NATIONAL PROVIDENT LIFE LIMITED

Annual FSA Insurance Returns for the year ended

31 December 2012

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

Contents

Balance Sheet and Profit and Loss Account

Long Term Insurance Business: Revenue Account and Additional Information

15032013:17:04:30

Form 2

Statement of solvency - long-term insurance business

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**
Solo solvency calculation	

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3641947	GL	31	12	2012	£000

		As at end of this financial year	As at end of the previous year
		1	2
Capital resources			
Capital resources arising within the long-term insurance fund	11	100	49316
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	364063	214991
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	364163	264307
Guarantee fund			
Guarantee fund requirement	21	44163	56736
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	314054	178277
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	132489	170207
Resilience capital requirement	32		
Base capital resources requirement	33	2984	3056
Individual minimum capital requirement	34	132489	170207
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	132489	170207
Excess (deficiency) of available capital resources to cover 50% of MCR	37	202419	91189
Excess (deficiency) of available capital resources to cover 75% of MCR	38	169296	48637
Enhanced capital requirement			
With-profits insurance capital component	39		11301
Enhanced capital requirement	40	132489	181508
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	132489	181508
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	231674	82798
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Covering Sheet to Form 2

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**

....	**M J Merrick**	**Chief Executive**
....	**A Moss**	**Director**
....	**M D Ross**	**Director**

Date **18 March 2013**

15032013:17:04:30

Form 3
(Sheet 1)

Components of capital resources

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2012

	Company registration number	GL/UK/CM	day	month	year	Units
R3	3641947	GL	31	12	2012	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	11		10000	10000	10000
Profit and loss account and other reserves	12		337390	337390	139509
Share premium account	13				
Positive valuation differences	14				49467
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		347390	347390	198976
Tier one waivers					
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				
Other tier one capital					
Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				
Total tier one capital before deductions (19+24+25+26+27+28)	31		347390	347390	198976
Investments in own shares	32				
Intangible assets	33		22706	22706	22683
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		56021	56021	
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		78727	78727	22683
Total tier one capital after deductions (31-37)	39		268663	268663	176293

15032013:17:04:30

Form 3
(Sheet 2)

Components of capital resources

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3641947	GL	31	12	2012	£000

Tier two capital

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52		95500	95500	108500
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		95500	95500	108500
Total tier two capital before restrictions (49+59)	61		95500	95500	108500
Excess tier two capital	62				
Further excess lower tier two capital	63				20354
Total tier two capital after restrictions, before deductions (61-62-63)	69		95500	95500	88146

Components of capital resources

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3641947	GL	31	12	2012	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		364163	364163	264439
Inadmissible assets other than intangibles and own shares	73				133
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		364163	364163	264307
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		358217	358217	235013
Available capital resources for 50% MCR requirement	82		268663	268663	176293
Available capital resources for 75% MCR requirement	83		268663	268663	176293
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				34853
Any other charges on future profits	95		38064	38064	44172
Sum of financial engineering adjustments (91+92-93+94+95)	96		38064	38064	79024

15032013:17:04:30

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

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	2012	£000	1

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11		
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	287989	107316
Rights under derivative contracts		44	826	4201
Fixed interest securities	Approved	45	56022	54482
	Other	46	467	474
Variable interest securities	Approved	47	258	
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

15032013:17:04:30

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**
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	2012	£000	1

			As at end of this financial year 1	As at end of the previous year 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	46713	79843
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	485	484
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	663	582
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	393422	247382

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**
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	2012	£000	1

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	393422	247382
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	71912	22664
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	465334	270046

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	46015	18221

15032013:17:04:30

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

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	2012	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	92167	104562
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	941	1533
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	414727	504412
Rights under derivative contracts		44	65336	721753
Fixed interest securities	Approved	45	1947694	1949815
	Other	46	528645	511779
Variable interest securities	Approved	47	4633	92
	Other	48	108682	113985
Participation in investment pools		49		
Loans secured by mortgages		50	62	60
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	212	309
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	1277	1502
	Property linked	59	1920	2045

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

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	2012	£000	10

			As at end of this financial year 1	As at end of the previous year 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	5723
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	605	2617
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	115457	278418
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	28818	30282
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	528	1060
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	3311722	4229947

15032013:17:04:30

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

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	2012	£000	10

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

		As at end of this financial year 1	As at end of the previous year 2
Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3311722	4229947
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	22706	22816
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2335620	3404259
Other asset adjustments (may be negative)	101	(82968)	(32504)
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	5587079	7624518

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

15032013:17:04:30

Form 14

Long term insurance business liabilities and margins

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**
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
Mathematical reserves, after distribution of surplus		11	3111664	3121717
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	100	49316
Long term insurance business fund carried forward (11 to 13)		14	3111765	3171033
Claims outstanding	Gross	15	10564	13134
	Reinsurers' share	16		
	Net (15-16)	17	10564	13134
Provisions	Taxation	21		
	Other risks and charges	22	405	443
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		78
	Reinsurance accepted	32		
	Reinsurance ceded	33	1597	10590
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	70619	81282
Creditors	Taxation	37	3158	3181
	Other	38	109389	946177
Accruals and deferred income		39	4225	4030
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	199958	1058915
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	3311722	4229947

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2278	2225
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1920	2045

Total liabilities (11+12+49)	71	3311622	4180632
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2335620	3404259
Other adjustments to liabilities (may be negative)	74	(60162)	39627
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	5587079	7624518

Liabilities (other than long term insurance business)

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2012**

	Company registration number	GL/UK/CM	day	month	year	Units
R15	3641947	GL	31	12	2012	£000

			As at end of this financial year 1	As at end of the previous year 2
Technical provisions (gross amount)				
Provisions for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other technical provisions		16		
Total gross technical provisions (11 to 16)		19		
Provisions and creditors				
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49	25480	6545
Accruals and deferred income		51	3879	5492
Total (19 to 51)		59	29360	12037
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	95500	108500
Total (59 to 63)		69	124860	120537
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance		71	95500	108500
Amounts deducted from technical provisions for discounting		82		
Other adjustments (may be negative)		83	(6916)	
Capital and reserves		84	347390	149509
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)		85	465334	270046

Profit and loss account (non-technical account)

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

	Company registration number	GL/UK/CM	day	month	year	Units
R16	3641947	GL	31	12	2012	£000

			This financial year 1	Previous year 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	(51679)	
Investment income	Income	14	7183	15346
	Value re-adjustments on investments	15		2132
	Gains on the realisation of investments	16		6232
Investment charges	Investment management charges, including interest	17	8151	10025
	Value re-adjustments on investments	18	1868	
	Loss on the realisation of investments	19	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		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	(55467)	13685
Tax on profit or loss on ordinary activities		31	(45506)	(13840)
Profit or loss on ordinary activities after tax (29-31)		39	(9961)	27525
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	(9961)	27525
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	(9961)	27525

Analysis of derivative contracts

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2012**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	3641947	GL	31	12	2012	£000	1

Derivative contracts			Value as at the end of this financial year		Notional amount as at the end of this financial year	
			Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	11				
	Interest rates	12				
	Inflation	13				
	Credit index / basket	14	799			99836
	Credit single name	15				
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	27	30	7053	7536
	Mortality	20				
	Other	21				
In the money options	Swaptions	31				
	Equity index calls	32				
	Equity stock calls	33				
	Equity index puts	34				
	Equity stock puts	35				
	Other	36				
Out of the money options	Swaptions	41				
	Equity index calls	42				
	Equity stock calls	43				
	Equity index puts	44				
	Equity stock puts	45				
	Other	46				
Total (11 to 46)		51	826	30	7053	107372
Adjustment for variation margin		52				
Total (51 + 52)		53	826	30		

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 2012**

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

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17	3641947	GL	31	12	2012	£000	10

Derivative contracts			Value as at the end of this financial year		Notional amount as at the end of this financial year	
			Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4
Futures and contracts for differences	Fixed-interest securities	11				
	Interest rates	12	63623	34993	1862059	1992013
	Inflation	13	1547	285		123050
	Credit index / basket	14				
	Credit single name	15				
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	10			9854
	Mortality	20				
	Other	21	156	534	36200	6800
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	65336	35813	1898259	2131717
Adjustment for variation margin		52				
Total (51 + 52)		53	65336	35813		

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 2012**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	**11**	3311722	4229947
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	**13**	181462	194332
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	**14**		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	**15**		
	Total (11+12-(13+14+15))	**19**	3130260	4035615
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	2930202	2927385
	Regulatory current liabilities of the fund	**22**	199958	1058915
	Total (21+22)	**29**	3130160	3986299
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	117372	117476
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		**39**	3247532	4103775
Regulatory excess capital (19-39)		**49**	(117272)	(68160)

Realistic excess capital

Realistic excess capital	**51**	(56733)	(79461)

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	**61**	(60539)	11301
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	**62**	65000	65000
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	**63**	67346	68185
Present value of future shareholder transfers arising from distribution of surplus	**64**		
Present value of other future internal transfers not already taken into account	**65**		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	**66**		11301

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
With-profits fund	**Long Term Insurance Business**
Financial year ended	**31 December 2012**
Units	**£000**

