



Prudential Retirement Income Limited

Incorporated and Registered in England and Wales Registered number 47842
Registered Office PO Box 25, Craigforth, Stirling, FK9 4UE

Annual PRA Insurance Returns for the year ended

31 December 2013

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

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Statement of solvency - long-term insurance businessName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	47842	GL	31	12	2013	£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	664900	699232
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1477984	1238192
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2142884	1937424

Guarantee fund

Guarantee fund requirement	21	283601	288558
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1859283	1648866

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	850804	865675
Resilience capital requirement	32		
Base capital resources requirement	33	3146	2984
Individual minimum capital requirement	34	850804	865675
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	850804	865675
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1717482	1504586
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1504781	1288168

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	850804	865675

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	850804	865675
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1292080	1071749

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	212983	283475
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Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units
R3	47842	GL	31	12	2013	£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		837700	837700	837700
Profit and loss account and other reserves	12		1989129	1989129	1733661
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		2826829	2826829	2571361

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		20000	20000	20000
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		2846829	2846829	2591361
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		695545	695545	653537
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		695545	695545	653537
Total tier one capital after deductions (31-37)	39		2151284	2151284	1937824

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	47842	GL	31	12	2013	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Tier two capital

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

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

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

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	47842	GL	31	12	2013	£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		2151284	2151284	1937824
Inadmissible assets other than intangibles and own shares	73		8400	8400	400
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		2142884	2142884	1937424

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		2142884	2142884	1937424
Available capital resources for 50% MCR requirement	82		2142884	2142884	1937424
Available capital resources for 75% MCR requirement	83		2142884	2142884	1937424

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		212983	212983	283475
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		212983	212983	283475

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

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

	Company registration number	GL/UK/CM	day month year			Units	Category of assets	
	R13	47842	GL	31	12	2013	£000	1
							As at end of this financial year	As at end of the previous year
							1	2
Land and buildings							11	
Investments in group undertakings and participating interests								
UK insurance dependants	Shares		21					
	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		487428			486182
Participating interests	Shares		29					
	Debts and loans		30					
Other financial investments								
Equity shares			41		1			1
Other shares and other variable yield participations			42					
Holdings in collective investment schemes			43					
Rights under derivative contracts			44					953
Fixed interest securities	Approved		45		476702			587951
	Other		46		191071			34856
Variable interest securities	Approved		47		120991			49556
	Other		48		76460			36107
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		325641			6600
	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					

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2013	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	3206	1
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	44551	201087
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)		83	
Accrued interest and rent	84	10460	9513
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1736511	1412807
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Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2013	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1736511	1412807
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(244033)	(200000)
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	1492478	1212807
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	107237	106033

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11	843505		811860	

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	919628	1002922
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	639	2363	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44	196565	264155	
Fixed interest securities	Approved	45	3449437	3399694
	Other	46	14746269	15299675
Variable interest securities	Approved	47	115437	102349
	Other	48	623483	590403
Participation in investment pools	49			
Loans secured by mortgages	50	190003	162117	
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	3149	3266	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	500818	588033
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	3799978	3759064
	Property linked	59		

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	40336	474
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	3703	5469
	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	729	1916
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	413201	413890
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	33747	44159

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	25880627	26451809
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Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	47842	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	25880627	26451809
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	8400	400
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	(169264)	(317086)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	3581918	3596124
Other asset adjustments (may be negative)	101	280666	207194
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	29582347	29938441
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1112511	1217214

Long term insurance business liabilities and margins

Name of insurer Prudential Retirement Income Limited

Global business

Financial year ended 31 December 2013

Total business/Sub fund Ordinary Branch Long Term

Units £000

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	21203141	21586775	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	673300	699632	
Long term insurance business fund carried forward (11 to 13)	14	21876441	22286407	
Claims outstanding	Gross	15	4254	3782
	Reinsurers' share	16		
	Net (15-16)	17	4254	3782
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23	3094968	3142768	
Creditors	Direct insurance business	31	30	747
	Reinsurance accepted	32		771
	Reinsurance ceded	33	1122	538
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	534021	739058	
Creditors	Taxation	37	71315	36363
	Other	38	287465	219007
Accruals and deferred income	39	19411	22768	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	4012586	4165802	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	25889027	26452209	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	80214	876
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	25215727	25752577
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	3581918	3596124
Other adjustments to liabilities (may be negative)	74	(584143)	(763429)
Capital and reserves and fund for future appropriations	75	1368845	1353169
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	29582347	29938441

Liabilities (other than long term insurance business)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R15	47842	GL	31	12	2013	£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	192452	167430
Creditors	Taxation	47		7163
	Foreseeable dividend	48		
	Other	49	66075	22
Accruals and deferred income		51		
Total (19 to 51)		59	258527	174615
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	258527	174615

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83	(244033)		(200000)
Capital and reserves	84	1477984		1238192
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	1492478		1212807

Profit and loss account (non-technical account)Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2013**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	47842	GL	31	12	2013	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20	11						
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13				250000	200000	
Investment income	Income	14				37249	26203	
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16					78769	
Investment charges	Investment management charges, including interest	17				695	652	
	Value re-adjustments on investments	18				36700	44609	
	Loss on the realisation of investments	19				10144		
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				(1453)	(1694)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29				238257	258017	
Tax on profit or loss on ordinary activities		31				(1532)	13266	
Profit or loss on ordinary activities after tax (29-31)		39				239789	244751	
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				239789	244751	
Dividends (paid or foreseeable)		51						
Profit or loss retained for the financial year (49-51)		59				239789	244751	

Analysis of derivative contractsName of insurer **Prudential Retirement Income Limited**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	47842	GL	31	12	2013	£000	1
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4				
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12							
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	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							
Adjustment for variation margin		52							
Total (51 + 52)		53							

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

Analysis of derivative contractsName of insurer **Prudential Retirement Income Limited**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	47842	GL	31	12	2013	£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	129838			524114		524114	
	Inflation	13	35418		45168	1103353		1103353	
	Credit Index / basket	14							
	Credit single name	15	28193		3840	1126723			
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	3116		133417	586892		644450	
	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	196565		182425	3341082		2271917	
Adjustment for variation margin		52							
Total (51 + 52)		53	196565		182425				

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.

