NATIONAL PROVIDENT LIFE LIMITED

Registered in England - No 3641947
Registered Office
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2008

Appendices 9.1, 9.3, 9.4, 9.4A, 9.6

Form 2

Statement of solvency - long-term insurance business

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	Units
R2	3641947	GL	31	12	2008	£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	139110	62069
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	224686	226586
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	363796	288655
Guarantee fund			
Guarantee fund requirement	21	68241	73565
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	295555	215090
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	204722	220696
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	204722	220696
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	204722	220696
Excess (deficiency) of available capital resources to cover 50% of MCR	37	197768	115153
Excess (deficiency) of available capital resources to cover 75% of MCR	38	146587	59979
Enhanced capital requirement			
With-profits insurance capital component	39	100290	
Enhanced capital requirement	40	305012	220696
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	305012	220696
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	58784	67959
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 **Form 2**

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

.... J S Moss **Managing Director**

.... J S B Smith **Director**

.... M J Merrick **Director**

Date 9 **April 2009**

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	3641947	GL	31	12	2008	£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		224443	224443	244786
Share premium account	13				
Positive valuation differences	14		101001	101001	39181
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		335444	335444	293967
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		335444	335444	293967
Investments in own shares	32				
Intangible assets	33		35315	35315	68466
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		35315	35315	68466
Total tier one capital after deductions (31-37)	39		300129	300129	225501

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/UK/CM	day	month	year	Units
R3	3641947	GL	31	12	2008	£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
Tier two capital					
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52		65000	65000	65000
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		65000	65000	65000
Total tier two capital before restrictions (49+59)	61		65000	65000	65000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		65000	65000	65000

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3641947	GL	31	12	2008	£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		365129	365129	290501
Inadmissible assets other than intangibles and own shares	73		1333	1333	1846
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		363796	363796	288655
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		363796	363796	288655
Available capital resources for 50% MCR requirement	82		300129	300129	225501
Available capital resources for 75% MCR requirement	83		300129	300129	225501
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		70515	70515	134554
Any other charges on future profits	95		55754	55754	64018
Sum of financial engineering adjustments (91+92-93+94+95)	96		126269	126269	198572

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£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	33713	33713
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	88644	11832
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	25556	63889
Rights under derivative contracts		44	6661	
Fixed interest securities	Approved	45	41286	50657
	Other	46	6656	3059
Variable interest securities	Approved	47		
	Other	48	9758	61771
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	1380	2
	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		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£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	13495	
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	8684	4509
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	779	8713
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	25	456
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	236637	238601

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£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	236637	238601
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		25000
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	74512	68200
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	311149	331801

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		33713

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	134519	170884
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	3862	30870
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	750288	496477
Rights under derivative contracts		44	741588	274756
Fixed interest securities	Approved	45	2124161	2125311
	Other	46	1267922	1675334
Variable interest securities	Approved	47	2309	2130
	Other	48	74886	89504
Participation in investment pools		49		
Loans secured by mortgages		50	34	50
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	586	654
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	444	
	More than one month withdrawal	55		25173
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	672	812
	Property linked	59	1595	3345

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£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	277	1846
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		6
	Ceded	75		3583
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	23474	29769
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	184595	192615
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	53142	60962
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	25568	26160
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	5389922	5210241

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£000	10

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

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	5389922	5210241
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	36648	70312
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		(25000)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3068335	3617718
Other asset adjustments (may be negative)	101	(86537)	(71028)
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	8408368	8802243

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	4915	8302

Form 14

Long term insurance business liabilities and margins

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Global business	
Financial year ended	**31 December 2008**
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	4311658	4819292
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	139110	62069
Long term insurance business fund carried forward (11 to 13)		14	4450768	4881361
Claims outstanding	Gross	15	14110	16665
	Reinsurers' share	16		
	Net (15-16)	17	14110	16665
Provisions	Taxation	21		1200
	Other risks and charges	22	2339	4476
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	114738	136612
Creditors	Taxation	37		
	Other	38	802900	165292
Accruals and deferred income		39	5067	4635
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	939154	328880
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	5389922	5210241

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	669	11860
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1595	3345

Total liabilities (11+12+49)	71	5250812	5148172
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	3068335	3617718
Other adjustments to liabilities (may be negative)	74	89221	36353
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 its external financial reporting (71 to 75)	76	8408368	8802243

Liabilities (other than long term insurance business)

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	3641947	GL	31	12	2008	£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	108	
	Foreseeable dividend	48		
	Other	49	8460	9171
Accruals and deferred income		51	3383	2844
Total (19 to 51)		59	11951	12015
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	65000	65000
Total (59 to 63)		69	76951	77015

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	65000	68644

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(245)	
Capital and reserves	84	234443	254786
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	311149	331801

Form 16

Profit and loss account (non-technical account)

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2008

	Company registration number	GL/ UK/ CM	day	month	year	Units
R16	3641947	GL	31	12	2008	£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	(30000)	
Investment income	Income	14	22507	16998
	Value re-adjustments on investments	15	10065	5637
	Gains on the realisation of investments	16		
Investment charges	Investment management charges, including interest	17	9216	8155
	Value re-adjustments on investments	18		
	Loss on the realisation of investments	19	14858	1659
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	(21502)	12821
Tax on profit or loss on ordinary activities		31	5100	(600)
Profit or loss on ordinary activities after tax (29-31)		39	(26602)	13421
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	(26602)	13421
Dividends (paid or foreseeable)		51		
Profit or loss retained for the financial year (49-51)		59	(26602)	13421

Analysis of derivative contracts

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£000	1

Derivative contracts			Value as at the end of this financial year		Notional amount as at the end of this financial year	
			Assets	Liabilities	Bought / Long	Sold / Short
			1	2	3	4
Futures and contracts for differences	Fixed-interest securities	11				
	Interest rates	12				
	Inflation	13				
	Credit index / basket	14				
	Credit single name	15	5692		241706	
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19	969	4077	94276	12401
	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	6661	4077	335982	12401
Adjustment for variation margin		52				
Total (51 + 52)		53	6661	4077		

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.

Form 17

Analysis of derivative contracts

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Global business

Financial year ended **31 December 2008**

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	2008	£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	649765	543921	5782055	4018900
	Inflation	13		9605		200981
	Credit index / basket	14				
	Credit single name	15				
	Equity index	16				
	Equity stock	17				
	Land	18				
	Currencies	19		2938	45224	
	Mortality	20				
	Other	21				
In the money options	Swaptions	31	2362		500000	
	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	89461		513920	
	Equity index calls	42				
	Equity stock calls	43				
	Equity index puts	44				
	Equity stock puts	45				
	Other	46				
Total (11 to 46)		51	741588	556464	6841199	4219881
Adjustment for variation margin		52				
Total (51 + 52)		53	741588	556464		

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 2008**
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	5389922	5210240
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	194760	198158
	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	5195162	5012082
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4116898	4621134
	Regulatory current liabilities of the fund	22	939154	328880
	Total (21+22)	29	5056052	4950014
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	166270	166459
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	5222322	5116473
Regulatory excess capital (19-39)		49	(27160)	(104391)

Realistic excess capital

Realistic excess capital	51	(127450)	(42785)

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	100290	(61606)
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	71020	81869
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	100290	

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 2008**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		11	5195162	5012082
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	73248	100934
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	5268410	5113016
Support arrangement assets		27		
Assets available to the fund (26+27)		29	5268410	5113016
Realistic value of liabilities of fund				
With-profits benefit reserve		31	2756861	3505713
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	21973	22983
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	270820	295002
	Future costs of contractual guarantees (other than financial options)	41	1529306	1158230
	Future costs of non-contractual commitments	42	2929	3062
	Future costs of financial options	43	12429	9275
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	268122	335716
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	7436	24128
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1527429	1212426
Realistic current liabilities of the fund		51	924492	324905
Realistic value of liabilities of fund (31+49+51)		59	5208782	5043044

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 2008**
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**	5395860	5155801
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**	5395860	5155801
Risk capital margin for fund (62-59)	**65**	187078	112757
Realistic excess capital for fund (26-(59+65))	**66**	(127450)	(42785)
Realistic excess available capital for fund (29-(59+65))	**67**	(127450)	(42785)
Working capital for fund (29-59)	**68**	59628	69972
Working capital ratio for fund (68/29)	**69**	1.13	1.37

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

Additional amount potentially available for inclusion in line 62	**81**	58698	64563
Additional amount potentially available for inclusion in line 63	**82**		

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 2008**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	11	(98168)	26326
Investment income receivable before deduction of tax	12	234714	256685
Increase (decrease) in the value of non-linked assets brought into account	13	(99897)	(196512)
Increase (decrease) in the value of linked assets	14	(1750)	(591)
Other income	15	14530	16711
Total income	19	49429	102619
Expenditure			
Claims incurred	21	437814	647006
Expenses payable	22	37386	35600
Interest payable before the deduction of tax	23	36022	24494
Taxation	24	(1200)	(8933)
Other expenditure	25		
Transfer to (from) non technical account	26	(30000)	
Total expenditure	29	480022	698167
Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(430593)	(595548)
Fund brought forward	49	4881361	5476909
Fund carried forward (39+49)	59	4450768	4881361

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 2008**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	1685	39088		40773	53307
Single premiums	12	360	2057		2417	124108
Reinsurance - external						
Regular premiums	13	9			9	34
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	49	16468		16517	18252
Single premiums	16	261	124571		124832	132803
Net of reinsurance						
Regular premiums	17	1627	22620		24247	35021
Single premiums	18	99	(122514)		(122415)	(8695)
Total						
Gross	19	2045	41145		43190	177415
Reinsurance	20	319	141039		141358	151089
Net	21	1726	(99894)		(98168)	26326