Realistic value of assets available to the fund

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets		11	3130260	4035615
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	71704	73609
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	3201964	4109224
Support arrangement assets		27		
Assets available to the fund (26+27)		29	3201964	4109224
Realistic value of liabilities of fund				
With-profits benefit reserve		31	1808485	1854326
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	(1973)	2367
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	133274	148914
	Future costs of contractual guarantees (other than financial options)	41	1113048	1129515
	Future costs of non-contractual commitments	42	1954	2288
	Future costs of financial options	43	5837	6513
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	139053	187155
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	68332	33214
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1196924	1207405
Realistic current liabilities of the fund		51	196555	1047494
Realistic value of liabilities of fund (31+49+51)		59	3201964	4109224

15032013:17:04:30

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

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

Financial year ended **31 December 2012**

Units **£000**

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
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	3258697	4188686
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	3258697	4188686
Risk capital margin for fund (62-59)	65	56733	79461
Realistic excess capital for fund (26-(59+65))	66	(56733)	(79461)
Realistic excess available capital for fund (29-(59+65))	67	(56733)	(79461)
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	231675	82798
Additional amount potentially available for inclusion in line 63	82		

15032013:17:04:30

Form 40

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 2012**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	(34861)	(53214)
Investment income receivable before deduction of tax	12	104918	110941
Increase (decrease) in the value of non-linked assets brought into account	13	(11754)	181219
Increase (decrease) in the value of linked assets	14	(125)	(678)
Other income	15	11919	14189
Total income	19	70097	252457
Expenditure			
Claims incurred	21	140649	125072
Expenses payable	22	24076	27851
Interest payable before the deduction of tax	23	14929	24737
Taxation	24	1389	2325
Other expenditure	25		
Transfer to (from) non technical account	26	(51679)	
Total expenditure	29	129365	179984
Business transfers - in	31	44489	64883
Business transfers - out	32	44489	64883
Increase (decrease) in fund in financial year (19-29+31-32)	39	(59268)	72473
Fund brought forward	49	3171033	3098559
Fund carried forward (39+49)	59	3111765	3171033

Form 41

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 2012**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	695	18518		19214	21585
Single premiums	12	252	584		836	375
Reinsurance - external						
Regular premiums	13	9			9	9
Single premiums	14		596045		596045	
Reinsurance - intra-group						
Regular premiums	15	(150)	10195		10045	10575
Single premiums	16	197	(551385)		(551188)	64590
Net of reinsurance						
Regular premiums	17	836	8324		9160	11001
Single premiums	18	55	(44076)		(44021)	(64215)
Total						
Gross	19	947	19102		20049	21961
Reinsurance	20	56	54855		54910	75175
Net	21	891	(35753)		(34861)	(53214)

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 2012

Units £000

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	11239	11399		22638	24662
Disability periodic payments	12	4			4	3
Surrender or partial surrender	13	22744	183199		205944	209114
Annuity payments	14	1558	64078		65636	134261
Lump sums on maturity	15	5776	43234		49010	34323
Total	16	41321	301910		343231	402364
Reinsurance - external						
Death or disability lump sums	21	6			6	142
Disability periodic payments	22					
Surrender or partial surrender	23					4
Annuity payments	24		30790		30790	
Lump sums on maturity	25					
Total	26	6	30790		30795	146
Reinsurance - intra-group						
Death or disability lump sums	31	2811	3363		6174	8161
Disability periodic payments	32					
Surrender or partial surrender	33	7073	100956		108029	109955
Annuity payments	34	895	33390		34285	131653
Lump sums on maturity	35	69	23230		23299	27377
Total	36	10847	160939		171786	277146
Net of reinsurance						
Death or disability lump sums	41	8423	8036		16458	16359
Disability periodic payments	42	4			4	3
Surrender or partial surrender	43	15672	82243		97915	99155
Annuity payments	44	663	(101)		561	2608
Lump sums on maturity	45	5707	20004		25711	6947
Total	46	30468	110181		140649	125072

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 2012**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					
Commission - other	12	70	252		321	408
Management - acquisition	13					
Management - maintenance	14	5146	18609		23755	27443
Management - other	15					
Total	16	5215	18861		24076	27851
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42	70	252		321	408
Management - acquisition	43					
Management - maintenance	44	5146	18609		23755	27443
Management - other	45					
Total	46	5215	18861		24076	27851

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business	
Financial year ended	**31 December 2012**
Units	**£000**

		Financial year 1	Previous year 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		
Total assets (excluding cross investment) (11+12+13)	14		
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18		
Directly held linked assets			
Value of directly held linked assets	21	1920	2045
Total			
Value of directly held linked assets and units held (18+21)	31	1920	2045
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	1920	2045

15032013:17:04:30

Form 46

Long-term insurance business : Summary of new business

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business	
Financial year ended	**31 December 2012**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	11					
Single premium business	12					7
Total	13					7
Amount of new regular premiums						
Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
Total	24					
Amount of new single premiums						
Direct insurance business	25	252	584		836	375
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	252	584		836	375

Long-term insurance business : Analysis of new business

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business	
Financial year ended	**31 December 2012**
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)				179
700	Life property linked single premium				73

Long-term insurance business : Analysis of new business

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business	
Financial year ended	**31 December 2012**
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				195
540	Group money purchase pensions UWP - increments				379
730	Individual pensions property linked - increments				9

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 2012**
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	177635	177635	6638	1.99	
Other fixed interest securities	13	336	336	30	7.29	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	294	294	2	0.52	
Total	19	178265	178265	6670	2.00	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	92167	49428	2394	4.84	6.20
Approved fixed interest securities	22	1789557	1789557	70546	2.27	4.47
Other fixed interest securities	23	536751	578794	24442	3.83	10.69
Variable interest securities	24	114074	50297	1529	3.52	10.69
UK listed equity shares	25	368	941			(13.26)
Non-UK listed equity shares	26					
Unlisted equity shares	27	573				
Other assets	28	596770	661242	5040	0.76	0.01
Total	29	3130260	3130260	103951	2.30	4.80
Overall return on with-profits assets						
Post investment costs but pre-tax	31					8.26
Return allocated to non taxable 'asset shares'	32					6.24
Return allocated to taxable 'asset shares'	33					4.55

Form 49

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 2012**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1375822	10.11	1.93	1.93
Other approved fixed interest securities	21	591370	11.60	2.99	2.91
Other fixed interest securities					
AAA/Aaa	31	157822	12.45	3.16	2.86
AA/Aa	32	53074	12.16	3.63	3.21
A/A	33	262010	11.08	4.01	3.40
BBB/Baa	34	105023	11.51	4.46	3.46
BB/Ba	35	1200	4.35	4.57	2.55
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	579130	11.61	3.83	3.24
Approved variable interest securities	41	5916	8.57	1.71	1.71
Other variable interest securities	51	44381	12.09	3.77	3.42
Total (11+21+39+41+51)	61	2596619	10.81	2.62	2.47

Form 50

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 2012**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	11	22862	426947		449809	488075
Form 51 - non-profit	12	21326	762504		783830	1853134
Form 52	13	196020	2293647		2489667	2447744
Form 53 - linked	14	73259	1573284		1646543	1631857
Form 53 - non-linked	15	1051	55573		56624	58915
Form 54 - linked	16	539	17018		17557	42026
Form 54 - non-linked	17	24	595		619	2613
Total	18	315082	5129567		5444648	6524365
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22		569183		569183	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26		14445		14445	
Form 54 - non-linked	27					
Total	28		583629		583629	
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32		90140		90140	1718133
Form 52	33	13185	(1276)		11909	10046
Form 53 - linked	34	71338	1573284		1644623	1629812
Form 53 - non-linked	35	4	2861		2865	3130
Form 54 - linked	36	(24)	1859		1835	40525
Form 54 - non-linked	37	24	595		619	2613
Total	38	84528	1667463		1751991	3404259
Net of reinsurance						
Form 51 - with-profits	41	22862	426947		449809	488075
Form 51 - non-profit	42	21326	103180		124506	135000
Form 52	43	182835	2294923		2477758	2437698
Form 53 - linked	44	1920			1920	2045
Form 53 - non-linked	45	1047	52712		53759	55785
Form 54 - linked	46	564	713		1277	1502
Form 54 - non-linked	47					
Total	48	230554	2878475		3109029	3120106

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 2012**
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	849	13872	79				12945
120	Conventional endowment with-profits OB savings	1024	10042	223				9257
165	Conventional deferred annuity with-profits	10	4					70
205	Miscellaneous conventional with-profits	4	31	0				3
210	Additional reserves with-profits OB							588
390	Deferred annuity non-profit	12	8					95
395	Annuity non-profit (PLA)	1426	1804					12926
435	Miscellaneous non-profit	2611	39555	219				8306

Form 51

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 2012**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
155	Conventional pensions endowment with-profits	7375	165596	310				424313
165	Conventional deferred annuity with-profits	14	8					133
205	Miscellaneous conventional with-profits		34					0
210	Additional reserves with-profits OB							2500
390	Deferred annuity non-profit	1826	5284					74542
400	Annuity non-profit (CPA)	43814	70638					684673
435	Miscellaneous non-profit	4126	130220	446				3749
440	Additional reserves non-profit OB							(460)

Form 51

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 2012**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		63278					569183

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 2012**
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)		7357					90140

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 2012**
Units	**£000**
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	10150	195402		193811	165962	20007	185969
610	Additional reserves UWP						10050	10050

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 2012**
Units	**£000**
UK Life / Reinsurance ceded intra-group	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium		15554		15539	6149	7037	13185