Long-term insurance business : Revenue account

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	1015725	1376197
Investment income receivable before deduction of tax	12	1215442	1174325
Increase (decrease) in the value of non-linked assets brought into account	13	(924815)	1465704
Increase (decrease) in the value of linked assets	14		
Other income	15	140	
Total income	19	1306492	4016226

Expenditure

Claims incurred	21	1172871	1162145
Expenses payable	22	81594	81902
Interest payable before the deduction of tax	23	42099	382670
Taxation	24	90894	58273
Other expenditure	25	79000	
Transfer to (from) non technical account	26	250000	200000
Total expenditure	29	1716458	1884990

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(409966)	2131236
Fund brought forward	49	22286407	20155171
Fund carried forward (39+49)	59	21876441	22286407

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11				
Single premiums	12		1322097		1322097
					1683912

Reinsurance - external

Regular premiums	13				
Single premiums	14		127124		127124
					64857

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16		179248		179248
					242858

Net of reinsurance

Regular premiums	17				
Single premiums	18		1015725		1015725
					1376197

Total

Gross	19		1322097		1322097
Reinsurance	20		306372		306372
Net	21		1015725		1015725
					1683912
					307715
					1376197

Long-term insurance business : Analysis of claims

Name of insurer Prudential Retirement Income Limited
 Total business / subfund Ordinary Branch Long Term
 Financial year ended 31 December 2013
 Units £000

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

Gross

Death or disability lump sums	11		629	629	346
Disability periodic payments	12				
Surrender or partial surrender	13		11920	11920	6318
Annuity payments	14		1476785	1476785	1415969
Lump sums on maturity	15		16125	16125	8957
Total	16		1505459	1505459	1431590

Reinsurance - external

Death or disability lump sums	21		10	10	
Disability periodic payments	22				
Surrender or partial surrender	23		1	1	6
Annuity payments	24		125599	125599	64357
Lump sums on maturity	25				
Total	26		125610	125610	64363

Reinsurance - intra-group

Death or disability lump sums	31		93	93	52
Disability periodic payments	32				
Surrender or partial surrender	33		1788	1788	947
Annuity payments	34		202678	202678	202739
Lump sums on maturity	35		2419	2419	1344
Total	36		206978	206978	205082

Net of reinsurance

Death or disability lump sums	41		526	526	294
Disability periodic payments	42				
Surrender or partial surrender	43		10131	10131	5365
Annuity payments	44		1148508	1148508	1148873
Lump sums on maturity	45		13706	13706	7613
Total	46		1172871	1172871	1162145

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Commission - acquisition	11		15189		15189	19753
Commission - other	12					
Management - acquisition	13		31585		31585	26275
Management - maintenance	14		39595		39595	35475
Management - other	15		9624		9624	14852
Total	16		95993		95993	96355

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		2278		2278	2963
Commission - other	32					
Management - acquisition	33		4738		4738	3941
Management - maintenance	34		5939		5939	5321
Management - other	35		1444		1444	2228
Total	36		14399		14399	14453

Net of reinsurance

Commission - acquisition	41		12911		12911	16790
Commission - other	42					
Management - acquisition	43		26847		26847	22334
Management - maintenance	44		33656		33656	30154
Management - other	45		8180		8180	12624
Total	46		81594		81594	81902

Long-term insurance business : Summary of new business

Name of insurer Prudential Retirement Income Limited

Total business

Financial year ended 31 December 2013

Units £000

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

Regular premium business	11				
Single premium business	12		10906	10906	16201
Total	13		10906	10906	16201

Amount of new regular
premiums

Direct insurance business	21				
External reinsurance	22				
Intra-group reinsurance	23				
Total	24				

Amount of new single
premiums

Direct insurance business	25		437453	437453	588676
External reinsurance	26		132268	132268	147724
Intra-group reinsurance	27		752376	752376	947512
Total	28		1322097	1322097	1683912

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2013

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
390	Deferred annuity non-profit				(1103)
400	Annuity non-profit (CPA) - Individual annuities in payment			9036	145838
401	Annuity non-profit (bulk transfer) - Group annuities in payment			685	173143
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment			408	13373
905	Index linked annuity(CPA) - Individual annuities in payment			95	4259
906	Index linked annuity (bulk transfer) - Group annuities in payment			679	100392
907	Index linked deferred annuity - Group deferred annuities			3	1551

Long-term insurance business : Analysis of new business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA) - Individual annuities in payment				128903
905	Index linked annuity(CPA) - Individual annuities in payment				3365

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Retirement Income Limited

Total business

Financial year ended

31 December 2013

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA) - Individual annuities in payment				656372
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment				83985
905	Index linked annuity(CPA) - Individual annuities in payment				12019

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

Name of insurer Prudential Retirement Income Limited
 Category of assets 10 Total long term insurance business assets
 Financial year ended 31 December 2013
 Units £000

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

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

Land and buildings	11	843505	843505	46612	5.53	
Approved fixed interest securities	12	3512476	3512476	150195	3.61	
Other fixed interest securities	13	15057016	15057016	772924	4.38	
Variable interest securities	14	743468	743468	16295	3.16	
UK listed equity shares	15	639	639	10	1.57	
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	1923545	1923545	57438	2.99	
Total	19	22080649	22080649	1043474	4.14	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **Prudential Retirement Income Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2013**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	883884	15.52	3.34	3.34
Other approved fixed interest securities	21	2628592	11.50	3.70	3.60
Other fixed interest securities					
AAA/Aaa	31	996984	8.54	3.64	3.53
AA/Aa	32	1556714	11.38	4.18	3.84
A/A	33	6709243	11.11	4.33	3.74
BBB/Baa	34	3851500	8.06	4.55	3.48
BB/Ba	35	138151	6.84	5.77	1.88
B/B	36	2258	8.82	7.64	4.00
CCC/Caa	37				
Other (including unrated)	38	1802166	10.42	4.65	3.84
Total other fixed interest securities	39	15057016	10.07	4.38	3.66
Approved variable interest securities	41	115794	20.52	0.03	0.03
Other variable interest securities	51	627674	11.81	3.73	3.28
Total (11+21+39+41+51)	61	19312960	10.63	4.19	3.60

Long-term insurance business : Summary of mathematical reserves

Name of insurer Prudential Retirement Income Limited
 Total business / subfund Ordinary Branch Long Term
 Financial year ended 31 December 2013
 Units £000

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		20449595	20449595	20942165
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		4470640	4470640	4422488
Form 54 - non-linked	17		103417	103417	96383
Total	18		25023652	25023652	25461036

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		78702	78702	64772
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		78	78	59
Form 54 - non-linked	27				
Total	28		78780	78780	64831

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		3055634	3055634	3131609
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		670584	670584	663364
Form 54 - non-linked	37		15513	15513	14457
Total	38		3741731	3741731	3809430

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		17315259	17315259	17745784
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		3799978	3799978	3759065
Form 54 - non-linked	47		87904	87904	81926
Total	48		21203141	21203141	21586775