Form 42

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 2008**
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	14609	18143		32752	33113
Disability periodic payments	12					
Surrender or partial surrender	13	110707	371693		482400	673049
Annuity payments	14	2478	124282		126760	121409
Lump sums on maturity	15	23912	87521		111433	229579
Total	16	151706	601639		753345	1057150
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23	228			228	
Annuity payments	24					
Lump sums on maturity	25					
Total	26	228			228	
Reinsurance - intra-group						
Death or disability lump sums	31	2742	5012		7754	8041
Disability periodic payments	32					
Surrender or partial surrender	33	8361	143323		151684	250470
Annuity payments	34	238	123753		123991	118741
Lump sums on maturity	35	3218	28656		31874	32892
Total	36	14559	300744		315303	410144
Net of reinsurance						
Death or disability lump sums	41	11867	13131		24998	25072
Disability periodic payments	42					
Surrender or partial surrender	43	102118	228370		330488	422579
Annuity payments	44	2240	529		2769	2668
Lump sums on maturity	45	20694	58865		79559	196687
Total	46	136919	300895		437814	647006

Form 43

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 2008**
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	280	614		894	1207
Management - acquisition	13					
Management - maintenance	14	10785	23702		34487	34393
Management - other	15	627	1378		2005	
Total	16	11692	25694		37386	35600
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	280	614		894	1207
Management - acquisition	43					
Management - maintenance	44	10785	23702		34487	34393
Management - other	45	627	1378		2005	
Total	46	11692	25694		37386	35600

Form 44

Long-term insurance business : Linked funds balance sheet

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business	
Financial year ended	**31 December 2008**
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	1595	3345
Total			
Value of directly held linked assets and units held (18+21)	31	1595	3345
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	1595	3345

Form 46

Long-term insurance business : Summary of new business

Name of insurer **NATIONAL PROVIDENT LIFE LIMITED**

Total business

Financial year ended **31 December 2008**

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		33		33	34
Single premium business	12	8	10		18	6571
Total	13	8	43		51	6605
Amount of new regular premiums						
Direct insurance business	21		20		20	28
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		20		20	28
Amount of new single premiums						
Direct insurance business	25	261	2065		2326	124108
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	261	2065		2326	124108

Long-term insurance business : Analysis of new business

Name of insurer — **NATIONAL PROVIDENT LIFE LIMITED**

Total business

Financial year ended — **31 December 2008**

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)			8	252
700	Life property linked single premium				9

Long-term insurance business : Analysis of new business

Name of insurer	**NATIONAL PROVIDENT LIFE LIMITED**
Total business	
Financial year ended	**31 December 2008**
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				126
540	Group money purchase pensions UWP - increments				60
550	Individual deposit administration with-profits - increments				195
565	DWP National Insurance rebates UWP				374
730	Individual pensions property linked - increments		10		883
735	Group money purchase pensions property linked	33	10	10	148
745	DWP National Insurance rebates property linked				279

Form 48

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 2008**
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	130845	130845	6388	3.90	
Other fixed interest securities	13	59465	59465	4099	7.76	
Variable interest securities	14	2183	2183	815	2.76	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	192493	192493	11302	5.08	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	21	134519	214483	13751	6.41	(31.68)
Approved fixed interest securities	22	2016069	2017413	96501	4.10	12.05
Other fixed interest securities	23	1237079	1248807	84474	7.42	(2.26)
Variable interest securities	24	76497	154	58	2.76	(28.01)
UK listed equity shares	25	242	402			8.33
Non-UK listed equity shares	26					6.88
Unlisted equity shares	27	3620	3588			3.47
Other assets	28	1727136	1710315	46870	2.09	(42.41)
Total	29	5195162	5195162	241654	4.33	(11.13)
Overall return on with-profits assets						
Post investment costs but pre-tax	31					(8.60)
Return allocated to non taxable 'asset shares'	32					(8.79)
Return allocated to taxable 'asset shares'	33					(7.73)

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 2008**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	1247062	13.89	3.76	3.76
Other approved fixed interest securities	**21**	901196	13.83	4.53	4.44
Other fixed interest securities					
AAA/Aaa	**31**	307081	11.76	6.20	5.59
AA/Aa	**32**	264091	11.41	6.61	5.60
A/A	**33**	619313	10.24	8.12	6.86
BBB/Baa	**34**	117727	9.92	8.86	7.25
BB/Ba	**35**				
B/B	**36**				
CCC/Caa	**37**	60	9.38	30.92	3.04
Other (including unrated)	**38**				
Total other fixed interest securities	**39**	1308272	10.80	7.43	6.34
Approved variable interest securities	**41**	2337	4.35	2.76	2.76
Other variable interest securities	**51**				
Total (11+21+39+41+51)	**61**	3458867	12.70	5.35	4.91

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 2008**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Form 51 - with-profits	**11**	53307	1817198		1870505	2078477
Form 51 - non-profit	**12**	29283	1547292		1576575	1534267
Form 52	**13**	274624	1992075		2266699	2570685
Form 53 - linked	**14**	83196	1498677		1581873	2170920
Form 53 - non-linked	**15**	531	45056		45587	44743
Form 54 - linked	**16**	621	33742		34363	32314
Form 54 - non-linked	**17**	39	1663		1702	1861
Total	**18**	441601	6935703		7377304	8433267
Reinsurance - external						
Form 51 - with-profits	**21**					
Form 51 - non-profit	**22**	10			10	14
Form 52	**23**					
Form 53 - linked	**24**					
Form 53 - non-linked	**25**					
Form 54 - linked	**26**					
Form 54 - non-linked	**27**					
Total	**28**	10			10	14
Reinsurance - intra-group						
Form 51 - with-profits	**31**					
Form 51 - non-profit	**32**	1999	1426250		1428249	1384156
Form 52	**33**	22704			22704	31399
Form 53 - linked	**34**	81601	1498677		1580278	2167575
Form 53 - non-linked	**35**	1	1933		1934	1460
Form 54 - linked	**36**		33691		33691	31502
Form 54 - non-linked	**37**		1178		1178	1245
Total	**38**	106305	2961729		3068034	3617337
Net of reinsurance						
Form 51 - with-profits	**41**	53307	1817198		1870505	2078477
Form 51 - non-profit	**42**	27274	121042		148316	150097
Form 52	**43**	251920	1992075		2243995	2539286
Form 53 - linked	**44**	1595			1595	3345
Form 53 - non-linked	**45**	530	43123		43653	43283
Form 54 - linked	**46**	621	51		672	812
Form 54 - non-linked	**47**	39	485		524	616
Total	**48**	335286	3973974		4309260	4815916

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 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	1065	16433	90				13592
120	Conventional endowment with-profits OB savings	4487	45013	1155				39112
165	Conventional deferred annuity with-profits	25	14					135
205	Miscellaneous conventional with-profits	94	207	2				67
210	Additional reserves with-profits OB							401
390	Deferred annuity non-profit	26	18					242
395	Annuity non-profit (PLA)	2840	3210					21084
435	Miscellaneous non-profit	4705	126535	469				7957

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 2008**
Units	**£000**
UK Life / Reinsurance ceded external	

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

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 2008**
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
395	Annuity non-profit (PLA)		28					1999

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 2008**
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	10491	417592	1358				487651
165	Conventional deferred annuity with-profits	62092	137827	9928				1329542
205	Miscellaneous conventional with-profits		103	2				5
390	Deferred annuity non-profit	2463	7402					68570
400	Annuity non-profit (CPA)	94653	134792					1443209
435	Miscellaneous non-profit	5940	231416	859				5146
440	Additional reserves non-profit OB							30367

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 2008**
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
435	Miscellaneous non-profit		5982					

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 2008**
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
390	Deferred annuity non-profit		339					5176
400	Annuity non-profit (CPA)		134792					1421074

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 2008**
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	13870	304511		302159	244380	8353	252733
610	Additional reserves UWP						21891	21891

Form 52

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 2008**
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
500	Life UWP single premium		29065		29035	22506	198	22704

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 2008**
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	121001	1887367	10700	1887368	1611218	79891	1691109
535	Group money purchase pensions UWP	10519	157363	948	157363	133677	9946	143623
545	Individual deposit administration with-profits	592	6420		6420	6420	195	6615
555	Group deposit administration with-profits	1581	29952	1444	29952	29952	13569	43521
570	Income drawdown UWP	62	12556		12556	11002	59	11061
605	Miscellaneous protection rider		4377	2			1	1
610	Additional reserves UWP						96145	96145

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 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	7094	76129		75411	75411	493	75904
715	Life property linked endowment regular premium - savings	295	6190	39	6190	6190	33	6223
790	Miscellaneous protection rider			9			1	1
795	Miscellaneous property linked	93	1595	7	1595	1595	4	1599

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 2008**
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
700	Life property linked single premium		76129		75411	75411	1	75412
715	Life property linked endowment regular premium - savings		6190	39	6190	6190		6190

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 2008**
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	134917	1269258	13137	1269258	1260905	30975	1291880
735	Group money purchase pensions property linked	19501	207904	3063	207904	203835	11641	215476
750	Income drawdown property linked	397	26660		26660	26660	(149)	26511
790	Miscellaneous protection rider		38150	298			595	595
795	Miscellaneous property linked		7277		7277	7277	336	7613
800	Additional reserves property linked						1658	1658

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 2008**
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
790	Miscellaneous protection rider		4132	6				

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 2008**
Units	**£000**
UK Pension / Reinsurance ceded intra-group	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		1269258	13137	1269258	1260905	(666)	1260239
735	Group money purchase pensions property linked		207904	3063	207904	203835	2608	206443
750	Income drawdown property linked		26660		26660	26660	(9)	26651
795	Miscellaneous property linked		7277		7277	7277		7277

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 2008**
Units	**£000**
UK Life / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	49	104		621	621	39	660

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 2008**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	1014	2730		33691	33691	1579	35270
910	Miscellaneous index linked	32	12		51	51	84	135

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 2008**
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		2730		33691	33691	1178	34869

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 2008**
Units	**£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Life Non Profit	27843	3.68	4.60	4.73
UK Life With Profit	305226	3.68	4.60	4.73
UK Pension Non Profit	164650	4.60	4.60	4.73
UK Pension With Profit	3805050	4.60	4.60	4.73
Misc	6622			
Total	4309391			