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 2012**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	104870	1817508	6909	1817508	2066047	(3100)	2062947
535	Group money purchase pensions UWP	7299	132241	1548	132241	143979	4101	148080
545	Individual deposit administration with-profits	351	3462		3462	3462	2509	5971
555	Group deposit administration with-profits	705	14240	89	14240	14240	7356	21596
570	Income drawdown UWP	29	4432		4432	3893	419	4312
605	Miscellaneous protection rider	1	1873	3			52	52
610	Additional reserves UWP						50690	50690

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 2012**
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						(3133)	(3133)
535	Group money purchase pensions UWP						1858	1858
570	Income drawdown UWP						(1)	(1)

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 2012**
Units	**£000**
UK Life / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	5241	67789		67145	67145	993	68139
715	Life property linked endowment regular premium - savings	128	4209	1	4193	4193	52	4245
790	Miscellaneous protection rider			6			1	1
795	Miscellaneous property linked	71	1921	4	1920	1920	5	1925

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 2012**
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		67789		67145	67145	4	67149
715	Life property linked endowment regular premium - savings		4209	1	4193	4193		4193

Form 53

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 2012**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	111901	1370973	8164	1370553	1370553	40988	1411541
735	Group money purchase pensions property linked	14889	187059	3846	187059	187059	13132	200191
750	Income drawdown property linked	209	14533		14533	14533	45	14578
790	Miscellaneous protection rider	124	11854	205			600	600
795	Miscellaneous property linked		1140		1140	1140	808	1947

Form 53

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 2012**
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		1370973	7319	1370553	1370553	(693)	1369860
735	Group money purchase pensions property linked		187059	3846	187059	187059	3548	190607
750	Income drawdown property linked		14533		14533	14533	6	14539
795	Miscellaneous property linked		1140		1140	1140		1140

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 2012**
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
905	Index linked annuity(CPA)	24	84		539	539	24	564

Form 54

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 2012**
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)				(24)	(24)	24	

Form 54

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 2012**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity(CPA)	490	1493		16852	16852	594	17445
910	Miscellaneous index linked	11	14		166	166	1	167

Form 54

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 2012**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity(CPA)		1303		14445	14445		14445

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 2012**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity(CPA)		189		1861	1861	594	2454
910	Miscellaneous index linked				(1)	(1)	1	

15032013:17:04:30

Form 57

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 2012**

Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK Life Non Profit	22373	2.16	2.70	2.92
UK Life With Profit	208333	2.12	2.65	2.93
UK Pension Non Profit	155892	2.70	2.70	2.92
UK Pension With Profit	2721869	2.65	2.65	2.93
Total	3108467			

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 2012**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	3111765	3171033
Bonus payments in anticipation of a surplus	12	784	617
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3112548	3171650
Mathematical reserves	21	3109029	3120106
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	3520	51544
Composition of surplus			
Balance brought forward	31	49316	134959
Transfer from non-technical account	32	51679	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(97475)	(83415)
Total	39	3520	51544
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	784	617
Cash bonuses	42		
Reversionary bonuses	43	2636	1611
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	3419	2228
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	3419	2228
Surplus carried forward	49	100	49316
Total (48+49)	59	3520	51544
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 2013**

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	13661	0	n/a	CWP	N	13661
Endowment assurance	25	20927	0	n/a	CWP	N	20927
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	35536	3081	0	UWP	N	35536
Regular premium pension	20	70164	0	0	UWP	N	70164
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	12835	0	0	UWP	N	12835
Single premium pension	20	26760	0	0	UWP	N	26760

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 2013**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	12405		n/a	CWP	N	17197
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 2012**

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	0.99	0	0
Classes I (other), II and IX	13	0.15%	69	69		0	0
Classes I (other), II and IX	14	0.3%	183067	181567		545	699
Classes III, VII and VIII	15	0.3%	14078	13078	0.93	39	47
Total	16		197215	194715		584	746
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					2	
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	3740763	3052631	0.85	31796	41078
Classes III, VII and VIII (investment risk)	33	1%	81800	55971	0.85	695	734
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				1890	2160
Class IV (other)	36	1%	1142	1142	1.00	11	13
Class V	37	1%					
Class VI	38	1%					
Total	39					34393	43985
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	3740763	3052631	0.85	95389	123234
Classes III, VII and VIII (investment risk)	43	3%	81800	55971	0.85	2086	2203
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	1623706	1920			
Class IV (other)	46	3%	1142	1142	1.00	34	39
Class V	47	0%					
Class VI	48	3%					
Total	49		5447410	3111664		97510	125476
Long term insurance capital requirement	51					132489	170207

Returns under the Accounts and Statements Rules

Supplementary Notes

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2012

Appendix 9.1

0000 Capital support provided to the Long-Term Fund

There is provision for the insurer's shareholder fund 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 shareholder fund should repayment conditions be satisfied.

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

	2012 £000	2011 £000
Capital funds	189,903	196,234
EMP	142,328	175,262
SEF	72,731	70,445
Total	404,962	441,941

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, 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 2012

Appendix 9.1 (continued)

0301 Reconciliation of admissible assets to capital resources after deductions

	2012 £000	2011 £000
Total other than long-term insurance business assets - Form 13 line 89	393,422	247,382
Total long-term insurance business assets - Form 13 line 89	3,311,722	4,229,947
Less: Liabilities - Form 14 line 71	(3,311,622)	(4,180,632)
Less: Liabilities - Form 15 line 69	(124,860)	(120,537)
Net admissible assets	268,662	176,160
Subordinated debt – Form 3 line 52	45,500	58,500
Intergroup loan – Form 3 line 52	50,000	50,000
Excess lower tier two capital – Form 3 line 63	-	(20,354)
Rounding	1	-
Total capital resources after deductions – Form 3 line 79	364,163	264,306

0308 Any other charges on future profits

In April 1998 the insurer entered into a securitised loan agreement which raised £260 million (£140 million of 7.39169% Class A1 Limited Recourse Bonds due 2012 and £120 million of 7.5873% due 2022). The Class A1 bonds were repaid in full during the year. 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 £99,599,000 (£260,000,000 less £144,000,000 capital repayment less a £16,401,000 impairment on the Class A2 Limited Recourse Bonds). Of this amount £38,064,000 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 13 of the Report and Accounts.

0310 Net valuation differences in Form 3

	2012 £000	2011 £000
Securitised loan valuation difference	38,064	44,172
Contingent loan valuation difference	-	34,853
Liability valuation difference	(94,085)	(29,558)
Net valuation difference	(56,021)	49,467

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

	2012
	£000
Profit and loss account and other reserves - Form 3 line 12 column 3	337,390
Profit and loss account and other reserves - Form 3 line 12 column 4	139,509
Movement	197,881
Explained by:	
Profit retained for the financial year - Form 16 line 59	(9,961)
Movement in EMP	55,123
Accounting valuation difference between Peak 1 and IFRS	1,040
Capital contribution	151,679
	197,881

The original earmarked assets and new earmarked assets refer to capital support held by the long-term fund, as detailed in note 0000.

The 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.

1301 & *1308* Unlisted and listed investments

Included within Form 13 are the following amounts:

	Long-term		Other than long-term	
	2012	2011	2012	2011
	£000	£000	£000	£000
Unlisted investments valued in accordance with the rules in GENPRU 1.3	22,985	176	-	-
Listed investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	15,484	28,148	-	-
Collective investment schemes, as specified in instruction 5 to Form 13	8,835	64,006	-	32,907
Total	47,304	92,330	-	32,907

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 £141.3m (2011: £142.8m).

Returns under the Accounts and Statements Rules

Supplementary Notes

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2012

Appendix 9.1 (continued)

***1305* & *1319* Counterparty limits**

(a) 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.

(b) 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.

(c) There were no breaches of these limits during the financial year.

***1318* Other asset adjustments**

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

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

Included in Form 13 line 101 (Other asset adjustments) for 2011, are the following amounts:

	Long-term £000	Other than long-term £000
EMP	(22,664)	22,664
Reclassification of other debtors	(9,840)	-
	(32,504)	22,664

The original earmarked assets and new earmarked assets refer to capital support held by the long-term fund provided by the shareholder fund.

Returns under the Accounts and Statements Rules

Supplementary Notes

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2012

Appendix 9.1 (continued)

***1321* Entity reconciliation to Statutory Accounts**

	2012 £'000	2011 £'000
Form 13 line 102 Total long term insurance business assets	5,587,079	7,624,518
Form 13 line 102 Total other than long term insurance business assets	465,334	270,046
Entity adjustments in statutory accounts	3,667	(240)
Total IFRS Assets	6,056,080	7,894,324

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.

***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 (2011: £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.

***1405* Other adjustments to liabilities**

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

	2012 £000	2011 £000
Valuation differences (see note '0310')	(56,021)	49,467
Reclassification of other creditors	(5,181)	(9,840)
Accounting valuation difference between Peak 1 and IFRS	1,040	-
Total	(60,162)	39,627

***1412* Entity Reconciliation to Statutory Accounts**

	2012 £'000	2011 £'000
Form 14 line 76 Total liabilities	(5,587,079)	(7,624,518)
Form 15 line 85 Total liabilities	(465,334)	(270,046)
Entity adjustments in statutory accounts	(3,667)	240
Total IFRS liabilities	(6,056,080)	(7,894,324)

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.

