Charges**

During the financial year, unit management charges for unitised accumulating with-profit and linked business remained unchanged.

## **(7) Unit Pricing of Internal Linked Funds**

All National Provident Life Limited's unit-linked liabilities, other than for Unilink policies, are reassured to Phoenix Life Limited. As a consequence, the information in the following paragraphs relates to Phoenix Life Limited's practices.

- (a) Units are of two main types. They are called initial and ordinary in Phoenix Life Limited. The following method applies to all units.
  - (i) The creation or cancellation of units in the internal linked funds is performed at un-rounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
  - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the "offer price". The "bid price" is the base price rounded to the lower tenth of a penny. Units are allocated to policies at the offer price and cancelled at the bid price. Switches in and out of units within a policy are processed at bid prices.
  - (iii) The asset values of the internal linked funds are calculated on a "bid" basis, as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.
  - (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made.
- (b) During the financial year there was no time at which different pricing bases applied to different policies.

- (c) The funds are invested in collective investment schemes managed by Henderson. A mid-market price applies to these collectives although this price may swing up or down if the net transactions on any trading day exceed a set threshold. In the linked funds, these collective investment schemes are valued on un-swung prices but subject to a deduction if the fund is priced on a bid basis or an addition if the fund is priced on an offer basis.

The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued (except for the Henderson Diversified Growth Fund asset, where the most recent prices of the collective investment schemes are used).

## **(8) Tax Deductions From Internal Linked Funds**

### **Tax on income**

Tax on income is calculated at the full policyholder tax rate of 20% for life funds.

### **Tax on loan relationships**

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

### **Capital Gains Tax (CGT) on other assets**

Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in Life equity funds are index-adjusted. There are no tax accruals in Pension funds.

As at the end of 2013, all Equity funds had accumulated losses and tax rates for both losses and gains (realised and unrealised) were set to zero.

In the event that tax rates are non zero, the practice is that accruals for realised gains and losses in Equity funds are cleared at the end of each month. Accruals for unrealised gains and losses would be cleared at the end of each financial year under the "deemed disposal" regime.

## **(9) Tax Provisions for Internal Linked Funds**

See (8) above.

## **(10) Discounts on Unit Purchases**

The internal linked funds receive an initial charge discount and an annual management charge rebate when purchasing, selling or holding units in collective investment funds. This ensures that the policyholder is not subject to two sets of charges.

## **4. VALUATION BASIS (Other Than For Special Reserves)**

### **(1) Valuation Methods**

The general principles and methods adopted in the valuation are:

#### **NON LINKED BUSINESS**

Non-profit non-linked mathematical reserves have been determined using a gross premium method.

For with-profit business, mathematical reserves have been determined using an individual gross premium method except for those mentioned below. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

Visible Growth Fund, Capital Pension Plan and Cash Accumulation Plan contracts are valued by taking the liability as the amount in the deposit account. In addition there is an allowance for future expenses. For Capital Pension Plan policies, the basic reserve includes an allowance for the cost of the annuity guarantees.

Unitised with-profit and capital account policies are valued using the Discounted Value of Future Liability Outgo method. This involves calculating the same cashflows as in the gross premium method. The reserve for each policy is subject to a minimum of any guaranteed surrender value at the valuation date. The reserve is increased where necessary to ensure a minimum guaranteed surrender value is held for the full lifetime of the policy.

## **INDEX LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method.

## **LINKED BUSINESS**

Mathematical reserves have been determined by valuing the units allocated to policies and adding a non-unit reserve for mortality and expenses.

Other than for Unilink policies, all National Provident Life Limited's unit-linked liabilities are reassured to Phoenix Life Limited on an investment basis and as a result the net liabilities are equal to the non-unit reserves.

The non-unit reserve is calculated using a discounted cash flow approach. Where the projected cashflows show no future shortfall in any year there is no recourse to additional finance and no sterling reserve is required. Where the projection produces a shortfall, the discounted value of the cashflows is calculated. This is the sterling reserve required to ensure that no recourse to additional finance is required.

## **(2) Valuation Interest Rates**

The following table sets out the rates of interest used for all classes of business:

<b>Product Group</b>	<b>2013</b>	<b>2012</b>	<b>Product Code</b>
<b>Gross premium basis</b>			
Capital account	3.20%	2.65%	525, 535, 570
Life annuities	3.50%	2.70%	390, 395
Pension annuities	3.50%	2.70%	390, 400
Life With-profit endowments	2.56%	2.12%	120, 205
Life With-profit whole of life	2.56%	2.12%	100
Life Unitised With-profit guaranteed (Series 1)	2.56%	2.12%	500
Life Unitised With-profit non-guaranteed	2.56%	2.12%	500
Pensions Unitised With-profit	3.20%	2.65%	525, 535



<b>Product Group</b>	<b>2013</b>	<b>2012</b>	<b>Product Code</b>
guaranteed (Series 1)			
Pensions Unitised With-profit non-guaranteed	3.20%	2.65%	525, 535, 570
Deposit Administration	3.20%	2.65%	545, 555
Profit Sharing Account	3.20%	2.65%	155
Conventional With-profits deferred annuity	3.20%	2.65%	165
Index linked annuities / Miscellaneous	3.50%	2.70%	905, 910
Other pensions business	3.50%	2.70%	435
Other life business	2.80%	2.16%	435
<b>Unit-linked</b>			
Life sterling reserves	2.80%	2.16%	700, 715
Pensions sterling reserves	3.50%	2.70%	725, 735, 750

Notes:

For index linked annuities the annuity increases each year at RPI/LPI.

### **(3) Risk Adjustments**

Yields on other fixed interest or variable yield securities were reduced to allow for the risks of default while retaining some margin over gilt yields for reduced liquidity of corporate bonds.

The level of the reduction was assessed by reference to long-term average default rates plus an allowance for shorter-term factors and expected deviations from the historic average. The rates assume a doubling of historical default experience, net of an allowance for 37% recovery on default.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

#### (4) Mortality Basis

The following table sets out the mortality bases used for all classes of business:

Product Group	2013		2012		Product Code
	Males	Females	Males	Females	
<b>Pre-vesting</b>					
UWP Bonds	110% AM92	110% AF92	110% AM92	110% AF92	500, 535
Endowment Assurance	100% AM92	100% AF92	100% AM92	100% AF92	120, 205, 435
Whole of Life	100% AM92	100% AF92	100% AM92	100% AF92	100, 205, 435
Term Assurance	100% AM92	100% AF92	100% AM92	100% AF92	205, 435
All other business	60% AM92	60% AF92	60% AM92	60% AF92	All others
<b>Post-vesting/In payment</b>					
Immediate and deferred pension annuities	97% RMV00	97% RFV00	97% RMV00	97% RFV00	390, 400, 905, 910
Group life annuities	97% RMV00	97% RFV00	97% RMV00	97% RFV00	395
Individual life and IRS annuities	100%IML92	100% IFL92	100%IML92	100% IFL92	395, 905

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2013, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013) blending historic improvement data with a long term annual improvement assumption of 2.5% up to age 75 reducing linearly to 0% at age 120.