Form 58

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 2008**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	11	4450768	4881361
Bonus payments in anticipation of a surplus	12	1960	7972
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4452728	4889333
Mathematical reserves	21	4309260	4815916
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	143468	73417
Composition of surplus			
Balance brought forward	31	62069	90000
Transfer from non-technical account	32	30000	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	51399	(16583)
Total	39	143468	73417
Distribution of surplus			
Bonus paid in anticipation of a surplus	41	1960	7972
Cash bonuses	42		
Reversionary bonuses	43	2398	3376
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	4358	11348
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	4358	11348
Surplus carried forward	49	139110	62069
Total (48+49)	59	143468	73417
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 2009**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9871		n/a	CWP	N	9871
Endowment assurance	20	15885		n/a	CWP	N	15885
Endowment assurance	25	25099		n/a	CWP	N	25099
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	24030			UWP	N	24030
Regular premium pension	15	46960			UWP	N	46960
Regular premium pension	20	75876			UWP	N	75876
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	12010			UWP	N	12010
Single premium pension	15	21210			UWP	N	21210
Single premium pension	20	32999			UWP	N	32999

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 2009**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	14378		n/a	CWP	N	19566
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	8836		(3419)	UWP	Y	5471
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	9584		(2779)	UWP	Y	12363

Form 60

Long-term insurance capital requirement

Name of insurer NATIONAL PROVIDENT LIFE LIMITED

Global business

Financial year ended 31 December 2008

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%					
Classes I (other), II and IX	13	0.15%			0.98		
Classes I (other), II and IX	14	0.3%	1097226	1080461		3241	3049
Classes III, VII and VIII	15	0.3%	16539	14640	0.89	44	73
Total	16		1113765	1095101		3285	3122
Insurance health risk and life protection reinsurance capital component							
Class IV supplementary classes 1 and 2 and life protection reinsurance	21					3	4
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	5751077	4264963	0.85	48884	52869
Classes III, VII and VIII (investment risk)	33	1%	90221	43653	0.85	767	833
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				2773	2706
Class IV (other)	36	1%	1456	1447	0.99	14	14
Class V	37	1%					
Class VI	38	1%					
Total	39					52438	56422
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	5751077	4264963	0.85	146652	158608
Classes III, VII and VIII (investment risk)	43	3%	90221	43653	0.85	2301	2498
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	1537240	1595			
Class IV (other)	46	3%	1456	1447	0.99	43	42
Class V	47	0%					
Class VI	48	3%					
Total	49		7379994	4311658		148996	161148
Long term insurance capital requirement	51					204722	220696

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 June 2007. 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.

The Financial Services Authority, on the application of the firm, made a direction in December 2008 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to modify INSPRU 3.1.46R so that the risk-adjusted yield assumed for the investment or reinvestment of sums denominated in sterling for the firm's with-profits business must be no more than the greater of (i) the forward gilts yield and (ii) the forward rate on sterling interest rate swaps as reduced by that part of the rate that represents compensation for credit risk.

The Financial Services Authority, on the application of the firm, made a direction in December 2008 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to take into account 'reversionary interests in land' for the purposes of determining the yield and internal rate of return on assets in accordance with INSPRU 3.1.34R and 3.1.39R respectively.

0301 Reconciliation of admissible assets to capital resources after deductions

	2008 £'000	2007 £'000
Form 13 line 89 (Other than long term business)	236,637	238,601
Form 13 line 89 (Long term business)	5,389,922	5,210,241
Less Form 14 lines 11, 12 and 49	(5,250,812)	(5,148,172)
Less Form 15 line 69	(76,951)	(77,015)
Net admissible assets	298,796	223,655
Subordinated debt	65,000	65,000
Total capital resources after deductions	363,796	288,655

0308 Outstanding contingent loans

At the financial year ended 31 December 2008, the total amount of contingent loan drawn down from the immediate parent undertaking is £671,679,000. As at the end of the financial year the statutory valuation of the loan was £70,515,000, the amount included in Form 14 line 35 was nil. The difference of £70,515,000 is reported in Form 3 line 94 which represents a potential charge against future profits not recognised in Form 14. Further detail is provided in note 1402 (c).

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

***0309* 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 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 £175,389,000 (£260,000,000 less £84,611,000 capital repayment). Of this amount £55,754,000 is reported in Form 3 line 95, 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" and Note 22 of the Report and Accounts.

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

	2008 £'000	2007 £'000
Securitised loan valuation difference	55,754	64,018
Contingent loan valuation difference	70,515	134,553
Mathematical reserves valuation difference	(27,834)	(161,169)
Difference in provision for investment contracts	2,566	1,779
Net valuation difference	101,001	39,181

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

	£'000
Form 3 line 12 at 1 January 2008	244,786
Form 16 line 59	(26,602)
Capital Contribution	24,700
Addition to the long term fund 'original' earmarked assets (Form 16 line 13)	30,000
Impairment of the long term fund 'original' earmarked assets	(48,441)
Form 3 line 12 at 31 December 2008	224,443

The 'original' earmarked assets refer to capital support held by the long term fund.

***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 in the return as the Company 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 in the return as the Company satisfies the de-minimis limit.

Appendix 9.1 (continued)

1301
***1308* Unlisted and Listed investments**

Included within Form 13 are the following amounts:

	Long term		Other than long term	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	3,620	3,700	88,645	-
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable.	176,699	100	13,866	-
Collective Investment Schemes, as specified in instruction 5 to Form 13	121,920	228,174	-	-
Total	302,239	231,974	102,511	-

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 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 alongside other collective investment schemes.

Included within Collective Investment Schemes are the following assets:

	2008	2007
	£'000	£'000
Henderson Retail Warehouse Fund	15,947	27,392
Henderson Central London Office Fund	45,401	72,473
Henderson Shopping Centre Fund	17,544	28,197
Henderson Shop Unit Fund	16,964	27,074
Henderson CASPAR Fund	9,005	47,756
Industrial Property Investment Fund	17,059	25,282
Total	121,920	228,174

1305
***1319* Counterparty limits**

(a) The investment guidelines operated by the Company 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.

1307
***1313* Aggregate value of fully secured rights**

The aggregate value of rights over collateral in respect of derivative contracts is nil (2007: £162 million).

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

1311
***1411* Prior period comparatives**

Collateral received in respect of derivative contracts which is not legally segregated from the Company is recognised as an asset in Form 13 with a corresponding liability for its repayment in Form 14. In 2007 it was not recognised within Form 13 Long term insurance business and Form 14.

The table below identifies the amounts included within Form 13 Long term insurance business and Form 14 in 2008 and indicates the impact of recognising an asset and liability in 2007 for comparative purposes. There is no impact on net assets.

	2008 £'000	2007 £'000
Form 13 – Long term insurance business - line 43	203,984	-
Form 13 – Long term insurance business - line 81	6,505	162,044
Form 14 - line 38	(210,489)	(162,044)
	-	-

***1318* Other asset adjustments**

Included within line 101 of Form 13, for 2008, are the following amounts:

	Long term £'000	Other than long term £'000
'New' earmarked assets	(65,000)	65,000
Reclassification of tax creditor	-	(108)
Reclassification of other creditors	(422)	(137)
'Original' earmarked assets	(9,757)	9,757
Interest payable on 'new' earmarked assets	(11,358)	-
	(86,537)	74,512

Included within line 101 of Form 13, for 2007, are the following amounts:

	Long term £'000	Other than long term £'000
'New' earmarked assets	(65,000)	65,000
Reclassification of tax creditor	3,472	-
Investment Return of the long term fund 'original' earmarked assets	(3,200)	3,200
Interest payable on 'new' earmarked assets	(6,300)	-
	(71,028)	68,200

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

1401
***1501* Provision for reasonably foreseeable adverse variations**

No provision for reasonably foreseeable adverse variations is made in accordance with INSPRU 3.2.17R to INSPRU 3.2.18R, as consideration is given to ensure assets of an identical or similar nature are held so that the derivative contracts are effectively covered. All contracts are reasonably covered and any potential provision is considered immaterial.

The assets of the insurer are valued on a mark to market basis. Where this is not possible, mark to model or director valuations are calculated on a prudent basis and incorporate all necessary valuation adjustments pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.1 (continued)

1402
***1502* Additional liability details**

(a) No charge has been made on the assets of the insurer.

(b) The total potential liability to taxation on capital gains which might arise if the insurer were to dispose of its long term insurance business assets, is nil (2007: £1.6 million). In accordance with FRS 19, the discounted value of nil (2007: £1.2 million) has been recognised and included within Form 14 line 21 for taxation on capital gains.

(c) The insurer has a contingent loan from the immediate parent undertaking. The loan is repayable at the shareholders' discretion if and to the extent that the actuarial function holder determines that a deficit will not arise. A deficit arises where in the actuarial function holder's opinion there would otherwise be insufficient assets to cover either statutory reserving requirements or to meet policyholder reasonable expectations. The loan bears interest at a rate equal to the earnings on the underlying assets together with an additional amount of 1.75% pa from the date of advance. The contingent loan interest for the year and the previously deferred payment was retained by the fund as earmarked assets, as agreed by the parent undertaking.

(d) 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.

(e) In the opinion of the directors, there are no fundamental uncertainties affecting the position of the insurer.

***1405* Other adjustment to liabilities**

Included within line 74 of Form 14 are the following amounts:

	2008 £'000	2007 £'000
Positive valuation difference (see note '0310')	101,001	39,181
Reclassification of tax creditor	-	3,472
Reclassification of other creditors	(422)	-
Interest payable on 'new' earmarked assets	(11,358)	(6,300)
Total	89,221	36,353

***1507* Other adjustments to liabilities**

Included within line 83 of Form 15 are the following amounts:

	2008 £'000	2007 £'000
Reclassification of tax creditor	(108)	-
Reclassification of other creditors	(137)	-
Total	(245)	-

***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 insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received of nil (2007: £26,000) is included in Form 13 line 81.

Returns under the Accounts and Statements Rules

Supplementary Notes

National Provident Life Limited

Global Business

Financial year ended 31 December 2008

Appendix 9.3

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

Other income includes annual management income of £14.5 million (2007: £16.7 million).

***4008* Provision of management services**

Throughout the whole of the financial year Pearl Group Services Limited has provided management services to the insurer. Axial Investment Management Limited and Henderson Global Investors Limited have provided investment management services throughout the whole of the financial year

State Street Bank and Trust Company have provided custody and accounting, transition management and associated services for the Axial 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 Pearl Assurance plc and NPI Limited. Details of these reinsurance treaties are to be found in paragraph 9 of the Abstract of valuation report required by rule 9.31(a).