***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:

	2012 £000	2011 £000
Reclassification of other creditors	(5,875)	-
Accounting valuation difference between Peak 1 and IFRS – EMP	(1,040)	-
	(6,916)	-

***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.

***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
Gross Derivatives			
Other than Long term fund	826	30	796
Long term Fund (excluding assets held to match linked liabilities)	65,336	35,813	29,523
Total	66,162	35,843	30,319
"Net" Exposure by counterparty			
Over the counter derivatives	64,676	34,357	30,319
Variation Margin	Received	Pledged	
On OTC derivatives	63,962	34,785	

As per the requirements of IAS 39, the insurer recognises variation margin received in form of cash on balance sheet, and any variation margin received in 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 is not deemed to transfer the risk and return of the assets to the insurer, and as such is 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 FSA forms and published statutory accounts.

On OTC derivatives, variation margin received in form of cash amounting to £64m 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.

***4002* Other income and other expenditure**

Other income consists of annual management fee income of £11.9m (2011: £14.2m).

***4004* Business transfers**

Included in business transfers is £44.5m (2011: £64.9m) 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.

***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 have provided custody, accounting, transaction management and associated services for the Ignis managed assets of the insurer for the whole of 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 (formerly Pearl Assurance plc) and Phoenix Life Limited. 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).

With effect from 1 January 2012, the insurer transferred, under Part VII of the Financial Services and Markets Act 2000, the immediate annuity business of the Company that was 100% reassured to NPI Limited, to Phoenix Life Limited. The carrying value of liabilities and assets transferred is £1,066m.

At 31 December 2012 there were £115.0m (2011: £115.0m) in loans made from Phoenix Life Assurance Limited. These loans are interest bearing and are repayable on 30 June 2016 and 2 September 2019.

During the year the insurer paid £21.3m (2011: £21.6m) and £2.1m (2011: £4.1m) to Pearl Group Management Services Limited and Ignis Asset Management Limited respectively in respect of services provided.

During the year the insurer received capital contributions from its parent company, NP Life Holdings Limited, of £151m (2011: the insurer repaid capital contributions of £75m) and repaid in full its remaining contingent loan of £51m.

With effect from 1 July 2012, the Company cancelled the reinsurance of pension annuity in-payment liabilities reinsured to a fellow group company, Phoenix Life Assurance Limited. In order to effect this the Company received premiums of £596m.

***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 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 NPI Limited 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 £36 million. 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 £112 million 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.

The following additional reallocation does not have an explicit instruction but has been made to reflect the underlying assets: £23 million from 14.1/24.1 is allocated to 11.2/21.2 in respect of variable interest securities that are part of a property collateralisation. The unit trust part of the property vehicle holding is reallocated between 18.1/28.1 to 11.2/21.2 in accordance with instruction 2.

The insurer also reallocated its interest in property reversions, which are valued at £75m and included within Form 13 Line 11. This holding is reallocated in Form 48 from 21.2 to 28.2 to reflect the economic exposure to the Long term fund. This reallocation does not have an explicit instruction.

***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.

***5500* Long-term insurance business: unit prices for internal linked funds**

Form 55, long-term insurance business: unit prices for internal linked funds, has not been included, as the insurer satisfies the de-minimis limit.

***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 FSA Waiver
UK Life Non Profit	1.99%	0.93%	2.92%
UK Life With Profit	2.59%	0.34%	2.93%
UK Pension Non Profit	1.99%	0.93%	2.92%
UK Pension With Profit	2.59%	0.34%	2.93%

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

The gross annual office premium of Class IV business was £10,865. 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 2012

(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 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 insurer was not party to any contracts described under (b) above during the financial year.

(d) The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R or did not fall within the definition of a permitted derivative contract.

(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 2012

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) Xercise Limited *;
i) Alpha-Gamma Shares Limited *;
j) Alphabet Shares Limited *;
k) Delta Shares Limited *
l) Zeta Shares Limited *;
m) Eta Shares Limited *;
n) Theta Shares Limited *;
o) Iota Shares Limited *;
p) Kappa Shares Limited *;
q) TDR Shares Limited *;
r) Lamda Shares Limited *;
s) Xercise 2 Limited *;
t) Jambright Limited;
u) TDR Capital Nominees Limited; and
v) TDR Capital LLP

* ceased to be a controller on 28 September 2012

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

1. NP Life Holdings Limited

As at 31 December 2012, NP Life Holdings Limited owned 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 2012, Phoenix Life Assurance Limited owned 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 2012, Pearl Group Holdings (No. 2) Limited owned 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.

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 2012

(continued)

4. **Phoenix Life Holdings Limited**

   As at 31 December 2012, Phoenix Life Holdings Limited owned 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.

5. **PGH (LCA) Limited**

   As at 31 December 2012, PGH (LCA) Limited owned 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 2012, PGH (LCB) Limited owned 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 2012, Phoenix Group Holdings owned 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited which between them owned 100% of the shares in 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. **Xercise Limited**

   As at 31 December 2012, Xercise Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held one share (equivalent to 0.00000057% of the issued share capital) in 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, Xercise Limited was entitled to exercise 0.00000057% 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 2012

(continued)

9. Zeta Shares Limited

As at 31 December 2012, Zeta Shares Limited, which at the time was an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held 1.31% 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, Zeta Shares Limited was entitled to exercise 1.31% of the voting power at any general meeting of Phoenix Group Holdings.

10. TDR Shares Limited

As at 31 December 2012, TDR Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held 0.44% 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 Shares Limited was entitled to exercise 0.44% of the voting power at any general meeting of Phoenix Group Holdings.

11. Lamda Shares Limited

As at 31 December 2012, Lamda Shares Limited, which is an associate of Xercise2 Limited within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking held 0.01% 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, Lamda Shares Limited was entitled to exercise 0.01% of the voting power at any general meeting of Phoenix Group Holdings.

12. Xercise2 Limited

As at 31 December 2012, Xercise2 Limited, directly held 5.28% 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, Xercise2 Limited was entitled to exercise 5.28% of the voting power at any general meeting of Phoenix Group Holdings.

As at 31 December 2012, the overall interest of Xercise2 Limited and its subsidiary undertakings, which are associates within the meaning of the Financial Services and Markets Act 2000, in the issued share capital of Phoenix Group Holdings, a company of which National Provident Life Limited is a subsidiary undertaking, amounted to 7.04%.

At the end of the financial year, to the knowledge of the insurer, Xercise2 Limited was entitled to exercise, or control the exercise of, 7.04% 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 2012

(continued)

13. Alpha-Gamma Shares Limited

As at 31 December 2012, Alpha-Gamma Shares Limited, held no shares (equivalent to nil %) in 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, Alpha-Gamma Shares Limited was not entitled to exercise any voting power at any general meeting of Phoenix Group Holdings.

14. Alphabet Shares Limited

As at 31 December 2012, Alphabet Shares Limited, held 0.43% 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, Alphabet Shares Limited was entitled to exercise 0.43% of the voting power at any general meeting of Phoenix Group Holdings.

15. Delta Shares Limited

As at 31 December 2012, Delta Shares Limited, held no shares (equivalent to nil %) in 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, Delta Shares Limited was not entitled to exercise any voting power at any general meeting of Phoenix Group Holdings.

16. Eta Shares Limited

As at 31 December 2012, Eta Shares Limited, held 0.21% 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, Eta Shares Limited was entitled to exercise 0.21% of the voting power at any general meeting of Phoenix Group Holdings.

17. Theta Shares Limited

As at 31 December 2012, Theta Shares Limited, held 0.07% 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, Theta Shares Limited was entitled to exercise 0.07% of the voting power at any general meeting of Phoenix Group Holdings.

18. Iota Shares Limited

As at 31 December 2012, Iota Shares Limited, held 0.69% 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, Iota Shares Limited was entitled to exercise 0.69% 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 2012

(continued)

19. Kappa Shares Limited

As at 31 December 2012, Kappa Shares Limited, held 0.06% 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, Kappa Shares Limited was entitled to exercise 0.06% of the voting power at any general meeting of Phoenix Group Holdings.

20. Jambright Limited

As at 31 December 2012, 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 2.58% 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 2.58% of the voting power at any general meeting of Phoenix Group Holdings.

21. TDR Capital Nominees Limited

As at 31 December 2012, 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 14.3% 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 2012, 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 2.58% interest in the issued share capital of Phoenix Group Holdings held by Jambright Limited.

In addition, to the knowledge of the insurer, as at 31 December 2012, TDR Capital Nominees Limited's ownership of the legal title to 100% of the B Ordinary class of shares in Xercise2 Limited, ultimately entitled them to the 0.44% interest in the issued share capital of Phoenix Group Holdings held by TDR Shares Limited.

On this basis, as at 31 December 2012, 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 17.3%.

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, 17.3% of the voting power at any general meeting of Phoenix Group Holdings.

22. TDR Capital LLP

As at 31 December 2012, 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 17.3% 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 17.3% of the voting power at any general meeting of Phoenix Group Holdings.

NATIONAL PROVIDENT LIFE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31 December 2012.

   (2) The date to which the previous actuarial investigation under rule 9.4 related was 31 December 2011.

   (3) Since the previous valuation date, an interim valuation was carried out at 30 June 2012 for the purposes of rule 9.4.

Product range

2. 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.