At 31 December 2012, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 41 Mortality Projection Model (published in November 2009) blending historic mortality improvement data with a long term annual improvement assumption of 3.25% up to age 60 reducing linearly to 0% at age 120.

3. For post-vesting mortality using the IML92 and IFL92 tables, future mortality improvements in line with CMI medium cohort and long cohort projections with a 1.5% floor for males and 1.25% floor for females have been assumed at 31 December 2013 and 31 December 2012.

Male complete life expectations for annuity contracts are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Pension annuities	24.1	14.8		
Group GAF annuities	24.1	14.8		
Life/IRS/Ind GAF annuities	22.9	14.0		
Other pension deferred annuities			27.0	25.5

Female complete life expectations for annuity contracts are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Pension annuities	27.2	17.2		
Group GAF annuities	27.2	17.2		
Life/IRS/Ind GAF annuities	25.6	15.9		
Other pension deferred annuities			29.9	28.6

#### (5) Morbidity Basis

There are no products representing a significant amount of business that use a morbidity basis.

#### (6) Expense Basis

The expense bases are as follows:

#### LINKED AND NON-LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Product Group	Premium paying		Paid up & single premium		Product Code
	2013 £pa	2012 £pa	2013 £pa	2012 £pa	
CWP savings endowments	107.62	103.18	53.72	51.51	120
CWP pensions	65.65	62.94	26.38	25.29	165
Annuity			40.20	38.54	400
UWP bond			53.77	51.55	500
UWP regular premium pension	87.87	84.24	56.94	54.59	525
UWP single premium pension			56.94	54.59	525
UWP group regular premium pension	80.82	77.49	71.31	68.37	535
UWP group single premium pension			71.31	68.37	535
UL bond			53.77	51.55	700
UL savings endowment	144.22	138.27	115.32	110.57	715
UL regular premium pension	87.87	84.24	56.94	54.59	725
UL single premium pension			56.94	54.59	725
UL group regular premium pension	80.82	77.49	71.31	68.37	735
UL group single premium pension			71.31	68.37	735

Notes:

All expenses above are shown as per policy rather than per benefit. The expense charges paid to Pearl Group Services Limited are determined in accordance with Schedule 2C scheme from the demutualisation of National Provident Institution. An expense charge per benefit is required for some products, in which case this is derived by applying the ratio of the benefit count to the policy count.

If there is more than one investment fund attaching to one benefit, including unit-linked, unitised with-profit and capital account, then the per policy expenses are split in proportion to the unit values.

### Gross Investment Expenses

Investment expenses have been allowed for through a reduction to the projected unit growth rates and valuation interest rates. The table below sets out the basis point ("bp") reductions applied:

Fund	2013 bps	2012 bps
Unit Linked	13.22	13.22
Non-Linked		
Gilts	8.00	10.16
IL Gilts	7.50	7.50
Approved Bonds	9.69	10.00
Corporate Bonds		
AAA	8.19	8.28
AA	9.60	8.28
A	9.08	8.28
BBB	9.47	8.28
BB	8.91	8.28
B	8.91	8.28
CCC	8.91	8.28
Other	8.91	8.28
Derivatives	8.00	10.35
Property	32.00	26.25
Equity	15.00	19.43

### (7) Inflation Rates

Unit Growth, Expense Inflation, and Policy Fee inflation rates are:

Product Group	Gross Unit Growth Rate		Expense Inflation Rate		Policy Fee Inflation Rate		Product Code
	(% p.a.)		Rate (% p.a.)		Rate (% p.a.)		
	2013	2012	2013	2012	2013	2012	
Life business	3.70	2.55	4.60	4.10	2.70	2.20	700, 715, 795
Pensions business	3.70	2.55	4.60	4.10	2.70	2.20	725, 735, 750

## (8) Future Bonus Rates

As a realistic basis life firm, no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for the following:

Product Group	Reversionary bonus rate pa	Product Code
Unitised With-profit Life series 1	3.00%	500
Unitised With-profit Pensions series 1	4.00%	525, 535

Note:

The above rates only apply where the products contain guaranteed bonus rates and are equal to the guaranteed rates. For all other products the future bonus rate is zero.

## (9) Persistency

A summary of the surrender and paid-up (PUP) assumptions is as follows:

Product		Average lapse / surrender / paid up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	0.80%	0.80%	0.80%	0.80%
CWP target cash endowment	surrender	0.80%	0.80%	0.80%	0.80%
UL savings endowment	surrender	0.00%	0.00%	0.00%	0.00%
UWP bond	surrender	3.70%	3.70%	3.70%	3.70%
UWP bond	automatic withdrawal	100% of current	100% of current	100% of current	100% of current
UL bond	surrender	0%	0%	0%	0%
UL bond	automatic withdrawal	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0.00%	0.00%	0.00%	0.00%
CWP pension regular premium	surrender	0.50%	0.50%	0.50%	0.50%
CWP pension single premium	surrender	0.50%	0.50%	0.50%	0.50%
UWP ind pension regular premium	PUP	15.00%	15.00%	15.00%	15.00%
UWP ind pension regular premium	surrender	3.30%	3.30%	3.30%	3.30%
UWP ind pension single premium	surrender	1.10%	1.10%	1.10%	1.10%
UL ind pension regular premium	PUP	15.00%	15.00%	15.00%	15.00%
UL ind pension regular premium	surrender	0.00%	0.00%	0.00%	0.00%
UL group pension regular premium	PUP	33.00%	33.00%	33.00%	33.00%
UL group pension regular premium	surrender	0.00%	0.00%	0.00%	0.00%
UL ind pension single premium	surrender	0.00%	0.00%	0.00%	0.00%

Note: the "UWP ind pension regular premium" surrender rate is assumed for single and regular premium UWP non-DSS pensions. The "UWP ind pension single premium" surrender rate is assumed for UWP DSS pensions.

**(10) Other material basis assumptions:**

Relief for tax applied to expenses is 20% for UK Life (excluding life annuities) business and 0% for other business. Tax on investment income is set out in the following table:

<b>Type of business</b>	<b>2013</b>	<b>2012</b>
UK Life – dividend income	0%	0%
UK Life – income from assets backing life annuities	0%	0%
UK Life – other income	20%	20%
UK Life – unit linked gains	20%	20%
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

**(11) Allowance for Derivatives**

The fund holds a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

**(12) Effect on Mathematical reserves due to changes in INSPRU**

There have been no changes since the previous valuation.

**5. OPTIONS AND GUARANTEES**

**(1) Guaranteed Annuity Rate Options**

(a) Capital Pension Plan

These policies have guaranteed annuity rates available for converting the cash sum available at normal retirement age to an annuity. The reserve for this guarantee is calculated as the uplift required based on the ratio of the value of the annuity on the valuation basis and the value of the annuity on the guaranteed basis.