***4011* Prior period comparatives**

Collateral received in respect of derivative contracts which is not legally segregated from the Company is recognised as an asset in Form 13 with a corresponding liability for its repayment in Form 14. In 2007 it was not recognised within Form 13 Long term insurance business and Form 14.

Interest receivable and interest payable on the collateral is recognised within Form 40 line 12 and Form 40 line 23 respectively. There is no impact on the revenue account for 2007 or the fund brought forward in 2008.

***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, it has been assumed that they will be redeemed at the last possible date, or not redeemed in the case of a callable perpetual bond. This is consistent with recent market experience that call dates are being missed and with the market valuations. The value of callable corporate bonds at the valuation date was £108 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 £297 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**

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: £63.3 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.

***4901* Credit rating agency**

Credit ratings are provided by Axial Investment Management Limited and sourced from Standard and Poor's and Moody's credit rating agencies. The lesser of the ratings are used to provide the split.

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.

***5600* Long term insurance business: Index linked business**

In respect of Form 56 Long term insurance business: Index linked business, the form is not included in the return as index linked assets are less than £100 million.

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

The gross annual office premium of Class IV business was £18,000. 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 2008

(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 either 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) There were no options bought or sold during the financial year where the difference at inception between the price of the underlying and the strike price was greater than 5%.

(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 2008

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were NP Life Holdings Limited, Pearl Assurance plc, Pearl Group Limited, Sun Capital Investments Limited, Hera Investments One Limited, Xercise Limited, Jambright Limited, Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas, TDR Capital Nominees Limited and TDR Capital LLP.

The persons who, to the knowledge of the insurer, were controllers at the end of the financial year were:

1. NP Life Holdings Limited

As at 31 December 2008, NP Life Holdings Limited owned 100% of the issued share capital of National Provident Life Limited and was able to exercise 100% of the voting power at any general meeting.

2. Pearl Assurance plc

As at 31 December 2008, Pearl Assurance plc 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 was able to exercise 100% of the voting power at any general meeting.

3. Pearl Group Limited

As at 31 December 2008, Pearl Group Limited owned 100% of the shares of Pearl Assurance plc, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

4. Sun Capital Investments Limited

As at 31 December 2008, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Hera Investments One Limited

As at 31 December 2008, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

6. Xercise Limited

As at 31 December 2008, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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 2008

(continued)

7. Jambright Limited

As at 31 December 2008, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

8. Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas

As at 31 December 2008, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 81.2% of the ordinary shares of Xercise Limited and were able to exercise 81.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

9. TDR Capital Nominees Limited

As at 31 December 2008, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 91.7% of the ordinary shares of Jambright Limited and were able to exercise 91.7% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

10. TDR Capital LLP

As at 31 December 2008, 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, acted as nominee for the TDR funds, which own 91.7% of the ordinary shares of Jambright Limited and were able to exercise 91.7% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which National Provident Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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 2008

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 2008:

1. a) Mr Addison helds no shares or share options in 2008.

   b) Mr Addison had no transactions with the insurer throughout 2008

   c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt Limited, (the employer of Mr Addison), from the insurer during the period specified was £3,205,057.

   d) Mr Addison was not a member of any Pearl Staff Pension Scheme (National Provident Life Limited being a subsidiary of Pearl Group Limited) in 2008 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 2008.

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 Watson Wyatt Limited for the provision of actuarial services. These services include the performance of the with-profits actuary function by Mr D Addison.

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 2008.

   (2) The date to which the previous actuarial investigation under rule 9.4 related was 31 December 2007.

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

Product range

2. There have been no significant changes to products during the financial year.

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 2007	Throughout 2008
Ordinary units	Jan 1988 to Dec 2007	Throughout 2008
PPP, FSAVC, PRA, & FIP Unitised With-profit Series 2:		
Initial units	Jan 1994 to Dec 2007	Throughout 2008
Ordinary units	Jan 1994 to Dec 1996	From 27 Oct 2008
	Jan 1997 to Dec 1997	From 06 May 2008
	Jan 1998 to Dec 2001	Throughout 2008
	Jan 2002 to Dec 2002	From 27 Oct 2008
	Jan 2004 to Dec 2005	From 27 Oct 2008
	Jan 2006 to Dec 2007	From 06 May 2008
PPP, FSAVC, PRA & FIP Capital Account:		
Initial units	Jan 1994 to Dec 2007	Throughout 2008
Ordinary units	Jan 1994 to Dec 1994	Throughout 2008
	Jan 1995 to Dec 1997	From 06 May 2008
	Jan 1998 to Dec 1999	Throughout 2008
	Jan 2000 to Dec 2000	From 06 May 2008
	Jan 2001 to Dec 2001	From 27 Oct 2008
	Jan 2005 to Dec 2005	From 27 Oct 2008
	Jan 2006 to Dec 2007	From 06 May 2008

Product	Premium Investment Date	Period applied
New Approach PPP, FSAVC and EPP Regular Premium Unitised With-profit	Jan 1998 to Dec 1998	From 27 Oct 2008
	Jan 1999 to Dec 2001	From 06 May 2008
	Jan 2002 to Dec 2002	From 27 Oct 2008
	Jan 2005 to Dec 2005	From 27 Oct 2008
	Jan 2006 to Dec 2007	From 06 May 2008
New Approach PPP, FSAVC and EPP Capital Account	Jan 1998 to Dec 1999	Throughout 2008
	Jan 2000 to Dec 2000	From 06 May 2008
	Jan 2001 to Dec 2001	From 27 Oct 2008
	Jan 2005 to Dec 2005	From 27 Oct 2008
	Jan 2006 to Dec 2007	From 06 May 2008
GMP,VGPPP, GAPP, GIA Unitised With-profit Series 1:		
Initial units	Jan 1988 to Dec 2007	Throughout 2008
Ordinary units	Jan 1988 to Dec 2007	Throughout 2008
Penfund Series 1	Jul 1990 to Dec 2007	Throughout 2008
Trustee With Profit Bond	Jan 1997 to Dec 1999	Throughout 2008
With Profit Bond Series 1	Apr 1991 to Dec 2001	Throughout 2008
With Profit Bond Series 2	Jul 1993 to Dec 1994	Throughout 2008
	Jan 1995 to Jun 1995	From 06 May 2008
	Jul 1995 to Dec 2001	Throughout 2008
With Profit Bond Series 3	Oct 1995 to Dec 2001	Throughout 2008
With Profit Bond Series 4	Jan 1997 to Dec 2001	Throughout 2008
With Profit Bond Series 5	Dec 1997 to Dec 2001	Throughout 2008
With Profit Bond Series 6	Sep 1998 to Dec 2001	Throughout 2008
With Profit Bond Series 7	Jan 1999 to Dec 2001	Throughout 2008
Portfolio Bond Series 1	Jul 1999 to Dec 1999	Throughout 2008

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 2008 in line with either the Retail Prices Index, an increase of 3.95%, or National Average Earnings, an increase of 4.16%.

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

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

(7) All National Provident Life Limited's unit-linked liabilities, other than for Unilink policies, are reassured to NPI Limited with effect from 1 January 2000. As a consequence, the information in the following paragraphs relate to NPI Limited's practice.

(a) Units are of two types – initial and ordinary. The following method is applied to both types of 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 purchasing assets and net of all investment management charges, 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 deallocated at 95% of the offer price plus any rounding adjustment. For the 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 deallocated at the bid price. 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.

(iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made.

(b) During the financial year there were no times at which different pricing bases applied to different policies.

(c) Where the funds invest in unit trusts or open-ended investment companies managed by NPI Limited the units are valued at the price at which NPI Limited would have been able to purchase the investments. To ensure 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.

The table below summarises the current Life tax rates and the times at which the accruals are cleared.

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Equity	19.9%	18.9%	19.9%	18.9%

Accruals for realised gains and losses on Equity funds are cleared at the end of each month.

Accruals for unrealised gains and losses on Equity funds are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2008 was 18.9%.

One Life equity fund has accumulated capital losses and its tax rates are currently nil.

Fixed Interest	20%	20%	20%	20%

Fixed Interest tax accruals are cleared at the end of each 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-profits 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 an additional reserve has been established to allow for the cost of the annuity guarantees.

Unitised with-profits 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.

Under with-profit S620 annuities (SERP) issued after April 1971, provision is made for the option that policies may vest prior to the vesting date written in the policy. The percentage of policyholders assumed to vest on reaching each retirement age is as follows:

Age	Percentage retiring
60	62.5%
65	87.5%
70	100.0%
75	100.0%

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 NPI 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	2008	2007	Product Code
Net premium basis			
Deposit administration	4.60%	4.60%	545, 555
Other pensions business	4.60%	4.60%	435
Other life business	3.68%	3.68%	100, 435
Gross premium basis			
Capital account	4.60%	4.60%	525, 535, 570
Life annuities	4.60%	4.60%	390, 395
Pension annuities	4.60%	4.60%	390, 400
SERP	4.60%	4.60%	165
Life with-profit endowments	3.68%	3.68%	120, 205
Life Unitised With-profit guaranteed (Series 1)	3.68%	3.68%	500
Life Unitised With-profit non-guaranteed	3.68%	3.68%	500
Pensions Unitised With-profit guaranteed (Series 1)	4.60%	4.60%	525, 535
Pensions Unitised With-profit non-guaranteed	4.60%	4.60%	525, 535, 570
Profit Sharing Account	4.60%	4.60%	155
Index linked annuities	1.00%	1.00%	905
Unit-linked			
Life sterling reserves	3.68%	3.68%	700, 715, 795
Pensions sterling reserves	4.60%	4.60%	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 reduction applied was calculated individually for each security as 25% of the spread above that of a gilt of comparable term. This approach gave a greater overall reduction to yields than using reductions derived from an analysis of historic and expected future defaults.