Discretionary charges and benefits

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

Product	Premium Investment Date	Period applied
PPP, FSAVC, PRA & FIP Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2011	Throughout 2012
Ordinary units	Jan 1988 to Dec 2011	Throughout 2012
PPP, FSAVC, PRA, & FIP Unitised With-profit Series 2:		
Initial units	Jan 1994 to Dec 2011	Throughout 2012
Ordinary units	Jan 1997 to Dec 2001	Throughout 2012
	Jan 2006 to Dec 2007	Throughout 2012
PPP, FSAVC, PRA & FIP Capital Account:		
Initial units	Jan 1994 to Dec 2009	Throughout 2012
	Jan 2011 to Dec 2011	Throughout 2012
New Approach PPP, FSAVC and EPP Regular Premium Unitised With-profit	Jan 1999 to Dec 2000	Throughout 2012
New Approach EPP Single Premium Unitised With-Profit Account	Jan 1998 to Dec 2001	Throughout 2012
	Jan 2006 to Dec 2007	Throughout 2012
GMP,VGPPP, GAPP, GIA Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2011	Throughout 2012
Ordinary units	Jan 1988 to Dec 2011	Throughout 2012
Penfund Series 1	Jul 1990 to Dec 2011	Throughout 2012
Trustee With Profit Bond	Jan 1997 to Dec 2001	Throughout 2012

Product	Premium Investment Date	Period applied
With Profit Bond Series 1	June 1991 to Dec 2001	Throughout 2012
With Profit Bond Series 2	Jul 1993 to Dec 2001	Throughout 2012
With Profit Bond Series 3	Oct 1995 to Dec 2001	Throughout 2012
With Profit Bond Series 4	Jan 1997 to Dec 2001	Throughout 2012
With Profit Bond Series 5	Oct 1997 to Dec 2001	Throughout 2012
With Profit Bond Series 6	Jul 1998 to Dec 2001	Throughout 2012
With Profit Bond Series 7	Jan 1999 to Dec 2001	Throughout 2012
GMP,VGPPP, GAPP, GIA Capital Account		
Initial units	Jan 1988 to Dec 2009	Throughout 2012
	Jan 2011 to Dec 2011	Throughout 2012
EPP and PTP Capital Account		
Initial units	Jan 1985 to Dec 1990	Throughout 2012
	Jan 1993 to Dec 2000	Throughout 2012
Portfolio Bond Series 1	Jul 1999 to Mar 2002	Throughout 2012
	Apr 2002 to June 2002	From 1 Jan 2012 to 31 Mar 2012 and from 1 Jul 2012 to 30 Sep 2012
	Jul 2005 to Dec 2005	From 1 Jan 2012 to 31 Mar 2012 and from 1 Jul 2012 to 30 Sep 2012
	Jan 2006 to Dec 2007	Throughout 2012
	Jan 2008 to Mar 2008	From 1 Jan 2012 to 31 Mar 2012 and from 1 Jul 2012 to 30 Sep 2012
	Apr 2008 to Jun 2008	From 1 Jan 2012 to 31 Mar 2012
	Jan 2011 to Mar 2011	From 1 Jan 2012 to 31 Mar 2012
	Apr 2011 to Sep 2011	From 1 Jan 2012 to 31 Mar 2012 and from 1 Jul 2012 to 30 Sep 2012
	Jan 2012 to Mar 2012	From 1 Jul 2012 to 30 Sep 2012

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

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

(3) No policies have been sold in this category.

(4) Policy fees on linked policies were increased on 1 January 2012 in line with either the Retail Prices Index, an increase of 5.59%, or National Average Earnings, an increase of 1.76%.

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

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

(7) 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 and the corresponding types are capital and accumulation in PAUF and PAULP. LLLA has only accumulation units. The following method applies to all units.

(i) The creation unit price is determined by valuing the assets at the offered dealing price including all costs that would be incurred in buying assets and net of charges and deductions, if any, for tax. This total is divided by the number of units. The cancellation unit price is calculated by valuing the assets at the price at which they could be sold and deducting the dealing costs, management charges and taxes if applicable. This total is divided by the number of units.

(ii) The offer price is determined as the creation or cancellation price divided by 95%, plus any rounding adjustment. Units are cancelled at 95% of the offer price less any rounding adjustment. For the Phoenix NPI Pooled Managed Fund, which has a 1.75% bid-offer spread the 95% used in the calculation of the offer and bid prices, is replaced by 98.25%. Similarly, where there is no bid-offer spread the 95% is replaced by 100%.

(iii) Units are allocated to policies at the offer price and cancelled at the bid price.

(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. This market adjustment is made automatically every day for LLLA business.

(b) All internal linked funds are valued 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.

(c) Where the funds invest in unit trusts or open-ended investment companies the units are valued at the price at which Phoenix Life Limited would have been able to buy the investments. To ensure that unit holders are not subject to two sets of initial charges arrangements are in place to ensure that the unit trust investments are undertaken free of any manager's initial charges.

(8) 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 2012, 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.

For Fixed Interest Funds a tax rate of 20% is currently applied to all realised and unrealised gains and tax relief of 20% applied to all realised and unrealised losses. Fixed interest tax accruals are cleared at the end of the month.

(9) See (8) above.

(10) 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.

Valuation basis (other than for special reserves)

4. (1) The general principles and methods adopted in the valuation are:

NON LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method except as mentioned below.

Some non-profit assurances have been valued using the net premium method of valuation. It is unmodified, except:

(i) Where the net premium on the valuation basis is greater than the actual office premium, the premium valued is the office premium.

(ii) For classes of business where the difference between the office premium and the net premium is considered insufficient to cover future expenses an additional reserve has been established.

(iii) A provision for immediate payment of claims is made.

(iv) A reserve for policies where premiums are unpaid is held. This reserve is equivalent to the normal net premium reserve assuming premiums are paid to date, less the outstanding office premiums.

Policies on below average lives accepted at a premium for an increased age are valued as if effected at that age. Policies subject to an extra premium are valued as if effected at the ordinary premium and a further provision of one year's extra office premium is made. Liens are ignored.

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. However the method of calculating the reserve is different as the method involves accumulating backwards, starting with the last cashflow, to ensure that the reserve at the start is big enough so that no valuation strains ever occur (if the valuation assumptions are borne out in practice). The reserve for each policy is subject to a minimum of any guaranteed surrender value.

The benefits discounted are calculated on both the cash sum available at the pension date and the deferred annuity and the higher reserve is taken.

For policyholders older than 59, the reserve is the greater of the reserve calculated using the method mentioned above and that assuming immediate vesting.

If valued as a deferred annuity an additional expense reserve is included to allow for expenses after vesting in line with the present expense assumptions for annuities in payment. Also if valued as a deferred annuity the post retirement mortality is adjusted to make allowance for future mortality improvements between the year end and the vesting date in line with the Pensioner Mortality Improvement model issued by the CMI bureau.

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. The unit-linked business is 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) The following table sets out the rates of interest used for all classes of business:

Product Group	2012	2011	Product Code
Net premium basis			
Deposit administration	2.65%	3.15%	545, 555
Other pensions business	2.70%	2.65%	435
Other life business	2.16%	2.12%	100, 435
Gross premium basis			
Capital account	2.65%	3.15%	525, 535, 570
Life annuities	2.70%	2.65%	390, 395
Pension annuities	2.70%	2.65%	390, 400
Life with-profit endowments	2.12%	2.52%	120, 205
Life Unitised With-profit guaranteed (Series 1)	2.12%	2.52%	500
Life Unitised With-profit non-guaranteed	2.12%	2.52%	500
Pensions Unitised With-profit guaranteed (Series 1)	2.65%	3.15%	525, 535
Pensions Unitised With-profit non-	2.65%	3.15%	525, 535, 570

Product Group	2012	2011	Product Code
guaranteed			
Profit Sharing Account	2.65%	3.15%	155
Index linked annuities	1.00%	1.00%	905
Unit-linked			
Life sterling reserves	2.16%	2.12%	700, 715, 795
Pensions sterling reserves	2.70%	2.65%	725, 735, 750, 755

Notes:
For index linked annuities a net interest rate is used after allowing for RPI/LPI.

(3) 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. An additional reserve has been held as an additional prudential allowance for default deductions. The additional reserve allows for a further increase to default deduction of 5% of the deductions as an allowance for adverse deviation.

For bank subordinated debt, the issuer's senior debt rating is used instead of an agency rating, together with a nil recovery rate rather than a 37% one (to reflect the lower priority on wind-up).

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

Product Group	2012		2011		Product Code
	Males	Females	Males	Females	
Pre-vesting					
Endowment	100% AM92	100% AF92	100% AM92	100% AF92	120, 205
UWP business	110% AM92	110% AF92	110% AM92	110% AF92	
All other business	60% AM92	60% AF92	80% AM92	80% AF92	All others
Post-vesting/In payment					
Immediate and deferred pension annuities	97% RMV00	97% RFV00	97% RMV00	103.5% RFV00	390, 400, 905
Group GAF annuities	97% RMV00	97% RFV00	97% RMV00	103.5% RFV00	395
Life / IRS / Individual GAF 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 2012, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements in line with the CMI Mortality Projections model v1.0 with a 3.25% floor up to age 60 reducing to 0% at age 120 for both males and females have been assumed.