(b) Table detailing guaranteed annuity rate option reserves:

<b>Product Code</b>	545, 555
<b>Product name</b>	Capital Pension Plan
<b>Basic reserve, £000</b>	19,243
<b>Spread of outstanding durations</b>	Gradual run-off mean term to vesting date of 3.9 years. Vesting assumed at age 60 or immediately if older.
<b>Guarantee reserve, £000</b>	Included in basic reserve shown above
<b>Guaranteed annuity rate (% of cash sum for 65 year old male <sup>(1)</sup>)</b>	10%
<b>Increments allowed</b>	No
<b>Form of the annuity</b>	See note 2
<b>Retirement ages</b>	Normal Retirement age under the scheme is normally between 60 and 70

Notes:

1. The guaranteed annuity rate shown has been based on a single life, monthly in advance, level annuity with a five-year guaranteed period. Other forms of annuity will have different guaranteed rates.
2. Guaranteed annuity rates are available for the following forms of annuity: Single life, monthly in advance, Level, 3%, 4% or 5% escalation, five-year guarantee period.

**(2) Guaranteed surrender and unit-linked maturity values**

There are no guaranteed surrender or unit-linked maturity values.

**(3) Guaranteed insurability options**

Some with-profits endowment assurances contain options that permit members to effect further policies in connection with house purchases, within certain limits, or to extend the terms of the existing policies without further evidence of health.

Some temporary assurances contain the option to convert to an endowment, whole life assurance, Maximum Investment Plan or Flexible Mortgage Plan up to a maximum sum assured of that attaching to the existing policy without further evidence of health.

For Group Life assurance, continuation options are available to members aged below 60 at that time to effect a whole life assurance or an ordinary endowment assurance without evidence of health.

These guaranteed insurability options are in respect of smaller classes of business and are not valued explicitly.

**(4) Other Guarantees and Options**

Pension Transfer Plan

These policies have a guarantee to pay the Guaranteed Minimum Pension (“GMP”) at normal retirement age. The reserve for this guarantee is calculated as the projected shortfall (if any) in the policies’ fund-based maturity values compared to the value of the GMP at normal retirement age on the valuation basis.

The projection uses a closed-form stochastic method to calculate a time value in addition to the intrinsic value of the guarantee to reflect future interest rate volatility.

Table detailing guarantee reserves:

<b>Product Code</b>	155, 525, 725
<b>Product name</b>	Pension Transfer Plan
<b>Basic reserve, £'000</b>	249,427
<b>Spread of outstanding durations</b>	Gradual run-off mean term of 13.40 years
<b>Guarantee reserve, £'000</b>	78,356
<b>Increments allowed</b>	No
<b>Form of the annuity</b>	Varies from policy to policy
<b>Retirement ages</b>	Normal Retirement Age under the policy, usually between 60 and 70

## 6. EXPENSE RESERVES

### (1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are as follows:

Homogeneous Risk Group	Implicit Allowances £M	Explicit Allowances (Investment) £M	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
Non-unitised business	0.00	0.11	1.25	0.06	1.42
Unitised business	0.00	2.36	17.26	1.30	20.92
<b>Total</b>	<b>0.00</b>	<b>2.47</b>	<b>18.51</b>	<b>1.36</b>	<b>22.34</b>

### (2) Implicit Allowances

All provisions for future expenses have been made using explicit methods.

### (3) Form 43 Comparison

The difference between the allowance for maintenance expenses shown above and those shown in Form 43 is partly in respect of annual management charges payable to Phoenix Life Limited in respect of reassured incremental UWP policies. The remainder is due to one-off expenses incurred during the year and run-off of business.

### (4) New Business Expense Overrun

National Provident Life Limited has ceased to write new business, except for increments on existing policies, which are reassured to Phoenix Life Limited. No new business expense overrun reserve is held due to the management services agreement in place with Pearl Group Services Limited.



## (5) Maintenance Expense Overrun

The company is largely closed to new business and the expense charges paid to Pearl Group Services Limited are determined in accordance with the Schedule 2C scheme from the demutualisation of National Provident Institution. No additional expense reserve is required in respect of these expenses.

## (6) Non-attributable expenses

The non-attributable expenses includes the reserve held to cover overhead costs (such as audit fees) met by the long term business fund in future years. The reserve assumes costs continue over the next 16.5 years (except the reciprocation costs which we assume run for 7 years), annual growth of 4.60% per annum, and discounted at 3.20% per annum. The term of 16.5 years is consistent with section 33 of the Schedule 2C scheme that allows wind up of the with-profit fund when the with-profit liabilities fall below £500 million subject to increases in RPI since January 2000. However, this additional reserve has been reduced to allow for such costs hypothecated to unitised business being, where possible, covered by any remaining margins in the valuation basis.

Homogeneous Product Group	Non-attributable expenses reserve £M
Non-Unitised Business	1.0
Unitised Business	22.1

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	2,834.5	2,834.5
Total	2,834.5	2,834.5

### (2) Other Currency Exposures

See table in 7(1).

### (3) Currency Mismatching Reserve

No currency mismatch reserve is held.

### (4) Most Onerous Scenario Under INSPRU 3.1.16(R)

National Provident Life Limited is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

### (5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable – see 7(4).

## **(6) Resilience Capital Requirement**

Not applicable – see 7(4).

## **(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)**

No additional reserve is held.

## **8. OTHER SPECIAL RESERVES**

### **Securitised loan reserve**

National Provident Life Limited has a securitised loan that is secured on future profits arising on a defined basis from specific unit-linked and unitised with-profit business within National Provident Life Limited. This provision is equal to the discounted value of further interest and capital payments due to bondholders under the securitisation to the extent that payments exceed the value of surpluses that may be expected to arise from the securitised business based on the valuation assumptions. The amount of this reserve is £55.7 million.

## **9. REINSURANCE**

### **(1) Facultative Treaties**

There were no reinsurance arrangements on a facultative basis in force at any time during the period of the report with any company not authorised to carry on insurance business in the United Kingdom.

### **(2) Reinsurance Treaties**

(a) The following financing arrangement was in-force at the valuation date:

(d) Issuer	Mutual Securitisation plc
(e) Nature and extent	£260 million of debt capital was raised in 1998, securitised against a specified fixed block of unit-linked and unitised with-profit business. Interest and principal payments are made from surpluses emerging from this block of business as defined in the securitisation agreement.
(f) Premiums paid in 2013	No premiums are payable. A repayment of interest and principal of £19.813 million was made in 2013.
(g) Deposit back	Not applicable
(h) Open or Closed	Closed
(i) Undischarged obligations	The undischarged obligation was £105.0 million at the valuation date.
(j) Reserves ceded £000s	Not applicable
(k) Retention for new business	Not applicable

## Mutual Securitisation plc

- (l) Mutual Securitisation plc is not authorised to carry on insurance business in the United Kingdom.
- (m) Mutual Securitisation plc is not a connected company of the insurer.
- (n) There are certain specified events where the bond trustee may demand immediate repayment of the loan.
- (o) Refund of reinsurance commission is not applicable to this arrangement.
- (p) (i) National Provident Life is required to make interest and principal payments from surplus emerging as defined under the agreement.
- (ii) A reserve is held for the future repayments in excess of emerging surplus under this arrangement as described in Section 8. The existence of the agreement has the impact of improving the regulatory peak solvency position to the extent that the additional capital exceeds the Securitised Loan Reserve.