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

Name of insurer Prudential Retirement Income Limited
 Total business / subfund Ordinary Branch Long Term
 Financial year ended 31 December 2013
 Units £000
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit - Group deferred annuities	19827	26353					416155
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							19855
400	Annuity non-profit (CPA) - Group annuities in payment	62789	163191					2418676
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		11474					188083
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							133
400	Annuity non-profit (CPA) - Individual annuities in payment	444072	549733					7626675
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		521829					8204811
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	12238	41836					531915
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		18808					291647
440	Additional reserves non-profit OB - Miscellaneous							98521
440	Additional reserves non-profit OB - Mismatching							165966
440	Additional reserves non-profit OB - Policy related expenses							487158

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

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA) - Individual annuities in payment							78549
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment							643
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)							(490)

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

Name of insurer Prudential Retirement Income Limited
 Total business / subfund Ordinary Branch Long Term
 Financial year ended 31 December 2013
 Units £000
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit - Group deferred annuities		3953					62423
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							2978
400	Annuity non-profit (CPA) - Group annuities in payment		24479					362801
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		1721					28212
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							20
400	Annuity non-profit (CPA) - Individual annuities in payment		82460					1132219
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		78274					1230722
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment		6275					79691
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		2821					43821
440	Additional reserves non-profit OB - Miscellaneous							14778
440	Additional reserves non-profit OB - Mismatching							24895
440	Additional reserves non-profit OB - Policy related expenses							73074

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

Name of insurer Prudential Retirement Income Limited
 Total business / subfund Ordinary Branch Long Term
 Financial year ended 31 December 2013
 Units £000
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity(CPA) - Group annuities in payment	35836	147229		3116995	3116995		3116995
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed	41	64		1237	1237		1237
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				97	97		97
905	Index linked annuity(CPA) - Individual annuities in payment	32930	43842		906929	906629		906629
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		5476		129760	129761		129761
907	Index linked deferred annuity - Group deferred annuities	9210	13114		247985	247985		247985
907	Index linked deferred annuity - Group deferred annuities - valued as fixed	169	311		13230	13230		13230
907	Index linked deferred annuity - Group deferred annuities unprocessed business				7008	7008		7008
915	Additional reserves index linked - Miscellaneous						21906	21906
915	Additional reserves index linked - Mismatching						81511	81511
915	Additional reserves index linked - Policy related expenses				47698	47698		47698

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

Name of insurer Prudential Retirement Income Limited
 Total business / subfund Ordinary Branch Long Term
 Financial year ended 31 December 2013
 Units £000
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity(CPA) - Individual annuities in payment				58	58		58
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)				20	20		20

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

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity(CPA) - Group annuities in payment		22084		467549	467549		467549
905	Index linked annuity(CPA) - Group annuities in payment - valued as fixed		10		186	186		186
905	Index linked annuity(CPA) - Group annuities in payment unprocessed business				14	14		14
905	Index linked annuity(CPA) - Individual annuities in payment		6576		135986	135986		135986
905	Index linked annuity(CPA) - Individual annuities in payment (reassurance accepted)		821		19461	19461		19461
907	Index linked deferred annuity - Group deferred annuities		1967		37198	37198		37198
907	Index linked deferred annuity - Group deferred annuities - valued as fixed		47		1984	1984		1984
907	Index linked deferred annuity - Group deferred annuities unprocessed business				1051	1051		1051
915	Additional reserves index linked - Miscellaneous						3286	3286
915	Additional reserves index linked - Mismatching						12227	12227
915	Additional reserves index linked - Policy related expenses				7155	7155		7155

Long-term insurance business : Index linked business

Name of insurer Prudential Retirement Income Limited
Total business
Financial year ended 31 December 2013
Units £000

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	548443	20.52
Other variable interest securities	12	1887577	13.54
Approved fixed interest securities	13	545242	14.53
Other fixed interest securities	14	738753	11.17
Cash and deposits	15	117208	
Equity index derivatives	16		
Inflation swaps	17	83241	
Other assets	18	(120486)	
Variation margin	19		
Total (11 to 19)	20	3799978	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	33741	11.32
AA/Aa	32	48355	12.99
A/A	33	1611866	13.41
BBB/Baa	34	529659	12.13
BB/Ba	35	98083	8.65
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	304626	12.85
Total other fixed interest and other variable interest securities	39	2626330	12.87

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Prudential Retirement Income Limited**

Total business **Ordinary Branch Long Term**

Financial year ended **31 December 2013**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
Form 51: Immediate & deferred annuities	16676360		3.85	3.95
Form 51: Additional reserves	224815			3.95
Form 51: Additional reserves - policy related expenses	414084		0.61	0.63
Form 54: Additional reserves	87904			0.63
Total	17403163			

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Retirement Income Limited**
 Total business / subfund **Ordinary Branch Long Term**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	21876441	22286407
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	250000	200000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	22126441	22486407
Mathematical reserves	21	21203141	21586775
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	923300	899632

Composition of surplus

Balance brought forward	31	699632	710630
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	223668	189002
Total	39	923300	899632

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	250000	200000
Total distributed surplus (46+47)	48	250000	200000
Surplus carried forward	49	673300	699632
Total (48+49)	59	923300	899632

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance capital requirement

Name of insurer Prudential Retirement Income Limited

Global business

Financial year ended 31 December 2013

Units £000

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

Insurance health risk and life protection reinsurance capital component

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

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	20449595	17315259	0.85	173822	178008
Classes III, VII and VIII (investment risk)	33	1%	4574057	3887882	0.85	38879	38410
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					212701	216419

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	20449595	17315259	0.85	521465	534025
Classes III, VII and VIII (investment risk)	43	3%	4574057	3887882	0.85	116638	115231
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		25023652	21203141		638103	649256

Long term insurance capital requirement	51					850804	865675
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PRUDENTIAL RETIREMENT INCOME LIMITED

Valuation Report pursuant to the Interim Prudential Sourcebook (IPRU (INS)) rule 9.4, 9.31(a)(i) and Appendix 9.4

Valuation Report as at 31 December 2013

1. Introduction

- (1) The investigation relates to 31 December 2013.
- (2) The previous investigation related to 31 December 2012.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2012.

2. Product range

(a) New products

No new products have been introduced during the financial year.

(b) New bonus series

No new bonus series have been introduced during the financial year.

(c) Products withdrawn

No products have been withdrawn during the financial year.

(d) Changes to options or guarantees under existing products

No changes have been made to options or guarantees under existing products during the financial year.

(e) With-profits subfunds

There are no with-profits subfunds.