3. For post-vesting mortality using the IML92 and IFL92 tables, future mortality improvements in line with the average of 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 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	24.0	14.8		
Group GAF annuities	24.0	14.8		
Life/IRS/Ind GAF annuities	24.2	15.1		
Other pension deferred annuities			27.1	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	26.9	16.9		
Group GAF annuities	26.9	16.9		
Life/IRS/Ind GAF annuities	25.6	16.1		
Other pension deferred annuities			29.7	28.3

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

(6) The expense bases are as follows:

LINKED AND NON-LINKED BUSINESS

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

	Premium paying		Paid up & single premium		
Product Group	2012 £pa	2011 £pa	2012 £pa	2011 £pa	Product Code
CWP savings endowments	103.18	99.40	51.51	49.62	120
CWP pensions	62.94	60.64	25.29	24.36	165
Annuity			38.54	37.13	400
UWP bond			51.55	49.66	500
UWP regular premium pension	84.24	81.16	54.59	52.59	525
UWP single premium pension			54.59	52.59	525
UWP group regular premium pension	77.49	74.65	68.37	65.87	535

UWP group single premium pension			68.37	65.87	535
UL bond			51.55	49.66	700
UL savings endowment	138.27	133.21	110.57	106.52	715
UL regular premium pension	84.24	81.16	54.59	52.59	725
UL single premium pension			54.59	52.59	725
UL group regular premium pension	77.49	74.65	68.37	65.87	735
UL group single premium pension			68.37	65.87	735

Notes:
All expenses above are shown as per policy rather than per benefit. The Scheme requires an expense charge per benefit for some products, in which case this is derived by applying the ratio of the benefit count to the policy count.

Under each policy valued on the net premium basis the reserve is increased by an allowance for future expenses for any part of the term where premiums are not payable. If there are no further premiums payable, this will be for the full outstanding term.

An allowance for expenses for the full outstanding term has also been added to other contracts not valued on the net premium basis.

If there is more than one investment fund, including unit-linked unitised with-profit and capital account, attaching to one benefit then the per policy expenses are split in proportion to the premiums payable to each fund for regular premiums and to the unit values for single premium and paid up policies.

For group life insurance provided by a separate contract the reserve of 50% of one year's premium contains a provision for expenses.

Gross Investment Expenses

Investment expenses, after allowance for VAT where appropriate, 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	2012 bps	2011 bps
Unit Linked	13.22	13.22
Non-Linked		
Gilts	10.16	6.50
Corporate Bonds	8.28	8.80
Derivatives	10.35	10.35
Property	26.25	20.00
Equity	19.43	11.25
Cash	7.10	8.50

Notes:
Where the policy is invested in external funds, for some of these funds the projected unit growth rate is reduced by the fee payable to the external fund manager assuming mid-table performance is achieved

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

Product Group	Gross Unit Growth Rate (% p.a.)		Expense Inflation Rate (% p.a)		Policy Fee Inflation Rate (% p.a.)		Product Code
	2012	2011	2012	2011	2012	2011	
Life business	2.55	3.20	4.10	4.20	2.20	2.30	700, 715, 795
Pensions business	2.55	3.40	4.10	4.20	2.20	2.30	725, 735, 750

(8) 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) Surrender and Paid Up Rates

Product		Average lapse / surrender / paid up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	0.90%	0.90%	0.90%	0.90%
CWP target cash endowment	surrender	0.90%	0.90%	0.90%	0.90%
UL savings endowment	surrender	0.00%	0.00%	0.00%	0.00%
UWP bond	surrender	3.40%	3.40%	3.40%	3.40%
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	3.30%	3.30%	3.30%	3.30%

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%

(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:

Type of business	2012	2011
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) Derivative contracts are held by the company. There are inflation hedge swaps, interest rate swaps and total bond return swaps. The cashflows expected to arise from derivatives are projected assuming the current yield curve (in line with the statutory valuation scenario). The valuation yield is derived from the IRR on the combined cashflows from fixed interest securities and derivatives.

(12) With effect from 31 December 2006, allowance has been made as a result of changes in the valuation rules introduced by INSPRU for non-attributable expenses on property linked business. The reduction in the mathematical reserves caused by these valuation methodology adjustments as at 31 December 2012 are:

Allowance for non-attributable expenses: £1.2 million

Options and guarantees

5. (1) (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:

Product Code	555
Product name	Capital Pension Plan
Basic reserve, £000	24,820
Spread of outstanding durations	Gradual run-off mean term to vesting date of 4.6 years. Vesting assumed at age 60 or immediately if older.
Guarantee reserve, £000	Included in basic reserve shown above
Guaranteed annuity rate (% of cash sum for 65 year old male [1])	10%

Increments allowed	No
Form of the annuity	See note 2
Retirement ages	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) There are no guaranteed surrender or unit-linked maturity values.

(3) (a) There are guaranteed insurability options under a number of products including endowment assurances, group life, life cover attached to Executive Pension Plans and convertible term assurances. The options under endowment assurances and life cover attached to Executive Pension Plans allow for increases in amounts assured to be increased whereas the options under group life and convertible term assurances are options to replace existing cover by a cover of longer term (possibly whole of life).

(4) **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:

Product Code	155, 525, 725
Product name	Pension Transfer Plan
Basic reserve, £'000	277,750
Spread of outstanding durations	Gradual run-off mean term of 13.18 years
Guarantee reserve, £'000	95,855
Increments allowed	No
Form of the annuity	Varies from policy to policy
Retirement ages	Normal Retirement Age under the policy, usually between 60 and 70

Expense reserves

6. (1) 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	0.15	2.98	0.07	3.19
Unitised business	0.00	2.48	17.31	1.15	20.94
Total	0.00	2.63	20.29	1.22	24.13

(2) No implicit allowances are expected to arise during the 12 months from the valuation date.

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

(6) 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 17.5 years (except the reciprocation costs which we assume run for 8 years), annual growth of 4.10% per annum, and discounted at 2.70% per annum. The term of 17.5 years is consistent with section 33 of the 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	1.2
Unitised Business	20.9

Mismatching reserves

7. (1) 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	3,108.5	3,108.5
Euro	0.0	0.0
Total	3,108.5	3,108.5

(3) No currency mismatch reserve is held. A Euro exchange forward is held to minimise the currency risk from the non-Sterling assets.

(4) - (6) National Provident Life Limited is not a regulatory-only basis company and therefore is not required to hold resilience capital.

Other special reserves

8. **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 £60.7 million.

Reinsurance

9. (1) 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) (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 2012	No premiums are payable. A repayment of interest and principal of £25.589 million was made in 2012.
(g) Deposit back	Not applicable
(h) Open or Closed	Closed
(i) Undischarged obligations	The undischarged obligation was £116.0 million at the valuation date.
(j) Reserves ceded £000s	Not applicable
(k) Retention for new business	Not applicable

(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	Guardian Assurance Limited	Phoenix Life Assurance Limited	Phoenix Life Assurance Limited	Phoenix Life Limited	Phoenix Life Limited
(e) Nature and extent	Pensions Annuities written prior to 1/1/2000 which are not reassured to Guardian Assurance Limited are fully reassured except for the expense of administration. A substantial proportion of this business was recaptured during 2012 prior to being reassured to Guardian Assurance Limited.	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 reassurance.	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 2012 £000s	(510,711)	510,711	44,104	Nil	10,734 in aggregate to Phoenix Life Limited	
(g) Deposit Back	Nil	Nil	Nil	Nil	Nil	Nil
(h) Open or closed	Closed	Closed	Open	Closed	Open	Open
(i) Undischarged obligations	Expenses of administration	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	65,396	583,629	46,068	13,307	1,372,470	254,876
(k) Retention for new business	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(l) Phoenix Life Assurance Limited, Phoenix Life Limited and Guardian Assurance Limited are authorised to carry on insurance business in the UK.

(m) Phoenix Life Assurance Limited and Phoenix Life Limited are connected companies of the insurer. Guardian Assurance Limited is not a connected company of the insurer.

(n) There are no material contingencies under any of these treaties;

(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) Not applicable.

Reversionary (or annual) bonus

10. (1) The following tables set out the annual bonus rates for each class of business:

Compound Bonus

Bonus series	**31.12.2012 Basic mathematical reserve £000**	**31.12.2012 Reversionary bonus %**	**31.12.2011 Reversionary bonus %**	**31.12.2012 Total guaranteed bonus %**	**Product code**
Life Unitised With-profit Series 1	84,708	3.00%	3.00%	3.00%	500
Life Unitised With-profit Series 2 to 7	86,810	0.00%	0.00%	-	500
Portfolio Bond 1	14,451	1.00%	1.00%	-	500
Pensions Unitised With-profit Series 1	2,042,636	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)	83,662	0.00% (1) 0.00% (2)	0.00% (1) 0.00% (2)	- -	525, 535, 570
Pension Capital Accounts (EPP & PTP)	41,869	0.00% (1) 3.50% (2)	0.00% (1) 2.00% (2)	- -	525, 535
Pension Capital Accounts (GMP VGPPP, Penfund and TTP)	13,265	0.00% (1) 3.50% (2)	0.00% (1) 2.00% (2)	- -	535
Deposit administration (VGF, CPP and Plan32)	27,567	3.50%	2.00%	-	545 555
Life Conventional With-profit	16,398	0.00%	0.00%	-	100, 120, 165, 205
Profit Sharing Account (EPP and PTP)	328,426	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.

NATIONAL PROVIDENT LIFE LIMITED

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

Introduction

1. (1) The date to which the actuarial investigation relates is 31 December 2012.

   (2) The date of the previous valuation was 31 December 2011.

   (3) Since the previous valuation date, an interim valuation was carried out at 30 June 2012 for the purposes of rule 9.3A of IPRU-INS.