(b) Not applicable

(c) The following treaties were in-force at the valuation date with reserves ceded exceeding the lesser of £10 million and 1% of total mathematical reserves:

(d) Reinsurer	Phoenix Life Assurance Limited	Phoenix Life Assurance Limited	Phoenix Life Assurance Limited	Phoenix Life Limited	Phoenix Life Limited
(e) Nature and extent	Certain Pensions Annuities written prior to 1/1/2000 are fully reassured except for the expense of administration.	All annuities written from 31/3/2012 are fully reassured on original terms.	Portfolio Bond policies written 1 July 1999 to 31 December 1999 are fully reassured on original terms.	Unit Linked funds on policies written prior to 1/1/2000 are ceded as investment-only reinsurance.	Increments written from 1/1/2000 are fully reassured on original terms.  The expense liability on all unitised with-profits and capital account business sold post-2000 is reassured.
(f) Premiums paid in 2013 £000s	770	49,545	Nil	8,435 in aggregate to Phoenix Life Limited	
(g) Deposit Back	Nil	Nil	Nil	Nil	Nil
(h) Open or closed	Closed	Open	Closed	Open	Open
(i) Undischarged obligations	Expenses of administration	Nil – this is original terms reinsurance	Nil – this is original terms reinsurance	This is investment-only reinsurance	Nil – this is original terms reinsurance
(j) Reserves ceded £000s	63,711	88,579	11,381	1,450,344	280,639
(k) Retention for new business	Not applicable	Nil	Not applicable	Not applicable	Not applicable

**Phoenix Life Assurance Limited**

- (l) Phoenix Life Assurance Limited is authorised to carry on insurance business in the UK.
- (m) Phoenix Life Assurance Limited is a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaties with Phoenix Life Assurance Limited are subject.
- (o) There is no provision to refund any reinsurance commission, except under the reinsurance covering new policies and increments. Any refund under that arrangement would be matched by a reclaim of commission from the seller of the insurance.
- (p) The reassurances with Phoenix Life Assurance Limited are not financing reinsurance.

**Phoenix Life Limited**

- (l) Phoenix Life Limited is authorised to carry on insurance business in the UK.
- (m) Phoenix Life Limited is a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaties with Phoenix Life Limited are subject.
- (o) There is no provision to refund any reinsurance commission, except under the reinsurance covering new policies and increments. Any refund under that arrangement would be matched by a reclaim of commission from the seller of the insurance.
- (p) The reassurances with Phoenix Life Limited are not financing reinsurance.

## 10. REVERSIONARY (OR ANNUAL) BONUS

The following tables set out the annual bonus rates for each class of business:

### Compound Bonus

Bonus series	31.12.2013	31.12.2013	31.12.2012	31.12.2013	Product code
	Basic mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus	
	£000	%	%	%	
Life Unitised With-profit Series 1	77,709	3.00%	3.00%	3.00%	500
Life Unitised With-profit Series 2 to 7	72,166	0.00%	0.00%	-	500
Portfolio Bond 1	12,273	1.00%	1.00%	-	500
Pensions Unitised With-profit Series 1	1,926,589	0.00% (1) 4.00% (2)	0.00% (1) 4.00% (2)	0.00% (1) 4.00% (2)	525, 535
Pensions Unitised With-profit Series 2 (PRA, FIP, PPP & FSAVC)	76,530	0.00% (1) 0.00% (2)	0.00% (1) 0.00% (2)	- -	525, 535, 570
Pension Capital Accounts (EPP & PTP)	39,309	1.50% (1) 5.00% (2)	0.00% (1) 3.50% (2)	- -	525, 535
Pension Capital Accounts (GMP VGPPP, Penfund and TTP)	11,848	0.00% (1) 5.00% (2)	0.00% (1) 3.50% (2)	- -	535
Deposit administration (VGF, CPP and Plan32)	21,785	5.00%	3.50%	-	545 555
Life Conventional With-profit	13,343	0.00%	0.00%	-	100, 120, 165, 205
Profit Sharing Account (EPP and PTP)	293,398	0.00%	0.00%	-	155

Notes:

1. Bonus rate applies to initial units where applicable.
2. Bonus rate applies to ordinary units where applicable.

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

## APPENDIX 9.4A

### NATIONAL PROVIDENT LIFE LIMITED

#### 1. Introduction

##### (1) Valuation Date

The valuation date is 31 December 2013.

##### (2) Previous Valuation

The previous valuation date was 31 December 2012.

##### (3) Interim Valuations

An interim valuation was carried out on 30 June 2013.

#### 2. Assets

##### (1) Economic Assumptions For Valuing Non-Profit Business

The economic assumptions for non-profit policies are as follows:

	Current valuation	Previous valuation
<b>Gross investment return</b>	See below	See below
<b>Risk discount rate</b>	See below	See below
<b>RPI Inflation</b>	3.20%	2.70%
<b>Expense inflation</b>	4.20%	3.70%

A market-consistent valuation was used to determine the value of future profits on non-profit insurance contracts written within the National Provident Life Limited Fund. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment fees.

The risk free yield curves (gilt yield curve plus 10 basis points) were:

<b>Implied zero curve (gilts + 10bp) spot rates</b>		
<b>Year</b>	<b>Zero curve</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
1	0.50%	0.32%
2	0.89%	0.43%
3	1.31%	0.60%
4	1.71%	0.80%
5	2.08%	1.01%
10	3.31%	1.99%
15	3.79%	2.70%
20	3.91%	3.18%
25	3.93%	3.49%
30	3.90%	3.66%
35	3.85%	3.73%
40	3.81%	3.73%

**(2) Amount Determined Under INSPRU 1.3.33(2)(R)**

Not applicable.

**(3) Valuation Of Contracts Written Outside The Fund**

Not applicable.

**(4) Different Sets Of Assumptions**

Not applicable.

### 3. With-Profits Benefit Reserve Liabilities

#### (1) Calculation Of With-Profits Benefits Reserve

A retrospective method has been used to calculate the with-profit benefits reserves for all significant classes of with-profit insurance contracts. This method is the calculation of an asset share.

The following table shows the method used to calculate the with-profit benefits reserve for each class of product and the amount of the with-profit benefits reserve and the future policy related liabilities for each class:

Product class	With-profit benefits reserve, £m	Future policy related liabilities, £m
Conventional with-profit life	3	8
Conventional with-profit pensions	142	220
Accumulating with-profit	1,476	603
Capital Account/Deposit Administration	75	2
<b>Total</b>	<b>1,695</b>	<b>833</b>

#### (2) Correspondence With Form 19

The future policy related liabilities shown at line 49 in Form 19 also include allowance for financing costs of £125.1 million, £32.3 million of other long-term insurance liabilities and £103.6 million surplus as a liability to shareholders within the other long term liabilities.

#### (3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

#### (4) Types Of Products

Not applicable.



#### 4. With-Profits Benefits Reserve – Retrospective Method

##### (1) Retrospective Methods

- (a) 100% of the with-profit benefits reserve that has been calculated using a retrospective method has been calculated on an individual basis.
- (b) Not applicable.
- (c) Not applicable.

##### (2) Significant Changes To Valuation Method

- (a) Not applicable.
- (b) Not applicable.