The default analysis was as follows. 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. A number of different techniques were then employed to arrive at an additional prudence allowance. Firstly, for bank subordinated debt, a higher risk was recognised by imposing a nil recovery rate on the base default rates. Then stocks were downgraded where it was considered that the credit rating was inappropriate (after analysis of the current market spread and other factors). An additional default risk was applied to around 10% of stocks, based on a stock-by-stock analysis of abnormal default or coupon deferment risk. Debt instruments issued by certain distressed corporations were given a nil value. All default rates were further increased by a 25% margin for adverse deviation.

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

Product Group	**2008**		**2007**		**Product**
	Males	**Females**	**Males**	**Females**	**Code**
Pre-vesting					
SERP	70% AM92	70% AF92	70% AM92	70% AF92	165
All other business	100% AM92	100% AF92	100% AM92	100% AF92	All others
Post-vesting/In payment					
SERP	113% RMV92	113% RFV92	113% RMV92	113% RFV92	165
Immediate and deferred pension annuities	113% RMV92	113% RFV92	113% RMV92	113% RFV92	390, 400, 905
Group GAF annuities	113% RMV92	113% RFV92	113% RMV92	113% RFV92	395
Life / IRS / Individual GAF annuities	100%IML92	100% IFL92	72% IML92	72% IFL92	395, 905

Notes:

1. Ultimate mortality has been used in all cases.
2. For post-vesting mortality using the RMV92 and RFV92 tables, future mortality improvements in line with the average of CMI medium cohort and long cohort projections with a 3% floor at age 60 reducing to 0% at age 110 for both males and females have been assumed at both 31 December 2008 and 31 December 2007.
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% floor for males and 75% of the average of CMI medium cohort and long cohort projections with 1.25% and CMI17 floors for females have been assumed at 31 December 2008. At 31 December 2007 future mortality improvements in line with CMI17 projections were assumed.
4. Where appropriate, additional reserves for the extra mortality that may arise from AIDS have been established. These additional reserves are calculated assuming that the additional mortality will be one-half of basis R6A; this provides a margin over the one-third recommended in the letter dated 29 October 1996 from the Government Actuary's Department. The additional reserves calculated have all been included within the reserves for the relevant individual product lines.

Male 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	23.1	14.6		
Group GAF annuities	23.1	14.6		
Life/IRS/Ind GAF annuities	22.6	13.8		
SERP			25.8	24.5
Other pension deferred annuities			25.8	24.5

Female 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	25.7	16.4		
Group GAF annuities	25.7	16.4		
Life/IRS/Ind GAF annuities	24.1	14.8		
SERP			27.9	26.9
Other pension deferred annuities			27.9	26.9

(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:

Product Group	Premium paying 2008 £pa	Premium paying 2007 £pa	Paid up & single premium 2008 £pa	Paid up & single premium 2007 £pa	Product Code
CWP savings endowments	93.44	88.48	46.65	44.17	120
CWP pensions	55.97	52.99	22.49	21.29	165
Annuity			34.91	33.06	400
UWP bond			46.69	44.22	500
UWP regular premium pension	76.31	72.27	49.43	46.81	525
UWP single premium pension			49.43	46.81	525
UWP group regular premium pension	70.17	66.45	61.92	58.63	535
UWP group single premium pension			61.92	58.63	535
UL bond			46.69	44.22	700
UL savings endowment	125.24	118.60	100.14	94.83	715
UL regular premium pension	76.31	72.27	49.43	46.81	725
UL single premium pension			49.43	46.81	725
UL group regular premium pension	70.17	66.45	61.92	58.63	735
UL group single premium pension			61.92	58.63	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-profits 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	2008 bps	2007 bps
Unit Linked	13.22	13.22
Non-Linked		
Bonds & Derivatives	6.00	6.00
Property	11.25	11.25
Equity	11.25	11.25
Cash	11.25	11.25

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
	2008	2007	2008	2007	2008	2007	
Life business	4.06	5.23	3.40	4.40	2.00	3.20	700, 715, 795
Pensions business	4.20	5.40	3.40	4.40	2.00	3.20	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 / paidup rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	2.0%	2.0%	2.0%	2.0%
CWP target cash endowment	surrender	2.0%	2.0%	2.0%	2.0%
UL savings endowment	surrender	0.0%	0.0%	0.0%	0.0%
UWP bond	surrender	14.5%	14.5%	14.5%	14.5%
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	0.0%	0.0%	0.0%	0.0%
CWP pension regular premium	surrender	1.7%	1.7%	1.7%	1.7%
CWP pension single premium	surrender	1.7%	1.7%	1.7%	1.7%
UWP ind pension regular premium	PUP	15.0%	15.0%	15.0%	15.0%
UWP ind pension regular premium	surrender	5.1%	5.1%	5.1%	5.1%
UWP ind pension single premium	surrender	5.1%	5.1%	5.1%	5.1%
UL ind pension regular premium	PUP	15.0%	15.0%	15.0%	15.0%
UL ind pension regular premium	surrender	0.0%	0.0%	0.0%	0.0%
UL group pension regular premium	PUP	33.0%	33.0%	33.0%	33.0%
UL group pension regular premium	surrender	0.0%	0.0%	0.0%	0.0%
UL ind pension single premium	surrender	0.0%	0.0%	0.0%	0.0%

Notes:

1. There is an additional surrender rate of 100% on With Profit Bond Series 5 policies and some With Profit Bond Series 6 and 7 policies applying on the 10th policy anniversary (the date at which the no-MVR guarantee applies).
2. For CWP pension (SERP) policies, the surrender rate applies to policyholders below age 60. For policyholders aged 60 and above the surrender rate is assumed to be zero.

(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	2008	2007
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 swaptions. 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 31st 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 2008 are:

Allowance for non-attributable expenses: £0.9 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	32,530
Spread of outstanding durations	Gradual run-off mean term to vesting date of 1.7 years. Vesting assumed at age 60 or immediately if older.
Guarantee reserve, £'000	11,344
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) (a) **With Profit Bond Series 5, 6 and 7**

A guarantee that at the tenth policy anniversary no market value reduction will be applied on surrender applies to all With Profit Bond Series 5 policies and With Profit Bond Series 6 and 7 where an option was selected at outset. The units are accumulated to the tenth policy anniversary at the appropriate reversionary bonus rates and discounted at the valuation interest rate. It is assumed that all policies will surrender at the tenth policy anniversary.

(b) Table detailing guaranteed surrender value reserves

Product Code	500	500
Product name	With Profit Bonds Series 5 (in force for less than ten years)	With Profit Bonds Series 6 and 7 (with option)
Basic reserve, £'000	432	322
Spread of outstanding durations	All future anniversaries in 2009 and 2010	All future anniversaries in 2009
Guarantee reserve, £'000	Included in basic reserve shown above	Included in basic reserve shown above
Guaranteed amount, £'000	451	349
MVR free conditions	10^{th} policy anniversary	10^{th} policy anniversary
In force premium, £'000	All single premium	All single premium
Increments allowed	No	No

Notes:
The guaranteed amount shown is the full current surrender value without any market value reduction applied. Note that most With Profit Bond Series 5 contracts in force passed their tenth policy anniversary in 2008.

The only investment performance guarantee is that the value of units invested in any of the Deposit Funds that place money on short-term deposit is guaranteed not to fall. No additional provision is required as the assets backing these funds will not fall in value.

There are no other 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 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.

Self Employed Retirement Plan

These policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. The reserve for this Guaranteed Cash Fund ("GCF") is valued stochastically on a market consistent basis using 2,000 simulations. The reserve is the average over 2,000 simulations of the discounted value of the excess of the GCF over the fund using market annuity rates, if positive, for each simulation.

Table detailing other guarantee reserves:

Product Code	155, 525, 725	165
Product name	Pension Transfer Plan	Self Employed Retirement Plan
Basic reserve, £'000	341,473	1,322,581
Spread of outstanding durations	Gradual run-off mean term of 9.7 years	Gradual run-off mean term of 5.0 years to assumed vesting dates.
Guarantee reserve, £'000	78,996	100
Increments allowed	No	No
Form of the annuity	Varies from policy to policy	Consistent with that taken at policy inception
Retirement ages	Normal Retirement Age under the policy, usually between 60 and 70	60, 65, 70 or 75. See section 4(1)

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	0.80	1.06	6.61	0.54	9.02
Unitised business	0	1.93	18.79	0.97	21.69
Total	0.80	2.99	25.40	1.95	30.71

(2) Selected non-linked, non-profit business has been valued using the net premium method of valuation. The implicit allowance for expenses has been taken as the difference between the office premium and the net premium calculated on the valuation basis. Where the net premium on the valuation basis is greater than the actual office premium, the premium valued is the office premium. 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.

Investment expense allowances are implicitly calculated by a margin in the valuation interest rate.

(3) The difference between the allowance for maintenance expenses shown above and those shown in Form 43 in partly in respect of annual management charges payable to NPI 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 NPI 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 21.5 years (except the reciprocation costs which we assume run for 12 years), annual growth of 3.6% per annum, and discounted at 3.6% per annum. The term of 21.5 years is consistent with section 33 of the Scheme that allows wind up of the with-profits 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	10.7
Unitised Business	19.4

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	4,309.4	4,259.0
Euro	0.0	50.4
Total	4,309.4	4,309.4

(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 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-profits 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 £117.9 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) The following financing arrangement was inforce 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, unitised with-profit and capital account 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 2008, £'000	No premiums are payable. A repayment of interest and principal of 27,583 was made in 2008.
(g) Deposit back	Not applicable
(h) Open or Closed	Closed

(i) Undischarged obligations — The undischarged obligation was £175 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.

The following other treaties were inforce at the valuation date:

(d) Reinsurer	Pearl Assurance plc	NPI Limited	NPI Limited	Pearl Assurance plc
(e) Nature and extent	Pensions Annuities written prior to 1/1/2000 are fully reassured except for the expense of administration.	Unit Linked funds on policies written prior to 1/1/2000 are ceded as investment-only reassurance.	All new policies and increments written from 1/1/2000 except conventional with-profit business are fully reassured on original terms.	Portfolio Bond policies written 1 July 1999 to 31 December 1999 are fully reassured on original terms.
(f) Premiums paid in 2008 £'000s	Nil	141,945 in aggregate to NPI Limited		Nil
(g) Deposit Back	Nil	Nil	Nil	Nil
(h) Open or closed	Closed	Open	Open	Closed
(i) Undischarged obligations	Expenses of administration	This is investment-only reinsurance	Nil – this is original terms reinsurance	Nil – this is original terms reinsurance
(j) Reserves ceded £'000s	729,505	1,352,029	962,166	22,994
(k) Retention for new business	Not applicable	Not applicable	Nil	Nil

(l) Both Pearl Assurance plc and NPI Limited are authorised to carry on insurance business in the UK.