3. Discretionary charges and benefits

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable
- (5) Not applicable
- (6) Not applicable

Valuation Report as at 31 December 2013 (continued)

(7) Not applicable

(8) Not applicable

(9) Not applicable

(10) Not applicable

4. Valuation basis (other than for special reserves)

(1) The mathematical reserve for annuities in payment is the present value of the annuities.

The mathematical reserve for inflation-linked annuities is, in general, determined without an explicit allowance for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of inflation-linked annuities which are subject to maximum and/or minimum percentage increases is as follows:

- (a) inflation-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 5% are, for valuation purposes, treated as being identical to normal inflation-linked annuities.
- (b) inflation-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 12% are, for valuation purposes, treated as being identical to normal inflation-linked annuities.
- (c) inflation-linked annuities subject to a minimum annual increase of 3% and a maximum annual increase of 5% are, for valuation purposes, treated as annuities with fixed 5% annual increases. They are, however included in these returns as linked business. Thus, Form 56 includes sufficient fixed interest assets to match the corresponding liabilities.
- (d) inflation-linked annuities subject to a minimum annual increase of 0% and a maximum annual increase of 3% arising from Guaranteed Minimum Pension liabilities are, for valuation purposes, treated as annuities with fixed 3% annual increases. This business is reported on Form 51 as non-linked business.

The mathematical reserve for deferred annuities is the present value of the annuity secured to date.

For deferred annuities where benefits include revaluation in deferment in line with inflation, followed by fixed escalation in payment, the revaluation in deferment is generally subject to a minimum annual increase of 0% and a maximum annual increase of 5%. For valuation purposes these are treated as annuities with fixed 4.00% annual revaluation throughout the remaining deferred period followed by the actual fixed escalation in payment. The 4.00% annual revaluation rate is the same as the inflation rate assumed in the valuation and is appropriate as these annuities are matched with non-linked assets and inflation swaps. These annuities are included in these returns as non-linked business.

Valuation Report as at 31 December 2013 (continued)

A separate expense reserve is held. This is calculated as the present value of future expenses, allowing for inflation.

- (2) The FSA (the UK insurance regulator at the time), on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000. 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 will be used for assets taken in combination.

In applying the section 148 waiver, the yield on property is taken to be the lower of the current rental yield and the "redemption yield", which is the interest rate at which the market value equates to the present value of future rental income and the disposal value. No allowance is made for non-contractual increases in rental income. As an allowance for the risk of falls in value, the disposal value of the property at the end of the lease is taken as 75% of the current market value.

The interest rates used are as follows:

Non-linked

Product code number	Product description	31 December 2013 %	31 December 2012 %
All	All products	3.85	3.47

Index linked

Product code number	Product description	31 December 2013 %	31 December 2012 %
All	All products (except index linked annuities – valued as fixed)	0.61	0.68
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	3.85	3.47

Investment management expenses are allowed for by means of an appropriate deduction from the valuation rate of interest (see 4(6) below). The valuation rates of interest above are shown before the deduction for investment management expenses.

- (3) The allowance for credit risk is calculated as the long-term expected level of defaults plus the long-term credit risk premium plus the long-term downgrade resilience reserve plus an allowance for the impact of additional short-term credit events reflecting the market conditions at the valuation date.

Valuation Report as at 31 December 2013 (continued)

The long-term expected levels of defaults are determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 40 year period, produces mean default rates according to credit quality and term to redemption.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

First Mortgage Debenture/Senior Secured	75%
Senior Unsecured	45%
Subordinated Debt	20%

To calculate the aggregate provision for the long-term expected levels of defaults and the long-term credit risk premium, the corporate bond portfolio is broken down according to credit rating and level of security. The default rate for each category is assumed to vary between 100% and 200% of the appropriate mean default rate, reduced by the expected recovery, plus a further amount for credit risk. This further amount for credit risk (the long-term credit risk premium) is determined as the excess over the best estimate level of default, of the 95th percentile of historic cumulative defaults, reduced to allow for the expected recovery of capital and subject to a minimum margin over best estimate of 50%.

The long-term downgrade resilience reserve is determined as the hypothetical impact on the aggregate provision described above of a one-notch downgrade of the entire credit-risky asset portfolio.

For the aggregate of the long-term expected level of defaults, the long-term credit risk premium, and the long-term downgrade resilience reserve, the derived default rates for each level of security are set out overleaf:

Valuation Report as at 31 December 2013 (continued)

Default rates – basis points per annum:

	AAA	AA	A	BBB+	BBB	BBB-	BB and lower
First Mortgage Debenture / Senior Secured							
0 to 10 years	7.4	10.2	16.3	23.4	47.0	95.5	234.2
10 to 20 years	5.7	13.3	20.1	28.6	56.8	97.5	189.8
20 to 30 years	9.6	18.7	22.2	31.4	60.7	93.0	158.4
Over 30 years	11.5	20.6	22.7	31.8	59.4	93.0	158.4
Senior unsecured							
0 to 10 years	16.2	22.4	35.9	51.4	103.3	210.2	515.3
10 to 20 years	12.6	29.3	44.1	62.9	124.9	214.5	417.5
20 to 30 years	21.1	41.1	48.8	69.0	133.6	204.5	348.4
Over 30 years	25.4	45.3	49.9	69.9	130.7	204.5	348.4
Subordinated debt							
0 to 10 years	23.6	32.5	52.3	74.8	150.3	305.8	749.5
10 to 20 years	18.3	42.6	64.2	91.5	181.7	312.0	607.2
20 to 30 years	30.7	59.7	70.9	100.4	194.4	297.5	506.7
Over 30 years	36.9	66.0	72.5	101.6	190.1	297.5	506.7

A deduction is also made to allow for the risk of default of rent on properties. This deduction is calculated in the same way as for corporate bonds (having regard to the credit quality of the relevant tenants), as described above.

The overall allowance for credit risk at 31 December 2013 has been taken to be the allowance for credit risk brought forward from 31 December 2012 but adjusted to allow for changes in asset mix that have occurred during 2013.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1. The risk adjusted yields in Form 57 column 5 were calculated using the method specified in the section 148 waiver, after allowing for credit risk.

Aggregate yields on the backing assets have been adjusted by 0.65% and 0.56% to allow for credit risk within the non-linked and index-linked portfolios respectively. These credit risk adjustments include margins for prudence.

For the portfolio as a whole this represents an aggregate credit risk assumption of 62 basis points per annum.