##### (3) Expense Allocation

The Schedule 2C Scheme (the “Demutualisation Scheme”) effected at the time of the demutualisation, 1 January 2000, specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy or per benefit, with the policy and benefit counts calculated as at 1 July each year. Investment management expenses are expressed as a percentage of funds under management. Expenses that are not deemed to be administration or investment management expenses can only be charged to the fund if deemed appropriate by the National Provident Life Limited Actuarial Function Holder and With-Profits Actuary.

- (a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2013.
- (b) The calculation of the administration expenses chargeable to the fund is performed annually.
- (c) (i) No expenses were identified as initial expenses.

(ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2013:

	<b>Maintenance expenses, £m</b>	<b>Investment management expenses, £m</b>
Conventional with-profit life	0.1	0.0
Conventional with-profit pensions	0.9	0.1
Accumulating with-profit	9.0	1.4
Capital Account/Deposit Administration	0.5	0.1
<b>Total</b>	<b>10.7</b>	<b>1.6</b>

The maintenance expenses above are in line with the Demutualisation Scheme.

(iii) For conventional with-profit policies, the expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves. The maintenance expenses vary by product line, as set out in the Demutualisation Scheme.

For unitised with-profit, capital account and deposit administration policies, an allowance for expenses is made through the annual management charge expressed as a percentage of the with-profit benefits reserves rather than the per policy amount set out in the Demutualisation Scheme.

(iv) Additional maintenance expenses were charged to the fund in respect of non-profit and unit-linked business of £9.5m. Including the investment management fees of £1.6 million charges to with-profits asset share, investment management fees of £3.5 million were charged to the fund.

The following table shows the expense amounts charged to the fund in addition to the administration expenses and investment management fees. None of these expenses were charged to the with-profit benefits reserves.

	<b>Additional expenses, £m</b>
Audit fees	0.14
Regulatory fees	0.16
Securitized loan/Bank of Ireland administration costs	0.52
Charge for AFH and WPA services	0.30
Charges including professional indemnity fee	0.07
Reciprocation costs with Premier Pension Trustees on business within NPLL	0.02
Other Expenses	0.49
<b>Total</b>	<b>1.69</b>

#### **(4) Significant Charges**

A charge of 2% was deducted from the with-profit benefits reserves during the financial year and held in an earmarked account in accordance with the management actions described below. Due to a negative smoothing account balance at the start of the year, smoothing charges of £0.8 million were credited to the with-profit benefits reserves during the financial year. For the previous financial year, a similar charge of 2% was deducted from the with-profit benefits reserves and held in the earmarked account. Smoothing charges of £0.3 million were deducted from the with-profit benefits reserves during the previous financial year.

#### **(5) Charges For Non-Insurance Risk**

No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.

#### **(6) Ratio Of Claims To Reserve**

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below:

<b>Average Claim Payout Ratio (%)</b>	
<b>Year</b>	<b>Payout Ratio</b>
2013	123%
2012	120%
2011	122%

**(7) Allocated Return**

The investment return (before tax and expenses) allocated to the with-profit benefits reserve (other than Capital Account and Deposit Administration business) in respect of the financial year was 2.92%.

The investment return allocated to the with-profit benefits reserve for Capital Account and Deposit Administration business in respect of the financial year was 2.85%. The investment return in respect of Capital Account and Deposit Administration business is calculated from the assets hypothecated to that business.

## 5. With-Profits Benefits Reserve – Prospective Method

### (1) Key Assumptions

Not applicable.

### (2) Different Sets Of Assumptions

Not applicable.

## 6. Costs of Guarantees, Options and Smoothing

### (1) De Minimis Limit

Not applicable.

### (2) Valuation Methods For Guarantees etc.

- (a) The following table shows the valuation methods and the type of data used to calculate the cost of guarantees, options and smoothing for NPLL business:

Business	Method used	Proportion of contracts valued on an individual basis	Proportion of contracts valued on a grouped basis
All business except for Pension Transfer Plan (GMP underpin)	Full stochastic model	0%	100%
Pension Transfer Plan (GMP underpin)	Deterministic model which calculates time value of Guaranteed Minimum Pension (GMP) underpin using a closed form solution which is a modified Black-Scholes formula for valuing swaptions.	100%	0%

- (b) (i) Not applicable.

(ii) 100% of the with-profits insurance contracts for which costs have been valued using a full stochastic model have been valued on a grouped basis.

(iii) The individual policies have been grouped in a manner consistent with the methods used in practice to determine reversionary and terminal bonuses and MVAs. There are separate groupings for product lines that have separate bonus series or have separate terminal bonus scales. Product lines where the terminal bonus scales are determined in practice according to the policy year of entry are grouped accordingly.

The following table sets out the grouping criteria used for each product class:

<b>Product class</b>	<b>Grouping criteria</b>
Conventional with-profit life	Entry year and maturity year
Conventional with-profit pensions	Entry year, maturity year, age at maturity and premium payment type
Accumulating with-profit life	Entry year
Accumulating with-profit pensions	Maturity year and age at maturity
Capital Account	Maturity year and age at maturity
Deposit Administration	Maturity year

In total there are 252,801 individual policies and members of group schemes, which have been grouped together into 21,857 model points.

The grouping is validated by comparing the cost of guarantees from the business using grouped data with those obtained using the individual policy data.

(c) Not applicable.

**(3) Significant Changes**

No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

**(4) Further Information on Stochastic Approach**

(a) (i) The main contractual guarantee costs valued are:

Lump sum benefits, where the sum assured and attaching reversionary bonuses, plus any guaranteed or discretionary future reversionary bonuses, is payable either at maturity, death or at points where no MVA can be applied. The vast majority of these guarantees are in the money.

The Pension Transfer Plan product includes, for a large proportion of cases, a commitment to pay a pension of at least the amount of the attaching Guaranteed Minimum Pension. These guarantees are largely in the money.

The non-contractual guarantee costs valued are:

The Mortgage Endowment Promise where National Provident Life Limited will pay an amount at least equal to the mortgage the policy was originally taken out to cover, subject to certain conditions on the fund's investment performance. These guarantees are largely in the money.

The costs of financial options relate to:

Guaranteed annuity rates applying on Deposit Administration business, where a guaranteed annuity rate specified in the contract can be applied at retirement to convert the cash benefits into annuity benefits. Generally, these annuity rate guarantees are in the money.

The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.

(ii) The asset model assumes that:

The asset model used was the Barrie & Hibbert market consistent asset model which assumes that:

The interest rate calibration process is as follows:

- Interest rates follow an annual LIBOR market model on gilts + 10 basis points.
- The initial yield curve is a direct input to the LIBOR Market Model. The model calibration is based on the market spot rates and swaption volatilities. The interest rate volatilities are calibrated to swaption implied volatilities. The fitting method is weighted least squares over the swaption volatility surface.
- The equity model has been calibrated to implied volatilities on at-the-money FTSE options. As equity returns are calculated in excess of the short-term interest rate, the stochastic interest-rate model introduces a term structure of implied volatility (even though the excess volatility is fixed).
- It is not currently possible to observe meaningful option prices for the property market from which implied levels of property volatility can be derived. A real world estimate of levels of volatilities has therefore been used in the market-consistent calibration. Ideally, the volatility parameter would be set to reflect the prices of long-term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. As property returns are calculated in excess of the short-term interest rate, the stochastic interest rate model introduces a term structure of implied volatility (even though the excess volatility is fixed).
- The corporate bond process is calibrated using real world unconditional estimates of long term transition probabilities, spread volatilities and corporate bond spreads at 31 December 2013. To fit the model, the fit is targeted to the average duration of 10 years with the spread of 57 basis points which reflects the average rating and duration on the bonds in the actual portfolio.