(m) Both these companies are connected companies of the insurer, all three of which are since 13 April 2005 members of the Pearl Group Limited.

(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.

Reversionary (or annual) bonus

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

Simple Bonus

Bonus series	31.12.2008 Basic mathematical reserve	31.12.2008 Reversionary bonus	31.12.2007 Reversionary bonus	31.12.2008 Total guaranteed bonus	Product code
	£000	%	%	%	
Life Conventional With-profit	11,414	0.00%	0.00%	-	100, 120, 205

Compound Bonus

Bonus series	31.12.2008 Basic mathematical reserve	31.12.2008 Reversionary bonus	31.12.2007 Reversionary bonus	31.12.2008 Total guaranteed bonus	Product code
	£000	%	%	%	
Life Unitised With-profit Series 1	84,187	3.00%	3.00%	3.00%	500
Life Unitised With-profit Series 2 to 7	141,108	0.00%	0.00%	-	500
Portfolio Bond 1	22,704	1.00%	1.00%	-	500
Pensions Unitised With-profit Series 1	1,663,895	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)	102,742	0.00% (1) 0.00% (2)	0.00% (1) 0.00% (2)	- -	525, 535, 570
Pension Capital Accounts (EPP & PTP)	51,996	0.00% (1) 2.00% (2)	0.00% (1) 3.00% (2)	- -	525, 535
Pension Capital Accounts (GMP VGPPP, Penfund and TTP)	11,238	0.00% (1) 2.00% (2)	0.00% (1) 3.00% (2)	- -	535
Deposit administration (VGF, CPP and Plan32)	38,791	2.00%	3.00%	-	545 555

Bonus series	31.12.2008 Basic mathematical reserve £000	31.12.2008 Reversionary bonus %	31.12.2007 Reversionary bonus %	31.12.2008 Total guaranteed bonus %	Product code
With-profit S620 deferred annuities (SERP)	1,322,672	0.00%	0.00%	-	165
Life Conventional With-profit	38,562	0.00%	0.00%	-	100, 120, 165, 205
Profit Sharing Account (EPP and PTP)	386,492	0.00%	0.0%	-	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 2008.

   (2) The date of the previous valuation was 31 December 2007.

   (3) Since the previous valuation date, an interim valuation was carried out at 30 June 2008 for the purposes of rule 9.3A.

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 2008 is set out below, together with comparative figures as at 31 December 2007:

Implied zero curve (gilts + 10bp)		
Year	Zero curve	
	31 December 2008	31 December 2007
1	1.22%	4.55%
2	1.87%	4.50%
3	2.31%	4.54%
4	2.63%	4.59%
5	2.87%	4.63%
10	3.58%	4.69%
15	4.13%	4.65%
20	4.34%	4.57%
25	4.08%	4.47%
30	3.91%	4.39%
35	3.83%	4.31%
40	3.75%	4.24%

   (2) Not applicable.

   (3) Not applicable.

   (4) Not applicable.

   (5) Not applicable.

With-profits benefits reserve liabilities

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

   Method 1: For conventional with-profits policies the asset shares are calculated by accumulating the premiums paid at the investment return applicable to the with-profits 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-profits, 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-profits 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-profits benefits reserve for each class of product and the amount of the with-profits benefits reserve and the future policy related liabilities for each class:

Product class	Method	With-profits benefits reserve, £million	Future policy related liabilities, £million
Conventional with-profit life	1	30	13
Conventional with-profit pensions	1	936	940
Accumulating with-profit life	2	210	8
Accumulating with-profit pensions	2	1,474	266
Capital Account/Deposit Administration	2	107	24
Total		**2,757**	**1,252**

(2) The future policy related liabilities shown at line 49 in Form 19 also include allowance for financing costs of £268 million and £7 million of other long-term insurance liabilities.

(3) Not applicable.

With-profits benefits reserve – retrospective method

4. (1) (a) 100% of the with-profits 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) For SERP and conventional endowment products a deduction or credit has been made to the with-profits benefits reserve for the expected death strains or surpluses arising from the difference between the amount payable on death and the with-profits benefits reserve. These deductions/credits are calculated annually using AM/F92 mortality factors. This change brings the calculation of the with-profits benefits reserve into line with the actual asset share calculations to determine payouts in line with the Principles and Practices of Financial Management.

(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 2008.

(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-profits benefit reserves during 2008:

	Maintenance expenses, £million	Investment management expenses, £million
Conventional with-profit life	0.5	0.0
Conventional with-profit pensions	3.8	0.7
Accumulating with-profit life	0.7	0.2
Accumulating with-profit pensions	11.4	1.1
Capital Account/Deposit Administration	0.7	0.1
Total	**17.1**	**2.1**

The maintenance expenses above are in line with Schedule 2C scheme.

(iii) For products where the with-profits benefits reserve is calculated using method 1 above, the expenses charged to individual with-profits benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profits benefits reserves. The maintenance expenses vary by product line, as set out in the Scheme of Transfer.

For products where the with-profits 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-profits benefits reserves rather than the per policy amount set out in the Schedule 2C scheme.

(iv) 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-profits benefits reserves.

	Additional expenses, £m
Audit fees	0.242
Regulatory fees	0.337
Securitised loan/Bank of Ireland administration costs	0.351
Fees for independent members of the Supervisory Board	0.100
Salary for the AFH plus secretary	0.232
Charges including professional indemnity fee	0.030
Reciprocation costs with Premier Pension Trustees on business within NPLL	0.057
Total	**1.349**

(4) A charge of 2% was deducted from the with-profits benefits reserves during the financial year and held in an earmarked account in accordance with the management actions described below. Smoothing charges of £11 million (2007: £7 million) were deducted from the with-profits benefits reserves during the financial year.

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

(6) The ratio of the total claims paid on with-profits insurance contracts to the with-profits benefits reserves plus (or minus) any past miscellaneous surplus (or deficit) attributed to those claims were: 110% for 2006, 119% for 2007 and 129% for 2008.

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve (other than Capital Account and Deposit Administration business) in respect of the financial year was -8.52%. The investment return allocated to the with-profits benefits reserve for Capital Account and Deposit Administration business in respect of the financial year was 2.17%. The investment return in respect of Capital Account and Deposit Administration business is calculated from the assets hypothecated to that business.

With-profits benefits reserve – prospective method

5. (1) Not applicable.

(2) Not applicable.

Cost of guarantees, options and smoothing

6. (2) (a) The cost of all guarantees, options and smoothing have been calculated using a full stochastic model approach.

(b) (i) None

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

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

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

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 386,587 individual policies and members of group schemes, which have been grouped together into 4,712 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 and the asset share is reduced by an adjustment of £7 million to reflect the difference in cost of guarantees.

(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. Some of these guarantees are in the money and others are out of the money, depending on the date that the premium was paid.

Deferred annuity benefits, where the contract is written as a basic deferred annuity plus attaching reversionary bonus at vesting. This guarantee applies to the SERP policies. These guarantees are largely 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. In addition, the costs of financial options include the value of the guaranteed cash factors on SERP, where the contracts are written with a guaranteed rate of conversion from annuity to cash. These conversion options are significantly out of the money.

There are no smoothing costs assumed in accordance with National Provident Life Limited's policy of targeting payouts at 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. An initial curve is derived by fitting a smooth curve to the available market rates. Secondly, the volatility of forward rates are calibrated using Rebonato approximation to fit to market 20 year at-the-money swaption volatilities.
- 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). In this calibration the 10 year maturity option has been targeted, and adjusted for this stochastic interest rate effect.
- 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 2008. To fit the model, the fit is targeted to a 7 year A rated bond only.

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 2008	34.50	33.80	34.00	34.20	34.40

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

	Equity	**Property**	**Government bonds**	**Nominal short-rate**
Equities	100%	16%	25%	-23%
Property		100%	11%	-10%
Government bonds			100%	-68%
Nominal short-rate				100%

Source: Barrie and Hibbert

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

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	2.86%	4.12%	4.06%	3.82%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	868,359	545,852	369,846	269,412	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	154,129	312,857	414,179	486,815	299,707	491,854	610,216	694,898	673,229	890,395	1,029,833	x
3		FTSE All Share Index (p=0.8)	143,859	257,510	315,323	351,004	281,919	409,106	469,518	504,937	639,419	751,478	802,227	
4		Property (p=1)	31,757	113,458	184,522	250,122	134,127	250,290	341,509	421,888	522,054	626,370	728,658	1,133,166
5		Property (p=0.8)	26,887	78,589	116,343	149,865	119,058	183,267	226,377	264,361	484,613	489,124	512,986	831,200
6		15 year risk free zero coupon bonds (p=1)	17,874	24,053	15,896	23,256	88,059	87,956	81,964	127,721	499,136	497,912	502,294	820,043
7		15 year risk free zero coupon bonds (p=0.8)	15,267	14,697	6,885	7,201	75,925	50,607	24,857	27,814	457,924	331,231	252,816	541,974
8		15 year corporate bonds (p=1)	28,001	40,750	39,481	53,538	108,908	123,146	122,084	153,254	487,616	476,365	481,588	536,712
9		15 year corporate bonds (p=0.8)	24,261	25,439	17,876	20,340	96,244	78,481	56,961	59,787	448,674	331,353	260,773	240,329
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	81,292	197,013	282,194	351,308	208,161	354,142	456,185	537,888	583,660	734,742	851,084	520,015
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	73,358	151,900	199,845	235,143	191,603	279,665	330,110	367,240	548,668	599,059	634,726	250,023
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	78,722	181,373	256,213	320,549	204,764	334,040	424,661	500,755	579,999	713,114	813,887	947,105
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	70,964	137,953	177,873	209,757	188,278	261,412	302,380	335,841	544,924	577,590	599,695	663,254
14		Portfolio of 40% equity,	38,302	97,635	150,056	199,393	144,416	228,149	294,494	357,788	528,590	599,778	667,738	739,739

		15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)												
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)	32,923	65,312	90,342	111,682	129,125	163,400	187,719	212,251	491,733	463,137	458,031	471,122
			L=15				**L=20**				**L=25**			
16		Receiver swaptions	8.55%	11.06%	9.98%	7.53%	12.04%	13.86%	12.21%	9.00%	15.14%	16.37%	13.96%	10.08%

Note: The values in the above table were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception; the corporate bond scenarios used to derive the values in the table are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine the realistic balance sheet reflect the average credit quality of the corporate bond portfolio.