Valuation Report as at 31 December 2013 (continued)

(4)

Non-linked

Product code number	Product description	31 December 2013	31 December 2012
400	Annuity non-profit (CPA) – individual annuities in payment		
	Annuity non-profit (CPA) – individual annuities in payment (reassurance accepted)		
405	Annuity non-profit (CPA impaired life) – individual annuities in payment		
	Annuity non-profit (CPA impaired life) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 91.1% PCMA00 / 84.0% PCFA00	Modified 92.5% PCMA00 / 84.5% PCFA00
	Expectation of life age 65	25.5 (M), 27.4 (F)	25.4 (M), 27.2 (F)
	Expectation of life age 75	15.6 (M), 17.5 (F)	15.6 (M), 17.4 (F)
400	Annuity non-profit (CPA) – group annuities in payment		
	Annuity non-profit (CPA) – group annuities in payment unprocessed business		
	Annuity non-profit (CPA) – group annuities in payment (reassurance accepted)		
	Mortality table	Modified 95.8% PCMA00 / 97.4% PCFA00	Modified 96.0% PCMA00 / 97.0% PCFA00
	Expectation of life age 65	25.0 (M), 26.1 (F)	25.0 (M), 26.0 (F)
	Expectation of life age 75	15.3 (M), 16.4 (F)	15.3 (M), 16.3 (F)
390	Deferred annuity non-profit – group deferred annuities		
	Deferred annuity non-profit – group deferred annuities unprocessed business		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 95.8% PCMA00 / 97.4% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 96.0% PCMA00 / 97.0% PCFA00
	Current age 45, expectation of life age 65	28.8 (M), 28.9 (F)	28.8 (M), 28.8 (F)
	Current age 55, expectation of life age 65	27.0 (M), 27.5 (F)	26.8 (M), 27.4 (F)

Valuation Report as at 31 December 2013 (continued)

Index linked

Product code number	Product description	31 December 2013	31 December 2012
905	Index linked annuity (CPA) – individual annuities in payment Index linked annuity (CPA) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 91.1% PCMA00 / 84.0% PCFA00	Modified 92.5% PCMA00 / 84.5% PCFA00
	Expectation of life age 65	25.5 (M), 27.4 (F)	25.4 (M), 27.2 (F)
	Expectation of life age 75	15.6 (M), 17.5 (F)	15.6 (M), 17.4 (F)
905	Index linked annuity (CPA) – group annuities in payment Index linked annuity (CPA) – group annuities in payment - valued as fixed Index linked annuity (CPA) – group annuities in payment unprocessed business Index linked annuity (CPA) – group annuities in payment (reassurance accepted)		
	Mortality table	Modified 95.8% PCMA00 / 97.4% PCFA00	Modified 96.0% PCMA00 / 97.0% PCFA00
	Expectation of life age 65	25.0 (M), 26.1 (F)	25.0 (M), 26.0 (F)
	Expectation of life age 75	15.3 (M), 16.4 (F)	15.3 (M), 16.3 (F)
907	Index linked deferred annuity – group deferred annuities Index linked deferred annuity – group deferred annuities – valued as fixed Index linked deferred annuity – group deferred annuities unprocessed business		
	Mortality table	In deferment: AM92 /AF92 – 4 years In payment: Modified 95.8% PCMA00 / 97.4% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 96.0% PCMA00 / 97.0% PCFA00
	Current age 45, expectation of life age 65	28.8 (M), 28.9 (F)	28.8 (M), 28.8 (F)
	Current age 55, expectation of life age 65	27.0 (M), 27.5 (F)	26.8 (M), 27.4 (F)

Valuation Report as at 31 December 2013 (continued)

Mortality bases used at 31 December 2013 and 31 December 2012

Annuities are generally valued using a percentage of the 00 series PCxA tables for annuitants and pensioners. In order to allow for mortality improvement, future improvement factors are applied from 2000. For males, these future improvement factors are in line with Prudential's own calibration of the CMI 2012 mortality model (CMI 2011 for the 31 December 2012 valuation), with a long term improvement rate of 2.25% p.a. (2.25% p.a. in the 31 December 2012 valuation). For females, future improvement factors are in line with Prudential's own calibration of the CMI 2012 mortality model (CMI 2011 for the 31 December 2012 valuation), with a long term improvement rate of 1.75% p.a. (1.75% p.a. in the 31 December 2012 valuation). The calibration of the CMI 2012 mortality model includes the removal of the negative cohort feature for years of birth after 1947. Compared with the core CMI mortality model, Prudential's calibration:

- (a) blends period improvements between ages 60 to 80 to the long term improvement rate over a 15 year period (compared with a 20 year period in the core CMI model), and
- (b) assumes that cohort improvements dissipate over a 30 year period, or by age 90 if earlier (compared with a 40 year period, or by age 100 if earlier, in the core CMI model).

For impaired life annuities written prior to November 2008, an adjustment is made to the annuitant's age to allow for the impairment. Impaired life annuities written since November 2008 have been underwritten by Hannover Life Re and the impairment is modelled explicitly using parameters determined as part of the underwriting process. The mortality assumptions and expectations of life in the tables above are before the allowance for the impairment has been applied.

- (5) Not applicable
- (6) The renewal expenses per annum used are described in the table below:

Product code number	Product description	31 December 2013	31 December 2012
All	All products	£19.31 p.a.	£18.67 p.a.

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2013	31 December 2012
All	All products	4.00% p.a.	3.50% p.a.

Valuation Report as at 31 December 2013 (continued)

Investment management expenses are allowed for by making a deduction from the valuation rate of interest. The deduction used is as follows:

Product code number	Product description	31 December 2013	31 December 2012
All	All products	0.053% p.a.	0.053% p.a.

The valuation rates of interest in 4(2) (and the asset yields in Form 48 and Form 57) are shown before the deduction for investment management expenses.

Outgo on property maintenance costs and leases is allowed for directly in the valuation rates of interest used (and the asset yields shown in Form 48 and Form 57 are shown after this deduction).

- (7) Not applicable
- (8) Not applicable
- (9) No lapses have been allowed for in the valuation.
- (10) For joint life policies, the assumptions for the proportion married at the death of the first life are as follows:

	31 December 2013	31 December 2012
<u>Annuities in payment</u>		
When single at retirement	10%	10%
When married at retirement	100%	100%
When average married assumption applies (some group business written in 2013)	89.0% to 98.7%	n/a
When average married assumption applies (all other cases)	82%	82%
Remarriage assumption for spouse	5%	5%
<u>Deferred annuities</u>		
When single at commencement	75%	75%
When married at commencement	95%	95%
When average married assumption applies	80%	80%
Remarriage assumption for spouse	5%	5%

There are no other material basis assumptions that are not stated elsewhere

- (11) Derivative contracts held as at 31 December 2013 comprised:
 - i) Contracts to swap fixed US Dollars for fixed UK Sterling;
 - ii) Contracts to swap fixed Euros for fixed UK Sterling;
 - iii) Contracts to swap floating UK Sterling LIBOR for fixed UK Sterling;
 - iv) Contracts to swap inflation-linked UK Sterling RPI for fixed UK Sterling;

Valuation Report as at 31 December 2013 (continued)

- v) A contract to swap future fixed UK sterling for future inflation-linked UK Sterling RPI/LPI;
- vi) Contracts to swap inflation-linked UK Sterling property income for fixed UK Sterling;
- vii) Contracts to swap fixed, floating LIBOR and credit default premium cashflows for fixed UK Sterling;
- viii) Contracts to swap fixed / floating UK Sterling for inflation-linked UK Sterling RPI/LPI;
- ix) Contracts to take sovereign credit risk in return for ongoing premiums.
- x) Contracts to swap inflation linked UK Sterling RPI for inflation linked UK Sterling LPI

The effect of the contracts under i) is to convert fixed US Dollar denominated cashflows into fixed UK Sterling.