The following table shows the market data used to calibrate the equity process:

<b>Implied volatility of at the money FTSE-100 put options (%)</b>					
<b>Option Term</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
31 December 2013	14.30%	16.00%	17.00%	18.10%	18.90%

Source: Barrie and Hibbert

The correlation assumptions used are listed in the table below. These assumptions are derived from Barrie & Hibbert best estimate assumptions.

<b>Correlation factors between asset classes</b>				
	<b>Equity</b>	<b>Property</b>	<b>Government bonds</b>	<b>Nominal short-rate</b>
Equities	100%	35%	17%	-10%
Property		100%	10%	-10%

Source: Barrie and Hibbert

(iii) The following table shows the annualised compound equivalent of the risk free rate assumed for each duration and values derived from the asset model of specified assets/options:

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	2.10%	3.79%	3.92%	3.85%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	£901,219	£572,747	£382,568	£266,879	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	£69,182	£209,733	£327,480	£415,414	£167,238	£350,358	£497,369	£601,043	£522,804	£703,717	£878,388	£1,001,737
3		FTSE All Share Index (p=0.8)	£64,853	£172,108	£247,437	£295,304	£157,223	£288,166	£378,528	£430,438	£495,975	£584,637	£675,204	£722,843
4		Property (p=1)	£34,702	£109,450	£180,502	£235,864	£138,604	£245,314	£333,851	£402,698	£519,820	£618,616	£715,026	£792,807
5		Property (p=0.8)	£30,776	£77,706	£114,390	£137,770	£127,520	£183,015	£224,612	£248,758	£492,316	£492,453	£508,602	£518,035
6		15 year risk free zero coupon bonds (p=1)	£19,966	£16,479	£11,974	£18,303	£90,199	£78,763	£80,318	£116,513	£500,674	£498,599	£500,161	£521,659
7		15 year risk free zero coupon bonds (p=0.8)	£17,796	£9,450	£4,194	£2,776	£81,070	£42,762	£22,005	£22,521	£470,059	£343,924	£257,695	£224,383
8		15 year corporate bonds (p=1)	£21,133	£24,669	£28,311	£41,952	£94,270	£100,563	£110,454	£146,355	£500,561	£499,075	£501,101	£527,059
9		15 year corporate bonds (p=0.8)	£18,799	£14,150	£11,534	£11,859	£85,070	£59,927	£45,003	£47,664	£470,068	£348,986	£271,195	£245,738
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	£41,224	£145,886	£243,554	£320,886	£130,708	£276,723	£400,186	£492,988	£510,672	£630,514	£770,494	£880,318
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£37,839	£113,305	£173,110	£214,592	£120,597	£217,836	£289,943	£334,549	£482,210	£509,016	£570,201	£609,015
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£32,598	£119,660	£202,664	£277,975	£116,599	£239,777	£349,260	£440,847	£504,402	£589,748	£713,351	£816,181
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£29,656	£90,629	£140,376	£181,232	£106,834	£185,027	£244,821	£290,689	£474,839	£466,339	£515,979	£552,647
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£16,681	£69,594	£128,433	£187,750	£92,133	£176,435	£258,617	£332,903	£501,235	£539,842	£620,924	£700,353
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£14,596	£47,611	£78,994	£107,970	£82,425	£125,301	£164,047	£198,730	£471,001	£408,749	£419,848	£438,654
			L=15				L=20				L=25			
16		Receiver swaptions	10.73%	9.98%	8.15%	6.16%	13.30%	12.30%	9.95%	7.43%	15.60%	14.27%	11.42%	8.44%

The credit model used to determine the realistic balance sheet is implemented within the ALM. This model includes bonds based on the duration of the liabilities and the average credit quality of the corporate bond portfolio; it does not have the functionality to reproduce the corporate bond returns required for the above table (i.e. all bond holdings have a rolling duration of 15 years and all corporate bond holdings are AA-rated). The credit model in the ALM is driven by a credit risk driver from the ESG's credit model, and the underlying credit model behind both the ESG and the ALM is the extended version of the Jarrow, Lando and Turnbull (JLT) model. Hence we have used output from the credit model in the ESG to produce the results in the above table.

(iv) The equity dividend yield has been set to 3.46% and the property rental yield has been set to 4.30%.

(v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.

(vi) The average outstanding durations of significant guarantees by main product type are shown in the table below:

<b>Product type</b>	<b>Outstanding duration of guarantees (years)</b>
Endowments	3
UWP	9
Profit Sharing Account	6
Capital Account / Deposit Administration	5

The fit of the asset model to specimen swaptions and put options is demonstrated below:

<b>Ratio of simulated swaption values to pseudo swaption prices</b>				
<b>Option maturity</b>	<b>Swap length</b>			
	<b>10 years</b>	<b>15 years</b>	<b>20 years</b>	<b>30 years</b>
10 years	102.56%	98.72%	97.15%	93.72%
15 years	98.90%	96.36%	96.10%	93.53%

Note: The figures are based on swaptions consistent with the gilts + 10bp risk free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

As the guarantees are most significant for the UWP business, the table above demonstrates that the scenarios can be used to reproduce market prices of swaptions at the average outstanding durations of significant guarantees.

(vii) It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. In a market-consistent model, the expected value (or average discounted value) of £1 invested in cash, gilts, property or equities equals £1 (the “one=one” test). The observed error was small and the scenarios are considered to have passed the no-arbitrage test. Corporate bond returns exhibit positive drift, which is addressed by calibrating the credit model to the average spreads of the credit assets held in the portfolio rather than using the standard Barrie & Hibbert calibration. This significantly reduces the observed drift and an additional reserve is then held to allow for the effect of the remaining drift.

(viii) The assets and liabilities have been computed using 2000 (1000 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the NPLL fund guarantee costs converge well within 2000 scenarios, from which we can conclude that 2000 scenarios are sufficient.

(b) Not applicable.

(c) Not applicable.



## (5) Management Actions

The terms of the Demutualisation Scheme required a Life Capital Account to be maintained within the shareholder fund of NPLL and two Capital Funds (the Loan Capital Fund and the Transfer Capital Fund) to be maintained within the long term fund. The £800 million of overcoat capital was initially held within the Life Capital Account. The Demutualisation Scheme included the possibility of drawing down money from the Life Capital Account to the Capital Funds, which occurred in 2002.

At 31 December 2013 the remaining overcoat capital is held in the Transfer Capital Fund.

- (a) The management actions implemented within the model as at 31 December 2013 stipulate that any asset share charge in each year would be equal to any realistic basis deficit assuming no management actions were to be applied. For the purpose of realistic balance sheet, we have assumed an annual maximum charge of 2% of asset shares (subject to an overall cap of 25%). No other management actions were assumed.