Assets

2. (1) 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. The zero coupon curve used for this valuation as at 31 December 2012 is set out below, together with comparative figures as at 31 December 2011:

Implied zero curve (gilts + 10bp) spot rates

Year	Zero curve 31 December 2012	Zero curve 31 December 2011
1	0.32%	0.32%
2	0.43%	0.42%
3	0.60%	0.64%
4	0.80%	0.89%
5	1.01%	1.14%
10	1.99%	2.20%
15	2.70%	2.85%
20	3.18%	3.21%
25	3.49%	3.39%
30	3.66%	3.46%
35	3.73%	3.46%
40	3.73%	3.44%

   (2) Not applicable.

   (3) Not applicable.

   (4) Not applicable.

With-profit benefits reserve liabilities

3. (1) 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.

   Method 1: For conventional with-profit policies the asset shares are calculated by accumulating the premiums paid at the investment return applicable to the with-profit fund, less the expenses incurred. Deductions are made for tax where applicable. An adjustment is made for the expected death strains or surpluses where applicable. No other "miscellaneous" surpluses are credited to the asset shares as these accrue to the Estate.

   Method 2: For unitised with-profit, capital account and deposit administration policies the asset shares are calculated by accumulating the allocated premiums (i.e. after the allocation rate and the bid-offer spread have been applied) at the investment return applicable to the with-profit fund. Deductions are made for the charges that would apply on the unit-linked counterpart of the product.

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	5	10
Conventional with-profit pensions	161	259
Accumulating with-profit	1,560	716
Capital Account/Deposit Administration	83	4
Total	**1,808**	**990**

(2) The future policy related liabilities shown at line 49 in Form 19 also include allowance for financing costs of £139 million, £27.2 million of other long-term insurance liabilities and £41.1 million surplus as a liability to shareholders within the other long term liabilities.

(3) Not applicable.

With-profit benefits reserve – retrospective method

4. (1) (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) (a) Not applicable.

(b) Not applicable.

(3) The Scheme of Transfer 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.

(a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2012.

(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 2012:

	Maintenance expenses, £m	Investment management expenses, £m
Conventional with-profit life	0.1	0.0
Conventional with-profit pensions	0.9	0.2
Accumulating with-profit	9.1	1.4
Capital Account/Deposit Administration	0.5	0.1
Total	**10.7**	**1.7**

The maintenance expenses above are in line with the Scheme of Transfer.

(iii) For products where the with-profit benefits reserve is calculated using method 1 above, 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 Scheme of Transfer.

For products where the with-profit benefits reserve is calculated using method 2 above, 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 Scheme of Transfer.

(iv) Additional maintenance expenses were charged to the fund in respect of non-profit and unit-linked business of £10.0m.

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.

	Additional expenses, £m
Audit fees	0.13
Regulatory fees	0.12
Securitised loan/Bank of Ireland administration costs	0.33
Salary for the AFH plus secretary	0.27
Charges including professional indemnity fee	0.05
Reciprocation costs with Premier Pension Trustees on business within NPLL	0.02
Other expenses	0.14
Total	**1.1**

(4) 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. Smoothing charges of £0.3 million were deducted from 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 an earmarked account. Smoothing charges of £3 million were deducted from the with-profit benefits reserves during the previous financial year.

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

(6) The ratio of the total claims paid on with-profit insurance contracts to the with-profit benefits reserves plus (or minus) any past miscellaneous surplus (or deficit) attributed to those claims were 120% for 2012. The corresponding ratios for 2011 and 2010 were 122% and 102% respectively.

(7) 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 8.3%. The investment return allocated to the with-profit benefits reserve for Capital Account and Deposit Administration business in respect of the financial year was 4.04%. The investment return in respect of Capital Account and Deposit Administration business is calculated from the assets hypothecated to that business.

With-profit benefits reserve – prospective method

5. (1) Not applicable.

(2) Not applicable.

Cost of guarantees, options and smoothing

6. (2) (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) (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:

Product class	Grouping criteria
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 265,769 individual policies and members of group schemes, which have been grouped together into 21,110 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) Not applicable.

(4) (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, 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 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 2012. To fit the model, the fit is targeted to the average duration of 10 years with the spread of 92 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.

Implied volatility of at the money FTSE-100 put options (%)

Option Term	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**
31 December 2012	17.60%	19.80%	21.50%	22.50%	23.40%

Source: Barrie and Hibbert

The correlation assumptions used are listed in the table below. These assumptions are set based on historic data on the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

Correlation factors between asset classes

	Equities	**Property**	**Government bonds**	**Nominal short-rate**
Equities	100%	35%	17%	-7%
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)	1.03%	2.70%	3.48%	3.71%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	£950,274	£670,985	£425,508	£279,051	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	£109,033	£258,762	£363,707	£441,709	£213,752	£406,106	£540,536	£632,826	£545,669	£756,259	£931,179	£1,042,630
3		FTSE All Share Index (p=0.8)	£106,494	£228,291	£287,975	£321,941	£208,728	£359,212	£428,651	£462,109	£533,395	£670,921	£745,333	£766,008
4		Property (p=1)	£34,654	£107,279	£184,748	£245,703	£138,523	£242,546	£340,627	£416,271	£519,717	£617,327	£723,927	£810,324
5		Property (p=0.8)	£32,663	£83,999	£123,985	£147,561	£133,013	£196,596	£240,089	£263,085	£506,051	£524,383	£536,595	£541,460
6		15 year risk free zero coupon bonds (p=1)	£18,906	£24,661	£19,671	£26,079	£84,817	£93,353	£97,608	£131,077	£500,608	£499,601	£507,206	£531,366
7		15 year risk free zero coupon bonds (p=0.8)	£17,883	£17,467	£8,476	£4,587	£80,408	£63,956	£37,345	£32,936	£485,446	£387,520	£293,239	£245,900
8		15 year corporate bonds (p=1)	£21,849	£34,401	£34,591	£45,440	£93,623	£116,340	£122,690	£153,951	£500,481	£501,674	£509,333	£535,143
9		15 year corporate bonds (p=0.8)	£20,680	£24,286	£16,785	£13,003	£89,107	£84,030	£58,483	£53,632	£485,339	£394,220	£304,155	£261,969
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	£68,227	£178,875	£268,462	£341,585	£163,780	£313,360	£430,215	£518,986	£520,304	£662,176	£805,102	£912,140
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£66,131	£152,982	£201,546	£233,701	£158,867	£268,943	£327,067	£360,295	£506,805	£574,259	£623,546	£645,187
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£58,894	£155,845	£229,911	£298,348	£149,268	£281,099	£380,791	£464,279	£510,639	£622,270	£749,062	£845,998
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£57,006	£131,944	£169,500	£198,610	£144,420	£239,400	£284,112	£315,817	£496,481	£535,529	£569,028	£584,816
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)	£32,554	£94,575	£146,033	£198,868	£114,343	£205,906	£282,434	£352,142	£504,113	£557,788	£644,640	£724,823
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)	£31,081	£75,728	£98,168	£116,501	£109,591	£167,317	£193,259	£214,320	£489,309	£463,999	£463,991	£467,788
			L=15				L=20				L=25			
16		Receiver swaptions	17.84%	9.35%	7.26%	6.14%	19.46%	11.17%	9.02%	7.43%	20.91%	12.91%	10.52%	8.38%

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) For the purposes of calculating a net of tax return, the equity dividend yield has been set to 3.72% and the property rental yield 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:

Product type	Outstanding duration of guarantees (years)
Endowments	3
UWP	10
Profit Sharing Account	7
Capital Account/Deposit Administration	5

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

Ratio of simulated swaption values to pseudo swaption prices

Option maturity	**Swap length**			
	10 years	**15 years**	**20 years**	**30 years**
10 years	107.51%	101.54%	96.56%	92.16%
15 years	104.29%	98.30%	96.27%	93.40%

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 and 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) In addition the validation process performed a further test to check that the market prices of relevant traded instruments can be replicated. This validation test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for swaptions, equity options and the initial yield curve. The observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. It is not possible to illustrate the fit of the property scenarios to market data; however, the fit of the property volatility assumption has also been validated. 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) (a) The management actions implemented within the model as at 31 December 2012 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 "management action account", which will not be used to pay for guarantees unless the overcoat has been exhausted. The management action charge account 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 management action account would be rebated to asset shares if it later became apparent that the prior year's charges had been too large. The management action account 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 2012	31 December 2017	31 December 2022
Proportion of equities backing with-profit benefits reserves	0%	0%	0%

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 used to determine the costs of guarantees, options and smoothing are set out in the table below:

Product		Average lapse / surrender / paid up rate for the policy years
		All Durations
CWP savings endowment	surrender	1.20%
CWP target cash endowment	surrender	1.20%
UWP bond	surrender	4.50%
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	4.40%

For other products retirements are assumed to take place at the no-MVA date (normally 65) unless the policyholder has specified a particular retirement date.

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

The annuitant mortality assumptions used are:

Male lives: 102% RMV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

Female lives: 102% RFV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

(7) For most product lines the guarantees are currently in the money, and have been so for a number of years. Therefore the persistency assumptions in (6) are appropriate and no additional policyholder actions are warranted.

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	121.0
Lower tier 2 subordinated debt	7.4
Shareholder equalisation fund	0
Capital funds	10.7
Financing costs	**139.1**

1) Securitised loan

Future profits from a particular block of accumulating with-profit and unit linked business have been securitised. The repayments 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 £116 million and nominal amount outstanding including interest payments currently stands at £165.2 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 £121 million.

2) Capital funds

At the time of the demutualisation in December 2000, £800 million of capital support was provided by Pearl to the National Provident Life Limited Fund.