The effect of the contracts under ii) is to convert fixed Euro denominated cashflows into fixed UK Sterling cashflows.

The effect of the contracts under iii) is to convert cashflows from UK Sterling and Non Sterling floating rate LIBOR/EUROBOR assets into fixed UK Sterling cashflows. Euro cashflows are hedged into Sterling via currency forwards.

The effect of the contracts under iv) is to convert cashflows from UK Sterling RPI inflation-linked bonds into fixed UK Sterling.

The effect of the contract under v) is to convert future fixed UK Sterling cashflows into future RPI inflation-linked cashflows.

The effect of the contracts under vi) is to convert cashflows from RPI inflation-linked property rental payments into fixed UK Sterling cashflows.

The effect of the contracts under vii) is to convert various currency cashflows from floating rate LIBOR bonds, fixed rate bonds and a premium for providing protection on the default of a bond into fixed UK Sterling cashflows.

The effect of the contracts under viii) is to convert fixed / floating UK Sterling assets into UK Sterling RPI/LPI inflation-linked cashflows.

The effect of the contract under ix) is to take sovereign credit risk in return for ongoing premiums.

The effect of the contract under x) is to convert RPI inflation linked UK Sterling cashflows to LPI inflation linked UK Sterling cashflows.

The cashflows involved in these arrangements were included in the aggregate cashflows from the portfolio in order to derive the aggregate yield on the portfolio. This is in accordance with the section 148 waiver.

Valuation Report as at 31 December 2013 (continued)

No options are held and hence no out-of-the-money derivatives have been used to back liabilities.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1 and hence differ from the yields calculated in accordance with the section 148 waiver.

- (12) There were no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. Options and guarantees

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Some inflation-linked annuities are subject to maximum and minimum percentage increases. The valuation of this business is as described in 4(1). An additional reserve of £43.4m is held at the valuation date to cover the risk of negative inflation.

6. Expense reserves

- (1) The aggregate amount arising during the twelve months after the valuation date from implicit and explicit expense reserves made in the valuation to meet expenses are:

	£m
Per policy expenses	20.1
Longevity swap management expenses	3.5
Investment management expenses	14.3
Total	37.9

Outgo on property maintenance costs and leases are allowed for directly in the valuation rates of interest used (and the asset yields shown in Form 48 and Form 57 are shown after this deduction).

- (2) Not applicable
- (3) The maintenance expenses shown at line 14 of Form 43 are £39.6m. These expenses include costs whose payment is contingent on the emergence of statutory surplus emerging and, as such, no reserve is held for them.
- (4) It is expected that all new business written in the twelve months following the valuation date will be written on terms which do not result in new business strain in the Company. Therefore no new business expense overrun reserve is required.

Valuation Report as at 31 December 2013 (continued)

- (5) In the first instance, expense reserves are calculated on the assumption that Prudential's UK insurance operations will continue to write new business indefinitely and hence that there will be no loss of economies of scale. In this scenario, the amount of the expense loading over the remaining lifetime of the contracts in force at the valuation date is £450.4m.

In order to allow for the possibility that the firm will cease to transact new business twelve months after the valuation date, the expense loading is recalculated on the assumption that, over a two year period, unit costs would be reduced by 20% and that loss of economies of scale would result in overall expenses thereafter being cut more slowly than the rate at which policies run off. If this revised calculation results in a higher reserve than described in the paragraph above, then the difference is held as an additional reserve. In addition the costs associated with closing to new business, such as redundancy costs or the costs of terminating management agreements, are estimated. To the extent that these costs exceed the surplus expected to arise over the following year on prudent assumptions from existing business a further additional reserve is held.

At the valuation date, an additional reserve of £74.5m is held for the impact of closing to new business. In addition, a reserve of £1.0m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2014 and a reserve of £9.0m is held to cover the cost of additional contributions to the Prudential Staff Pension Scheme.

- (6) No expenses have been treated as non-attributable.

7. Mismatching reserves

- (1) All the mathematical reserves are payable in sterling and the assets which match the liabilities are sterling assets. There are some US Dollar and Euro denominated assets which, in conjunction with specific swap derivative contracts, effectively produce income in UK Sterling. See 4(11) for details.
- (2) Not applicable
- (3) Not applicable
- (4) The most onerous scenario under INSPRU 3.1.16R was:
- (i) a fall in property values of 20% plus a fall in rental income of 10%;
 - (ii) a rise in yield on all fixed interest securities of 0.69%, which is the percentage point fall equal to 20% of the long-term gilt yield at the valuation date, and;
 - (iii) a rise of 0.01% in the index-linked real security yield in conjunction with a rise of 0.67% in the inflation rate such that the overall rise in the nominalised yield is equal to 0.69%.
- (5) There were no significant territories at the valuation date.
- (6) In respect of the scenarios described under (4) above;

Valuation Report as at 31 December 2013 (continued)

- (a) No resilience capital requirement was necessary.
- (b) For non-linked annuities, the decrease in the aggregate amount of the long-term insurance liabilities was £1,509m.

For index-linked annuities, the decrease in the aggregate amount of long-term insurance liabilities was £99m.

- (c) For non-linked annuities, the decrease in the aggregate amount of assets backing these liabilities was £1,499m.

For index-linked annuities, the decrease in the aggregate amount of assets backing these liabilities was £96m.

- (7) A reserve of £247m was held arising from the test on assets in INSPRU 1.1.34R(2).

This reserve was set at a level which was sufficient to ensure that it covered the results of projecting:

- (i) the risk adjusted cashflows of the assets backing the liabilities and;
- (ii) the future liability payments on the valuation assumptions.

In carrying out this test, the asset cashflows have been adjusted to allow for a level of defaults consistent with the Company's credit risk assumptions.