Any charges to asset shares will be accumulated in a separate account, the "Asset Share Charge Fund", which will not be used to pay for guarantees unless the overcoat has been exhausted. The Asset Share Charge Fund could also be used to pay for the financing costs, but only if the cash estate is exhausted.

This treatment of charges means that the balance of the Asset Share Charge Fund would be rebated to asset shares if it later became apparent that the prior years' charges had been too large. The Asset Share Charge Fund is considered as a contingent liability; effectively an amount payable to asset shares and hence to policyholder benefit.

- (b) The estimated proportions of equities (both UK and non-UK) backing the with-profit benefits reserves are as follows:

	31 December 2013	31 December 2018	31 December 2023
Proportion of equities backing with-profit benefits reserves	1%	6%	5%

These proportions apply in each of the three scenarios.

Current reversionary bonus rates on UWP Life business are 3% on Series I units and 0% on Series II to Series VII units. Current reversionary bonus rates are 4% on Pensions UWP Series I ordinary units and 0% on both Pensions UWP Series I initial units and Series II ordinary units. These rates are not expected to change in the future and the modelling assumes that this is the case.

## (6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table:

Product		Average lapse / surrender / paid up rate for the policy years
		All Durations
CWP savings endowment	surrender	1.00%
CWP target cash endowment	surrender	1.00%
UWP bond	surrender	4.90%
UWP bond	automatic withdrawal	100% of current
UWP ind pension regular premium	PUP	15.00%
UWP ind pension regular premium	surrender	4.40%
UWP ind pension single premium	surrender	1.40%

Note: the "UWP ind pension regular premium" surrender rate is assumed for single and regular premium UWP non-DSS pensions. The "UWP ind pension single premium" surrender rate is assumed for UWP DSS pensions.

100% take up rate is assumed on all guaranteed annuity options or guaranteed conversion options.

The annuitant mortality tables used to determine the cost of guaranteed annuity options is 102% of RMV00 for male lives and 102% of RFV00 for female lives.

Future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013) blending historic improvement data with a long term annual improvement assumption of 2% up to age 75 reducing linearly to 0% at age 110.

## (7) Policyholders' Actions

There is no allowance for any policyholder actions that would be taken by policyholders in the projection of the assets and the liabilities.

## 7. Financing Costs

The future policy related liabilities also include allowance for a number of financing arrangements:

Breakdown of financing costs in Form 19 (F19 L45)	£m
Securitised loan	114.8
Earmarked portfolio	3.6
Shareholder equalisation fund	0
Capital funds	6.7
<b>Financing costs</b>	<b>125.1</b>

**(1) Securitised loan**

Future profits from a particular block of accumulating with-profit and unit linked business have been securitised. The repayments to the bondholders follow a fixed payments schedule until 2023 and are met from the surplus arising on the securitised block of business. The nominal amount outstanding currently stands at £105 million and nominal amount outstanding including interest payments currently stands at £145.4 million, where interest payments are calculated at 7.59730% for the Class A2 bonds (the Class A1 bonds have been repaid in full as at September 2012). The stochastic model tests whether the surplus on the appropriate classes of business is sufficient to meet the scheduled payment, and the cashflows are then discounted using the scenario specific discount rates. The expected market consistent value of the amounts to be repaid is £114.8 million.

**(2) Capital funds**

At the time of the demutualisation in December 2000, £800 million of capital support was provided to National Provident Life Limited. This support was subsequently passed to the long-term fund.

Repayments of capital and of the accumulated investment return are made according to a formula in the Demutualisation Scheme, but only to the extent that a “deficit” has not arisen. A deficit in this context exists when, and to the extent that, in the opinion of the Actuarial Function Holder, the admissible value of the assets in the long-term fund falls short of the greater of:

- (a) The liabilities in the long term fund; and
- (b) Amounts determined by the Actuarial Function Holder as necessary to be held in the long-term fund to meet Policyholders Reasonable Expectations (PRE) and to manage the fund in accordance with the Principles of Financial Management (as described in the Demutualisation Scheme).

Support charges of up to 1.75% per annum are payable provided there is a Form 58 surplus arising or there would be a surplus arising but for the payment of the support charge.

The balance on the Transfer Capital Fund at 31 December 2013 is £156.1 million. At 31 December 2012 the balance was £163.6 million.

Currently no repayments of capital or of accumulated investment returns are being made.

In February 2013 a moratorium on the payment of support charges arising in the Transfer Capital Fund until 31 December 2014 was approved.

The stochastic model assumes that repayment occurs in accordance with the rules governing the repayment as set out in the Demutualisation Scheme. The expected amount to be repaid is £0.04 million: this amount excludes the support charges.

The value of the capital funds of £6.7 million shown above represents the value of the future support charges to be paid on the capital funds and is net of tax on investment income on the overcoat funds of £0.670 million. The tax amount is reported in line 47 of Form 19.

### (3) Shareholder Equalisation Fund

At the time of NPLL's transfer of the SERP business to PLAL, a "Shareholder Equalisation Fund" was established in the long term fund of NPLL by way of an amendment to the Demutualisation Scheme. The initial value of the Shareholder Equalisation Fund was determined on a basis defined in the Demutualisation Scheme and will be released to shareholders over time unless it is required to meet guarantee benefits. Over 2011, the solvency of the fund was eroded significantly due to adverse market movements. As this liability is contingent on the solvency of the fund and ranks before the earmarked portfolio in terms of priority order of capital support, this liability was assumed not to be payable at 31/12/2012. This assumption still holds at 31/12/2013.

### (4) Earmarked portfolio

The earmarked portfolio is a pool of assets provided by the shareholder, which have been placed in the long-term fund. This portfolio is not available for distribution to the with-profit policyholders as distributable estate.

It includes a loan of £52 million which is subject to a financing charge of 4.75% per annum plus the investment return on the assets.

The amount of £3.6 million shown above is the value of the financing costs net of the face value of £52 million.

## 8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below:

<b>Other Long-Term Insurance Liabilities at 31 December 2013 (£m)</b>	
<b>Liability</b>	<b>Value</b>
Potential amount of future tax and investment expenses charged to the estate and overcoat	6.2
An additional liability to shareholders as described in paragraph 3 (2)	103.6
The reserve in respect of MVAs on Portfolio Bond 1 switches, on business reassured to Phoenix Life Assurance Limited, where the National Provident Life Fund cannot pass this cost onto the policyholders;	1.0
Additional Expense Reserve	24.4
Data provision	0.7
Total	135.9
<b>Form 19 Line 47</b>	<b>135.9</b>

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly.'

## 9. Realistic Current Liabilities

The regulatory current liabilities comprise of the other current liabilities as reported within Form 14 lines 17 to 41.

The realistic current liabilities of £159.4 million shown at line 51 of Form 19 are the same as the regulatory current liabilities except for a reduction by the accruals in respect of the financing arrangements, to the extent that these are included in the stochastic model.