(iv) For the purposes of calculating a net of tax return, the equity dividend yield has been set to 5.61% and the property rental yield to 5.61%.

(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
SERP	16
UWP Bonds	5
UWP Pensions	9
Profit Sharing Account	6
Capital Account/Deposit Administration	6

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
10 years	122.7%	114.7%
15 years	102.9%	96.8%

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 SERP and 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 a traded asset (e.g. cash, bonds 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.

(viii) The scenario files were found to include some extreme scenarios, which distorted the results and increased the simulation error significantly. Simulations were performed by deleting those scenarios from the scenario file without reducing the number of simulations significantly. This will allow reasonable convergence of the results as can be gauged from the validation test described in (a) (vii) above.

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.

(b) Not applicable.

(c) Not applicable.

(5) (a) The management actions implemented within the model as at 31 December 2008 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 a maximum charge of 2% of asset shares. 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-profits benefits reserves are as follows:

	31 December 2007	**31 December 2012**	**31 December 2017**
Proportion of equities backing with-profits 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	2.96%
CWP target cash endowment	surrender	2.96%
UWP bond	surrender	21.48%
UWP bond	automatic withdrawal	100% of current
CWP pension regular premium	PUP	0.00%
CWP pension regular premium	surrender	2.52%
CWP pension single premium	surrender	2.52%
UWP ind pension regular premium	PUP	22.22%
UWP ind pension regular premium	surrender	7.56%
UWP ind pension single premium	surrender	7.56%

The realistic valuation has previously assumed that all SERP policies retire (and hence take the guaranteed benefits) at age 65, as this was in line with historic experience. However recent investigations have indicated that a significant number of SERP policies are taking the guaranteed benefits at earlier ages and in particular a large number of policyholders are taking these benefits around age 60, when the guarantees first become available.

Some separate realistic and regulatory valuation sensitivity runs were performed which indicate that assuming earlier retirement is prudent. Hence, the stochastic model for SERP business assumes the following estimate of early retirement rates:

Age	**Realistic, best estimate**
60	50%
65	70%
70	100% Note 1

Note 1 – If the policyholder is currently older than 70, they are assumed to retire at age 75.

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.

For With Profit Bond Series 5, where a no-MVA guarantee applies on the 10th policy anniversary, an additional 70% of the policyholders are assumed to surrender their policies at that date.

The annuitant mortality assumptions used are:

Male lives: 120% RMV92 with an average of medium and long cohort improvement factors with a floor of 3% per annum at age 60 reducing to a floor of 0% per annum at age 110.

Female lives: 120% RFV92 with an average of medium and long cohort improvement factors with a floor of 3% per annum at 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 two financing arrangements:

Securitised loan:

Future profits from a particular block of accumulating with-profits 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 £175 million, which includes interest payments calculated at 7.40169% and 7.59730% for the Class A1 and A2 bonds respectively. 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 £184 million.

Contingent loan:

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.

The total amount of the contingent loan drawn down as at 31 December 2008 was £671,679,000.

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 £3 million, this amount excludes the support charges.

There is a further financing arrangement within the long term fund, which does not form part of the future policy related liabilities.

Earmarked portfolio:

The earmarked portfolio is a pool of assets provided by the shareholder which have been placed in the long-term fund. This portfolio is not available for distribution to the with-profits policyholders as distributable estate. £65 million of this earmarked portfolio is subject to a financing charge of 4.25% per annum plus the investment return on the assets.

8. Other long-term insurance liabilities

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

- potential FSCS levies;
- the reserve in respect of outstanding premiums;
- 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; and
- the potential amount of future tax and investment expenses charged to the estate.

9. Realistic current liabilities

The amount in Form 19 line 51 is the figure in Form 14 line 49 adjusted for the following items:

- reduced by the figure in Form 14 line 34 in respect of the subordinated debt which is modelled in the stochastic model;
- reduced by the accruals in respect of the financing arrangements, to the extent that these are included in the stochastic model.

10. Risk capital margin

(a) The risk capital margin for National Provident Life Limited at 31 December 2008 was £187.1million.

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 0.64%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 3.68%. A rise 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-profits sub fund's assets was 96 basis points.

(a) The change in value for the with-profits sub fund bond assets was a 11.74% fall in asset value.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.

(e) The change in value for the with-profits sub fund other assets was a 12.5 % rise in asset value.

(iv) The persistency risk scenario resulted in a 0.78% 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 cover £60 million of the risk capital margin.

(ii) The assets of the Shareholder Fund are available to support the solvency of the long-term fund. Should the working capital become negative, shareholder assets would be transferred into the long-term fund, in an Earmarked Portfolio subject to an undertaking given by National Provident Life Limited to the FSA. As at 31 December 2008 the Earmarked Portfolio stood at £151.5 million.

11. Tax

(i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on an "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits 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-profits 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 sterling receiver swaptions executed with UBS AG. The table below contains a summary of the trades.

Company	Notional amount, £000s	Strike level	Maturity date	Expiry date
UBS	16,000	4.99% - 5.03%	2009	2024
UBS	53,120	4.93% - 4.98%	2010	2025
UBS	52,800	4.88% - 4.92%	2011	2026
UBS	53,000	4.83% - 4.87%	2012	2027
UBS	32,800	4.79% - 4.82%	2013	2028
UBS	96,000	4.74% - 6.00%	2014	2029
UBS	102,200	4.70% - 6.00%	2015	2030
UBS	108,000	6.00%	2016	2031

The fund also holds a number of interest rate receiver and payer swaps executed with UBS, Deutsche Bank, Morgan Stanley, Barclay's Capital and RBS. The table below contains a summary of the trades.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
UBS Swaps	130,100,000	Receive	4.693	16/12/2009
UBS Swaps	-164,000,000	Pay	4.338	17/12/2036
UBS Swaps	5,000,000	Receive	5.675	15/06/2022
UBS Swaps	147,200,000	Receive	4.672	15/12/2010
UBS Swaps	-130,600,000	Pay	4.596	16/12/2015
UBS Swaps	-348,700,000	Pay	4.494	16/12/2020
UBS Swaps	-55,600,000	Pay	4.618	17/12/2014
UBS Swaps	-80,300,000	Pay	4.413	17/12/2025
UBS Swaps	110,600,000	Receive	4.621	18/12/2013
UBS Swaps	-265,900,000	Pay	4.349	18/12/2030
MS Swaps	-191,700,000	Pay	4.407	18/06/2025
UBS Swaps	119,300,000	Receive	4.638	19/12/2012
UBS Swaps	117,100,000	Receive	4.54	20/12/2017
UBS Swaps	127,600,000	Receive	4.177	20/12/2045
UBS Swaps	152,100,000	Receive	4.655	21/12/2011
UBS Swaps	437,000,000	Receive	4.782	19/12/2018
UBS Swaps	-61,000,000	Pay	4.104	20/12/2056
UBS Swaps	22,505,000	Receive	4.915	15/12/2021
UBS Swaps	315,000,000	Receive	4.94	15/06/2016
UBS Swaps	21,250,000	Receive	5.024	16/03/2022
UBS Swaps	-380,000,000	Pay	4.708	17/06/2026
UBS Swaps	-395,000,000	Pay	4.619	18/06/2031
UBS Swaps	840,000,000	Receive	5.007	19/06/2013
DB Swaps	93,000,000	Receive	6.255	21/06/2011
DB Swaps	53,000,000	Receive	6.21	21/06/2012
DB Swaps	-777,000,000	Pay	6.16	21/06/2013
DB Swaps	-178,000,000	Pay	5.9925	21/06/2016
DB Swaps	-267,000,000	Pay	5.9375	21/06/2017
DB Swaps	208,000,000	Receive	5.693	21/06/2022
DB Swaps	69,000,000	Receive	5.493	21/06/2027
DB Swaps	68,000,000	Receive	5.3355	21/06/2032
DB Swaps	42,000,000	Receive	4.883	21/06/2057
DB Swaps	39,000,000	Receive	6.2825	22/06/2009
DB Swaps	155,000,000	Receive	6.0475	22/06/2015
DB Swaps	54,000,000	Receive	5.208	22/06/2037
DB Swaps	132,000,000	Receive	6.1025	23/06/2014