In determining the risk adjusted cashflows of the assets, two scenarios are tested:

- Scenario A: In any year where asset income exceeds liability outgo, the excess is invested in a notional cash asset, and this cash asset is assumed to accumulate at 97.5% of the maximum reinvestment rate specified in INSPRU 3.1.45R. In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to below zero, then the shortfall is assumed to be borrowed at a rate 2.0% higher than 97.5% of the maximum reinvestment rate.
- Scenario B: In any year where asset income exceeds liability outgo, the excess is invested in a notional cash asset, and this cash asset is assumed to accumulate at the valuation rate of interest (as specified in 4(2)). In any year when asset income is insufficient to meet liabilities, the cash reserve is used to meet the shortfall. In the event that the cash reserve is reduced to below zero, then the shortfall is assumed to be borrowed at a rate 1.2% higher than the valuation rate of interest.

The reserve held is that required to satisfy the more onerous of these two scenarios.

Valuation Report as at 31 December 2013 (continued)

8. Other special reserves

Other special reserves are as follows:

A reserve of £120m is held to cover general contingencies.

A reserve of £26.2m is held to cover potential additional liabilities in respect of systems and administration errors.

A reserve of £18.0m is held to cover the potential risks, including operational risks, arising in connection with the sale of sovereign credit default swaps.

A reserve of £43.4m is held to cover potential deflation losses. The risk arises as the liabilities include benefits which are linked to inflation subject to a minimum of 0%, but which are backed by standard inflation-linked assets. The reserve is calculated from projected inflation rates derived from a stochastic inflation model.

9. Reinsurance

(1) Not applicable

(2) Details of any reinsurance treaties held as at 31 December 2013 which satisfy criteria (a), (b) or (c) are as follows:

Valuation Report as at 31 December 2013 (continued)

(d) Reinsurer	(e) Nature of Cover	(f) Premiums £m	(g) Deposits back at the valuation date £m	(h) Open/ Closed	(i) Amount of any Undischarged Obligation	(j) Reserves Ceded £m	(k) Retention
Hannover Life Re	A single treaty covering specific annuity liabilities issued by PRIL. In return for a fixed series of reinsurance premiums Hannover Life Re will pay to PRIL a specified proportion (40%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement.	55.3	None	Closed	None	46.8	N/A
SCOR Global Life SE	A single treaty covering specific annuity liabilities issued by PRIL. In return for a fixed series of reinsurance premiums SCOR Global Life SE will pay to PRIL a specified proportion (45%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement.	61.2	None	Closed	None	31.7	N/A
The Prudential Assurance Company Limited (PAC) *	PAC reinsures 15% of the liabilities in respect of all non-profit annuity business. PAC's reinsurance applies after the cession of mortality risk under other reinsurance arrangements.	179.2	3,741.7	Open	None	3,741.7	The firm retains 85% of liabilities in respect of new policies. The firm's retention is 85% of liabilities after the cession of mortality risk under other reinsurance arrangements.

Valuation Report as at 31 December 2013 (continued)

- (l) All of the above companies are authorised to carry on insurance business in the United Kingdom.
 - (m) An asterisk (*) denotes companies connected to the cedent.
 - (n) In general the treaties are exposed to the credit risk of the reinsurers, against which a reserve is held.
 - (o) The net liability includes no allowance for the refund of any reinsurance commission.
 - (p) Not applicable
- (3) Not applicable

10. Reversionary (or annual) bonus

- (1) Not applicable
- (2) Not applicable
- (3) Not applicable
- (4) Not applicable

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2013

Supplementary notes to the returns

Form 2

0201 Waivers under Section 148, Financial Services and Markets Act 2000

(1502402) The FSA (the UK insurance regulator at the time), on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS)Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination. This direction ends on 31 March 2014 or, if earlier, the date the relevant rule is revoked or no longer applies to the firm (in whole or in part).

Form 3

0301 Reconciliation of net admissible assets to total capital resources

	2013 £'000s
Line 89 on Form 13 (OLTB)	1,736,511
Line 89 on Form 13 (LTF)	25,880,627
Line 11 on Form 14	(21,203,141)
Line 49 on Form 14	(4,012,586)
Line 69 on Form 15	(258,527)
Line 79 on Form 3	<u>2,142,884</u>

0308 The Company has two contingent loans from The Prudential Assurance Company Ltd. The loans accumulate with interest at specified rates.

Loan repayments are contingent upon surplus arising and are made after the end of each financial year as a specified percentage of the lesser of the Company's Pillar 1 surplus (determined by reference to line 34 of Form 58) and the Company's Pillar 2 surplus which emerged over that period. If either surplus arising amount is negative, no repayments need be made in respect of that financial year.

Any repayment obligations crystallise on the last day of the financial year to which the surplus arising relates. The loans may be prepaid by the Company upon prior notice.

During the year there was no prepayment in respect of these loans but as at the year end a repayment of £79m is now due.

Supplementary notes to the returns (continued)

Form 3 (continued)

0310 Valuation differences

	2013 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
Deferred tax held on life tax transitional arrangements	227,100
Contingent loan	212,983
<i>Positive valuation differences where assets are higher than in the shareholder accounts</i>	
PRA valuation difference on investments	169,264
<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
Additional reserves held in long term fund	(1,304,892)
Line 35 on Form 3	<u>(695,545)</u>

0313 Reconciliation of profit and loss account and other reserves

	2013 £'000s
Profit & loss account and reserves b/fwd (Form 3 line 12)	1,733,661
Profit & loss account and reserves c/fwd (Form 3 line 12)	<u>1,989,129</u>
Movement	255,468
Movement in additional reserves held for PRA	229,106
Movement in valuation difference	(147,822)
Movement in deferred tax	(52,800)
Movement in unallocated surplus	26,329
Movement in contingent loan	(70,492)
Line 59 on Form 16	<u>239,789</u>

Form 13

Notes 1302 to 1307 apply to the other than long term business fund.

1302 The Company held £20,985k in hybrid securities.

1304 Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.

Supplementary notes to the returns (continued)

Form 13 (continued)

- *1305* The maximum permitted exposure to any single counterparty has been set in accordance with the counterparty limits detailed in the various Prudential Sourcebooks. Therefore exposures to individual non-approved counterparties have been restricted to a maximum of 5% of the long term business amount.
- *1306* No counterparty exposure at the year end exceeded 5% of the long term business amount.
- *1307* The Company has an exposure of £179.8m to 'secured obligations'. This figure has not been deducted from the Admissibility testing for 31st Dec 2013, as the original test covered all exposures within the limits set.

Notes 1308 to 1313 apply to the long term business fund.