The reconciliation of realistic to regulatory current liabilities is shown below:

	£m
Regulatory current liabilities	161.6
less subordinated debt accrual	0.2
less securitised loan accrual	2.0
Realistic current liabilities	159.4

## 10. Risk Capital Margin

- (a) There is no risk capital margin held for National Provident Life Limited at 31 December 2013. The shareholder value of £103.6 million is now represented as a liability and is sufficient to cover the risk capital margin stresses. Under the risk capital margin stresses the shareholder value is impaired by £73.2 million leaving £30.3 million of shareholder value.

The most onerous scenario for National Provident Life Limited is that which combines:

- (i) The percentage changes in the market value of equities and real estate for the purposes of the market risk scenario for UK assets were 20% and 12.5% respectively. A fall in the market value of these assets was the more onerous in each case.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.60%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 3.45%. A fall in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the with-profit sub fund's assets was 65 basis points.

- (a) The change in value for the with-profit sub fund bond assets was a 1.45% decrease in asset value.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.
- (e) There was no change in value for other assets in the with-profit sub fund.

(iv) The persistency risk scenario resulted in a 2.18% increase in the realistic value of liabilities.

(v) Not applicable.

(b)

(i) No additional management actions other than those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.

(ii) Not applicable.

(iii) Not applicable.

(iv) Not applicable.

(c)

(i) Not applicable.

(ii) Not applicable.

## 11. Tax

(i) For assets backing the with-profit benefits reserve, policyholder taxes are calculated on an "I-E" tax basis applicable to BLAGAB business and deducted from the with-profit benefit reserve. The tax rate assumed was 20% on savings income, rental income and indexed capital gains. Tax relief on expenses has been assumed to be at 20%. No tax is assumed on pensions business.

(ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profit benefits reserve and is included in the other long term insurance liabilities shown in Form 19 line 47.

(iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

## 12. Derivatives

Broad type of derivative	Description	Details	Market value (000 '£)	Nominal value (000 '£)
Swap	UK Interest Rate Swap	Receiver	(45,806)	478,830
Swap	UK Interest Rate Swap	Payer	15,363	(573,370)
Swap	Inflation indexed swaps	Receiver of RPI	(5,096)	110,257
Currency Forwards	Currency Forwards	Buy GBP	87	5,815
Total Return Swap	Total Return Swap		(1,764)	(43,000)
Future Gilt	Future Gilt		867	(37,700)

### 13. Analysis of Working Capital

The following table sets out the significant movements in the working capital, shown in Form 19 line 68, from 31 December 2012 to 31 December 2013:

	£ million
<b>Working capital at 31 December 2012</b>	<b>0.0</b>
<b>Opening zeroisation impact</b>	<b>41.1</b>
Model and methodology changes	2.2
Assumption changes – Non economic	3.0
<b>Roll forward:</b>	
Expected return and other movements	3.3
<b>Investment returns:</b>	
Equity variance	4.4
Property variance	1.4
Impact of change in fixed interest yields	20.9
Variance due to credit spreads	19.7
<b>Miscellaneous:</b>	
Actual policy movements differing from expected	(1.1)
Other	1.3
Guardian transfer	13.8
Unexplained	(6.3)
<b>Shareholder liability</b>	<b>(103.6)</b>
<b>Working capital at 31 December 2013</b>	<b>0.0</b>

### 14. Optional Disclosure

Not applicable.

## Returns under the Accounts and Statements Rules

### Statement of information on the actuary who has been appointed to perform the with-profits actuary function as required by rule 9.36

#### NATIONAL PROVIDENT LIFE LIMITED

##### Global Business

##### Financial year ended 31 December 2013

The with-profits actuary up until 31 March 2013 was Mr D Addison. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr D Addison is in respect of the period during 2013:

1. a) Mr Addison held no shares or share options in 2013.  
b) Mr Addison had no transactions with the insurer throughout 2013.  
c) The aggregate of the remuneration and value of other benefits receivable by Towers Watson Limited (the employer of Mr Addison), from the insurer during the period specified was £1,244,163 exclusive of VAT.  
d) Mr Addison was not a member of any Phoenix Staff Pension Scheme (National Provident Life Limited being a subsidiary of Phoenix Life Assurance Limited) in 2013 and was not entitled to any benefits under the rules of such scheme. Mr Addison did not therefore accrue pension benefits in such scheme throughout 2013.
2. The insurer has made a request to Mr Addison to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained with the agreement of Mr Addison.

##### Note 1

Under rule 9.36(4) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to other subsidiary undertakings of its parent undertaking.

##### Note 2

Regarding Section 1(c) the remuneration details supplied relate to the contractual sums paid to Towers Watson Limited for the provision of actuarial services. These services include the performance of the with-profits actuary function by Mr D Addison.



## Returns under the Accounts and Statements Rules

### Statement of information on the actuary who has been appointed to perform the with-profits actuary function as required by rule 9.36

#### NATIONAL PROVIDENT LIFE LIMITED

##### Global Business

##### Financial year ended 31 December 2013

With effect from 1 April 2013, the actuary who was appointed to perform the with-profits actuary function was Mr K J Arnott.

- 1 (a) During the year Mr Arnott held up to 574 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan. He also held options to subscribe for up to 59,471 shares in PGH granted under the Company's Long Term Incentive Plan.
  - (b) Mr Arnott held an insurance policy issued by the insurer in the normal course of business, the transactions being of a minor nature.
  - (c) The aggregate of the remuneration and value of other benefits receivable by Mr Arnott from the insurer during the period was £237,838.
  - (d) Mr Arnott was a member of the PGL Pension Scheme throughout the year, and was entitled to the standard benefits under the rules of the scheme.
- 2 The insurer has made a request of Mr Arnott to furnish to it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the permission of Mr Arnott.

#### Note 1

Under rule 9.36(4) of IPRU(INS), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

**Returns under the Accounts and Statements Rules**

**Certificate required by rule 9.34(1)**

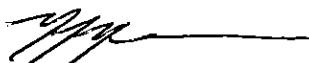
**NATIONAL PROVIDENT LIFE LIMITED**

**Global Business**

**Financial year ended 31 December 2013**

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waiver in supplementary note 0201; and  
(b) we are satisfied that:
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;  
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;  
(c) the with profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and  
(d) we have, in preparing the return, taken and paid due regard to-
  - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



M J Merrick  
Chief Executive



A Moss  
Director



S C True  
Director

Date: 18 March 2014

## Returns under the Accounts and Statements Rules

### Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

#### NATIONAL PROVIDENT LIFE LIMITED

##### Global business

##### Financial year ended 31 December 2013

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 19, 40 to 44, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

We are not required to audit and do not express an opinion on:

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate required by IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's Directors, in accordance with IPRU(INS) rule 9.35. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required by the Rules to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction on 6 December 2012 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and, referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

**Returns under the Accounts and Statements Rules**

**Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**NATIONAL PROVIDENT LIFE LIMITED**

**Global business**

**Financial year ended 31 December 2013**

**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 <sup>2</sup> March 2014. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

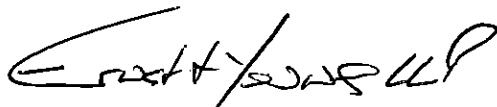
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

**Opinion**

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules, as modified, and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP  
Statutory Auditor  
London

<sup>2</sup> March 2014