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
DB Swaps	50,000,000	Receive	5.39875	06/08/2027
DB Swaps	55,000,000	Receive	5.25125	06/08/2032
DB Swaps	160,000,000	Receive	5.13125	06/08/2037
BCAP Swaps	9,040,000	Receive	5.0537	07/06/2032
BCAP Swaps	7,350,000	Receive	4.8422	07/12/2038
BCAP Swaps	15,170,000	Receive	5.2258	07/12/2027
BCAP Swaps	13,770,000	Receive	4.7371	07/12/2042
BCAP Swaps	5,270,000	Receive	4.531	07/12/2055
IRS Swaps	55,000,000	Receive	5.831	22/07/2010
IRS Swaps	80,000,000	Receive	4.685	22/07/2038
IRS Swaps	40,000,000	Receive	4.462	22/07/2048
IRS Swaps	25,000,000	Receive	4.352	22/07/2058
IRS Swaps	55,000,000	Receive	5.617	30/07/2010
IRS Swaps	20,000,000	Receive	5.61	30/07/2011
IRS Swaps	130,000,000	Receive	5.583	30/07/2012
IRS Swaps	-85,000,000	Pay	5.264	30/07/2018
IRS Swaps	-75,000,000	Pay	5.224	30/07/2020
IRS Swaps	60,000,000	Receive	4.748	30/07/2033
IRS Swaps	95,000,000	Receive	4.6135	30/07/2038
IRS Swaps	55,000,000	Receive	4.414	30/07/2048
IRS Swaps	30,000,000	Receive	4.323	30/07/2058
IRS Swaps	-190,000,000	Pay	4.708	17/06/2026
IRS Swaps	20,000,000	Receive	5.54	22/07/2016
IRS Swaps	-65,000,000	Pay	5.447	22/07/2018
IRS Swaps	-90,000,000	Pay	5.357	22/07/2020
IRS Swaps	70,000,000	Receive	4.841	22/07/2033
IRS Swaps	80,000,000	Receive	5.816	22/07/2011
IRS Swaps	65,000,000	Receive	5.717	22/07/2013
DB Swaps	145,000,000	Receive	3.175	12/12/2011
DB Swaps	-108,000,000	Pay	3.865	11/12/2028
BA Swaps	-108,200,000	Pay	3.8323	11/12/2028
DB Swaps	-72,000,000	Pay	3.845	11/12/2028
DB Swaps	140,000,000	Receive	3.115	12/12/2011
BCAP Swaps	-36,000,000	Pay	3.85	11/12/2028
IRS Swaps	273,600,000	Receive	3.8592	22/12/2023
IRS Swaps	272,100,000	Receive	3.7666	22/12/2028
IRS Swaps	-192,900,000	Pay	3.2083	22/12/2012

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

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
Deutsche Bank Break Even	2,401,000	Receive	3.07% pa	20/06/2009
Deutsche Bank Break Even	1,964,000	Receive	3.07% pa	20/06/2010
Deutsche Bank Break Even	1,615,000	Receive	3.07% pa	20/06/2011
Deutsche Bank Break Even	3,463,000	Receive	3.09% pa	20/06/2026
Deutsche Bank Break Even	3,056,000	Receive	3.09% pa	20/06/2027
Deutsche Bank Break Even	2,678,000	Receive	3.09% pa	20/06/2028
Deutsche Bank Break Even	2,326,000	Receive	3.09% pa	20/06/2029
Deutsche Bank Break Even	2,001,000	Receive	3.09% pa	20/06/2030
Deutsche Bank Break Even	1,706,000	Receive	3.09% pa	20/06/2031
Deutsche Bank Break Even	1,440,000	Receive	3.09% pa	20/06/2032
Deutsche Bank Break Even	1,199,000	Receive	3.09% pa	20/06/2033
Deutsche Bank Break Even	984,000	Receive	3.09% pa	20/06/2034
Deutsche Bank Break Even	800,000	Receive	3.09% pa	20/06/2035
Deutsche Bank Break Even	646,000	Receive	3.09% pa	20/06/2036
Deutsche Bank Break Even	522,000	Receive	3.09% pa	20/06/2037
Deutsche Bank Break Even	426,000	Receive	3.09% pa	20/06/2038
Deutsche Bank Break Even	1,323,000	Receive	3.07% pa	20/06/2012
Deutsche Bank Break Even	1,077,000	Receive	3.07% pa	20/06/2013
Deutsche Bank Break Even	875,000	Receive	3.07% pa	20/06/2014
Deutsche Bank Break Even	710,000	Receive	3.07% pa	20/06/2015
Deutsche Bank Break Even	573,000	Receive	3.07% pa	20/06/2016
Deutsche Bank Break Even	459,000	Receive	3.07% pa	20/06/2017
Deutsche Bank Break Even	364,000	Receive	3.07% pa	20/06/2018
Deutsche Bank Break Even	287,000	Receive	3.07% pa	20/06/2019
Deutsche Bank Break Even	224,000	Receive	3.07% pa	20/06/2020
Deutsche Bank Break Even	173,000	Receive	3.07% pa	20/06/2021
Deutsche Bank Break Even	131,000	Receive	3.07% pa	20/06/2022
Deutsche Bank Break Even	99,000	Receive	3.07% pa	20/06/2023
Deutsche Bank Break Even	73,000	Receive	3.07% pa	20/06/2024
Deutsche Bank Break Even	52,000	Receive	3.07% pa	20/06/2025
Deutsche Bank Break Even	37,000	Receive	3.07% pa	20/06/2026

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
Deutsche Bank Break Even	26,000	Receive	3.07% pa	20/06/2027
Deutsche Bank Break Even	18,000	Receive	3.07% pa	20/06/2028
Deutsche Bank Break Even	12,000	Receive	3.07% pa	20/06/2029
Deutsche Bank Break Even	8,000	Receive	3.07% pa	20/06/2030
Deutsche Bank Break Even	5,000	Receive	3.07% pa	20/06/2031
Deutsche Bank Break Even	3,000	Receive	3.07% pa	20/06/2032
Deutsche Bank Break Even	2,000	Receive	3.07% pa	20/06/2033
Deutsche Bank Break Even	1,000	Receive	3.07% pa	20/06/2034
Deutsche Bank Break Even	18,785,000	Receive	3.09% pa	20/06/2009
Deutsche Bank Break Even	17,056,000	Receive	3.09% pa	20/06/2010
Deutsche Bank Break Even	15,498,000	Receive	3.09% pa	20/06/2011
Deutsche Bank Break Even	14,080,000	Receive	3.09% pa	20/06/2012
Deutsche Bank Break Even	12,793,000	Receive	3.09% pa	20/06/2013
Deutsche Bank Break Even	11,634,000	Receive	3.09% pa	20/06/2014
Deutsche Bank Break Even	10,603,000	Receive	3.09% pa	20/06/2015
Deutsche Bank Break Even	9,687,000	Receive	3.09% pa	20/06/2016
Deutsche Bank Break Even	8,846,000	Receive	3.09% pa	20/06/2017
Deutsche Bank Break Even	8,060,000	Receive	3.09% pa	20/06/2018
Deutsche Bank Break Even	7,330,000	Receive	3.09% pa	20/06/2019
Deutsche Bank Break Even	6,650,000	Receive	3.09% pa	20/06/2020
Deutsche Bank Break Even	6,022,000	Receive	3.09% pa	20/06/2021
Deutsche Bank Break Even	5,441,000	Receive	3.09% pa	20/06/2022
Deutsche Bank Break Even	4,900,000	Receive	3.09% pa	20/06/2023
Deutsche Bank Break Even	4,390,000	Receive	3.09% pa	20/06/2024
Deutsche Bank Break Even	3,908,000	Receive	3.09% pa	20/06/2025
Deutsche Bank Break Even	353,000	Receive	3.09% pa	20/06/2039
Deutsche Bank Break Even	293,000	Receive	3.09% pa	20/06/2040
Deutsche Bank Break Even	245,000	Receive	3.09% pa	20/06/2041
Deutsche Bank Break Even	206,000	Receive	3.09% pa	20/06/2042
Deutsche Bank Break Even	173,000	Receive	3.09% pa	20/06/2043
Deutsche Bank Break Even	146,000	Receive	3.09% pa	20/06/2044
Deutsche Bank Break Even	123,000	Receive	3.09% pa	20/06/2045

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 2007 to 31 December 2008.

	£million
Working capital at 31 December 2007	**70**
Roll forward	
Expected investment return and other movements	10
Methodology changes:	
MA changed from 2.5% to 2%	(7)
SERP ER code change	21
SERP OMO basis change	38
Basis change:	
Updated inflation assumption	(0)
Updated surrender assumption	0
Updated reversionary bonus rates	0
Investment returns variance:	
Equity variance	11
Property variance	(23)
Variance on fixed interest assets	(43)
Variance due to change in credit spreads	(148)
Variance on derivatives due to Swaps changes relative to Gilts	61
Other	20
Miscellaneous	
Increase in earmarked assets	33
Change in benefit of management actions	24
Actual policy movements differing from expected	(27)
Impact of 2008 Asset Share charge	15
Miscellaneous movements in the cash estate	1
Unexplained	4
Working capital at 31 December 2008	**60**

14. Optional disclosure

Not applicable.

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 2008

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and

   (b) the directors are satisfied that, save as disclosed in note 1 to the directors' certificate 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 the directors' 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) the directors 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.

J S Moss Managing Director	J S B Smith Director	M J Merrick Director

Date: 9 April 2009

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 2008

(continued)

Note 1 to the Directors' Certificate required by Rule 9.34(1)

Compliance with the provision of INSPRU

Paragraph (1b) requires that the insurer has complied in all material respects with the requirements in INSPRU. In November 2008 the insurer notified the FSA that it was in technical breach of its Group Capital Adequacy ("GCA") obligations.

To rectify the situation, Impala Holdings Limited (IHL), a fellow subsidiary, carried out a capital restructuring in which £2,598m was repaid to Sun Capital Investments 2 Limited and Hera Investments 2 Limited in settlement of existing subordinated debt obligations, together with accrued interest. This was settled by IHL through the issue of 2 new ordinary C shares for consideration of £1,600m and £998m of new subordinated debt. In addition to this, the insurer applied for a waiver, which was granted by the FSA and which provides relief in respect of one of the capital restrictions within the GCA calculation and enables the insurer to meet its GCA requirements. The insurer has continued to meet its GCA requirements since that date.

The waiver expires on 30 April 2009. Regular dialogue is continuing with the FSA regarding the capital position of the Pearl Group Limited Group and a waiver extension has been requested. In the event that the waiver is not extended the Pearl Group Limited Group is able to restructure the term of the C shares referred to above such that there is no requirement for the waiver.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

National Provident Life Limited

Global business

Financial year ended 31 December 2008

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of 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 reports required by IPRU(INS) rule 9.31("the valuation reports");

We are not required to examine and do not express an opinion on the following:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with 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 examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and valuation reports) under the provisions of the Rules. The requirements of the rules have been modified by the directions 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 prepared in accordance with IPRU(INS) rule 9.31 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, the insurer has not kept proper accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

National Provident Life Limited

Global business

Financial year ended 31 December 2008

(continued)

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 9 April 2009. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

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

Opinion

In our opinion:

(a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules, as modified and have been properly prepared in accordance with the provisions of those Rules; and

(b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP
Registered Auditor
London

Date: 9 April 2009