Repayments of capital and of the accumulated investment return are made according to a formula in the 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 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.

At 31 December 2009 the total 'nominal' balance on the Loan Capital Fund and Transfer Capital Fund was £671.679 million. The actual value of these funds (post any transfers and investment return) at 31 December 2009 was £685.472 million. As part of the transfer of NPLL's SERP business to Pearl Assurance on 4 January 2010, £524.256 million was transferred to Pearl Assurance. Thus, the actual value balance as at 31 December 2010 was £161.216 million (with an associated nominal balance remaining of £157.972 million) and the value at 31 December 2012 was £189.903 million.

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

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

The value of the capital funds of £10.7 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 £0.879 million. The tax amount is reported in line 47 of Form 19.

3) Shareholder Equalisation Fund

As part of NPLL's transfer of the SERP business, a "Shareholder Equalisation Fund" was established in the long term fund of NPLL. The initial value of the Shareholder Equalisation Fund was determined on a basis defined in the SERP Transfer 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 31/12/2011. This assumption still holds at 31/12/2012.

4) Lower tier 2 subordinated debt

The lower tier 2 subordinated debt is the debt of £65 million that was issued on 20 June 2006. The debt is a liability of the shareholder fund but the proceeds of the issue were transferred to the long term fund in the form of an earmarked portfolio. This debt is subject to a financing charge of 4.75% per annum plus the investment return on the assets.

The amount of £7.4 million shown above is the value of the financing costs net of the face value of £65 million. The face value is excluded in the financing cost as this subordinated debt is treated as part of the earmarked portfolio from the shareholders' fund, and therefore, should not be considered as a liability to the long term business fund.

5) Earmarked portfolio

The earmarked portfolio is a pool of assets provided by the shareholder, including the proceeds of the 2006 subordinated debt which have been placed in the long-term fund. This portfolio is not available for distribution to the with-profit policyholders as distributable estate.

8. Other long-term insurance liabilities

The amount in Form 19 line 47 represents liabilities in respect of:

- additional overhead expenses;
- the reserve in respect of MVAs on Portfolio Bond 1 switches on business reassured to Pearl Assurance plc where the National Provident Life Fund cannot pass this cost onto the policyholders;
- the potential amount of future tax and investment expenses charged to the estate and overcoat; and
- a £41.1 million additional liability to shareholders as described in paragraph 3 (2).

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 £196.6million 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	200.0
less subordinated debt accrual	1.2
less securitised loan accrual	2.2
Realistic current liabilities	196.6

10. Risk capital margin

(a) The risk capital margin for National Provident Life Limited at 31 December 2012 was £56.7 million.

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 0.41%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.32%. 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 76 basis points.

(a) The change in value for the with-profit sub fund bond assets was a 1.61% decrease in asset value.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

(e) The decrease in value for the with-profit sub fund other assets was 0.0%.

(iv) The persistency risk scenario resulted in a 2.50% 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) Assets within the long-term fund do not cover the risk capital margin. The risk capital margin has been backed by approved fixed interest securities and other assets present in the shareholder fund.

(ii) The assets of the Shareholder Fund are available to support the solvency of the long-term fund. The working capital for the financial year is zero after reflecting the £41.1 million additional shareholder liability, and following the assumption that some financing cost liabilities are not payable (as detailed in section 7). Shareholder assets provide support to the long-term fund via an Earmarked Portfolio subject to an undertaking given by National Provident Life Limited to the FSA. As at 31 December 2012 the Earmarked Portfolio stood at £142.3 million.

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

The fund holds a number of interest rate receiver and payer swaps executed with Deutsche Bank, Goldman Sachs and RBS. The table below contains a summary of the trades:

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
RBS	-75,000,000	Pay	5.22	30/07/2020
Deutsche Bank	253,087,306	Receive	3.86	22/12/2023
Deutsche Bank	73,199,636	Receive	3.77	22/12/2028
RBS	-14,400,000	Pay	4.05	07/11/2039
Deutsche Bank	9,820,000	Receive	4.09	27/05/2034
RBS	-6,400,000	Pay	3.89	07/12/2046
Goldman Sachs	-9,000,000	Pay	3.84	07/12/2049
Goldman Sachs	-11,600,000	Pay	3.95	07/03/2036
RBS	-232,000,000	Pay	1.63	30/07/2020
Deutsche Bank	26,288,000	Receive	3.00	30/06/2052
Deutsche Bank	80,418,000	Receive	2.65	29/06/2032
Deutsche Bank	-224,367,000	Pay	2.35	30/06/2027

The fund holds a number of RPI swaps executed with Deutsche Bank. These are summarised in the table below:

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
Deutsche Bank	12,793,000	Pay	3.09	20/06/2013
Deutsche Bank	11,634,000	Pay	3.09	20/06/2014
Deutsche Bank	10,603,000	Pay	3.09	20/06/2015
Deutsche Bank	9,687,000	Pay	3.09	20/06/2016
Deutsche Bank	8,846,000	Pay	3.09	20/06/2017
Deutsche Bank	8,060,000	Pay	3.09	20/06/2018
Deutsche Bank	7,330,000	Pay	3.09	20/06/2019
Deutsche Bank	6,650,000	Pay	3.09	20/06/2020
Deutsche Bank	6,022,000	Pay	3.09	20/06/2021
Deutsche Bank	5,441,000	Pay	3.09	20/06/2022
Deutsche Bank	4,900,000	Pay	3.09	20/06/2023
Deutsche Bank	4,390,000	Pay	3.09	20/06/2024
Deutsche Bank	3,908,000	Pay	3.09	20/06/2025
Deutsche Bank	3,463,000	Pay	3.09	20/06/2026
Deutsche Bank	3,056,000	Pay	3.09	20/06/2027
Deutsche Bank	2,678,000	Pay	3.09	20/06/2028

Deutsche Bank	2,326,000	Pay	3.09	20/06/2029
Deutsche Bank	2,001,000	Pay	3.09	20/06/2030
Deutsche Bank	1,706,000	Pay	3.09	20/06/2031
Deutsche Bank	1,440,000	Pay	3.09	20/06/2032
Deutsche Bank	1,199,000	Pay	3.09	20/06/2033
Deutsche Bank	984,000	Pay	3.09	20/06/2034
Deutsche Bank	800,000	Pay	3.09	20/06/2035
Deutsche Bank	646,000	Pay	3.09	20/06/2036
Deutsche Bank	522,000	Pay	3.09	20/06/2037
Deutsche Bank	426,000	Pay	3.09	20/06/2038
Deutsche Bank	353,000	Pay	3.09	20/06/2039
Deutsche Bank	293,000	Pay	3.09	20/06/2040
Deutsche Bank	245,000	Pay	3.09	20/06/2041
Deutsche Bank	206,000	Pay	3.09	20/06/2042
Deutsche Bank	173,000	Pay	3.09	20/06/2043
Deutsche Bank	146,000	Pay	3.09	20/06/2044
Deutsche Bank	123,000	Pay	3.09	20/06/2045

The fund holds total return bond swaps ("TRS") executed with Barclays, Morgan Stanley and RBS. These are summarised in the table below:

Security name	Notional amount £s	Pay/Receive	Strike level %	Maturity date
Morgan Stanley	-6,800,000	Pay	4.25	13/05/2013
Barclays Capital	9,600,000	Receive	4.25	11/06/2013
Morgan Stanley	14,700,000	Receive	4.25	12/07/2013
RBS	11,900,000	Receive	4.25	18/07/2013

The fund holds a number of currency swaps executed with Deutsche Bank and UBS. These are summarised in the table below:

Security name	Notional amount £s	Currencies involved	Maturity date
Deutsche Bank	61,736	Buy GBP and sell USD	20/03/2013
UBS	8,124,250	Buy GBP and sell EUR	20/03/2013
UBS	406,213	Buy GBP and sell EUR	20/03/2013
UBS	406,213	Buy GBP and sell EUR	20/03/2013
Deutsche Bank	611,438	Buy GBP and sell EUR	20/03/2013
Deutsche Bank	203,813	Buy GBP and sell EUR	20/03/2013
UBS	40,621	Buy GBP and sell EUR	20/03/2013

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 2011 to 31 December 2012.

	£ million
Working capital at 31 December 2011	**0.0**
Model and methodology changes	2.6
Assumption changes – Non economic	(26.1)
Roll forward:	
Expected return and other movements	2.2
Investment returns:	
Equity variance	3.7
Property variance	(5.3)
Impact of change in fixed interest yields	(26.3)
Variance due to credit spreads	61.7
Miscellaneous:	
Actual policy movements differing from expected	4.8
Other	(5.3)
Impairment of overcoat support charges	24.7
Unexplained	4.4
Shareholder Liability	41.1
Working capital at 31 December 2012	**0.0**

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 2012

The with-profits actuary throughout the period was 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 year 2012:

1. a) Mr Addison held no shares or share options in 2012.

   b) Mr Addison had no transactions with the insurer throughout 2012.

   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 £8,788,161 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 2012 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 2012.

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

Certificate required by rule 9.34(1)

NATIONAL PROVIDENT LIFE LIMITED

Global Business

Financial year ended 31 December 2012

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	M D Ross Director

Date: 18 March 2013

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 2012

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 Financial Services Authority under section 138 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 issued under section 148 of the Act, referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

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

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 2012

Respective responsibilities of the insurer and its auditors (continued)

- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 26 March 2013. 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

Ernst & Young LLP
Statutory Auditor
London
Date 26 March 2013