- *1308* The Company held £1,194m in unlisted securities.
- *1309* The Company held £1,585m in hybrid securities.
- *1310* Amounts due to or from the Company have been set off to the extent permitted by generally accepted accounting principles.
- *1312* No counterparty exposure at the year end exceeded 5% of the long term business amount.
- *1313* The Company has an exposure of £179.8m to 'secured obligations'. This figure has not been deducted from the Admissibility testing for 31st Dec 2013, as the original test covered all exposures within the limits set.
- *1318* Other asset adjustments

	2013 £'000s
<i>Other than long term business assets</i>	
Amount due from the long term notionally settled in cash	(244,033)
Line 101 on Form 13	<u>(244,033)</u>
	2013 £'000s
<i>Total long term business assets</i>	
Deposit back liability netted off Index Linked assets in the regulatory return	39,562
Miscellaneous adjustments to assets	(2,929)
Amount due to the other than long term fund notionally settled in cash	244,033
Line 101 on Form 13	<u>280,666</u>

Supplementary notes to the returns (continued)

Form 13 (continued)

1319 The maximum permitted exposure to any one counterparty has been set in accordance with the counterparty limits detailed in INSPRU 2.1.22. Therefore exposures to non-approved counterparties have been restricted to a maximum of 5% of the long term business amount. No counterparty exposure during the year exceeded these limits.

1321 Other differences in valuation of assets

	2013 £'000s
<i>Total long term business assets</i>	
Assets valued on a different basis than that in the financial statements	(169,264)
Line 98 on Form 13	<u>(169,264)</u>

Form 14

1401 The long term fund held a number of interest rate, currency and inflation-linked swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

1402 (a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the Company. The amounts secured by charges of this nature and included in Form 14 Line 11 were £8,113,251k and £471,079k. The whole of the amount at Form 13 line 89 is subject to charge.

On 2 September 2008 and 10 November 2010 floating charges were placed over cash and assets of the long term fund to secure certain pension scheme liabilities. On crystallisation the charge gives the debts owed to the scheme trustees priority status in any claim against the said cash or assets. The charges provide for the amount to be secured to vary by reference to a percentage of the value of the liabilities. The amounts secured under this charge included in Form 14 line 11 is £2,361,002k. The aggregate value of the assets subject to the charge is £2,520,017k (see table overleaf).

Supplementary notes to the returns (continued)

Form 14 (continued)

	2013 £'000s
<i>Assets which are subject to the charge</i>	
<i>Form 13</i>	
Line 45 – Approved fixed interest securities	268,930
Line 46 – Other fixed interest securities	272,229
Line 47 – Approved variable interest securities	58,768
Line 48 – Other variable interest securities	172,661
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	30,019
Line 84 – Accrued interest and rent	10,650
<i>Form 56</i>	
Line 11 – Approved variable interest securities	279,207
Line 12 – Other variable interest securities	815,290
Line 13 – Approved fixed interest securities	277,223
Line 14 – Other fixed interest securities	271,401
Line 15 – Cash and deposits	48,162
Line 18 – Other assets	15,477
Total	<u>2,520,017</u>

- (b) Increases in the value of assets of the long term fund do not attract tax, and therefore no provision, potential or otherwise, has been made for any liability to tax which might arise if the company disposed of its assets at the values stated in this return.
- (c) The Company has two contingent loans not in Form 14, from The Prudential Assurance Company Ltd. The loans accumulate with interest at specified rates. The value of these loans total £212,983k.

Loan repayments are contingent upon surplus arising and are made after the end of each financial year as a specified percentage of the lesser of the Company's Pillar 1 surplus (determined by reference to line 34 of Form 58) and the Company's Pillar 2 surplus which emerged over that period. If either surplus arising amount is negative, no repayments need be made in respect of that financial year.

Any repayment obligations crystallise on the last day of the financial year to which the surplus arising relates. The loans may be prepaid by the Company upon prior notice.

During the year there was no prepayment in respect of these loans but as at the year end a repayment of £79m is now due.

- (d) Although currently none the Company has provided, from time to time, other guarantees and commitments to third parties entered into in the normal course of business.

Supplementary notes to the returns (continued)

Form 14 (continued)

1405 Details of other adjustments to liabilities

	2013 £'000s
Additional reserves held in long term fund	(1,304,892)
Deferred tax held on life tax transitional arrangements	227,100
Contingent loan	212,983
Amount due to the other than long term fund notionally settled in cash	244,033
Miscellaneous adjustments to liabilities	36,633
Line 74 on Form 14	<u>(584,143)</u>

Form 15

1501 The other than long term fund held a number of interest rate swaps during the year. The swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are strictly covered.

1502 (a) There were no charges attributable to the other than long term insurance business assets.

(b) The total potential liability to taxation on capital gains which might arise if the company disposed of its assets was £Nil.

(c) There were no contingent liabilities at the year end.

(d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.

1507 Details of other adjustment in liabilities

	2013 £'000s
Amount due from the long term notionally settled in cash	(244,033)
Line 83 on Form 15	<u>(244,033)</u>

Form 16

1601 Revenue account items are translated at rates ruling on the transaction date.

1603 Balances in line 21 relate to management expenses.

Supplementary notes to the returns (continued)

Form 17

- *1702* No convertible securities, with the features of a quasi-derivative, have been included in line 46 of the Long-term Form 13.

Form 40

- *4002* Other income represents advisor charge received from another Group Company.

Other expenditure represents a repayment of a contingent loan repayable to a related group undertaking. The loan and interest on the loan is repayable out of the surplus emerging on its business and is contingent on surpluses arising, but can be repaid by the Company at any time.

The loan is repayable to the extent of a specified percentage of surplus of the Company, a repayment obligation crystallising on the last day of the Company's financial year and being discharged by application of funds on a date nominated by the Company (being prior to the last working day for submission of its regulatory returns for such financial year).

In accordance with their terms, the loans may be prepaid upon prior notice, and the repayment obligation discharged in whole or part.

During the year no repayment was made but a repayment of £79m is due in respect of these loans.

- *4008* Management services are provided to the Company for day to day administration from The Prudential Assurance Company Ltd, Prudential Distribution Ltd, M&G Investment Management Ltd, M&G Real Estate Ltd, Prudential UK Services Ltd, Prudential Financial Planning Ltd and Prudential Services Ltd, all being group companies.

- *4009* The Company has reinsurance agreements with a related company, The Prudential Assurance Company Ltd, in respect of non-participating approved pension annuity contracts.

During the year, claims amounting to £509m were paid under these reinsurance agreements and claims amounting to £207m were ceded. A premium, calculated on normal commercial terms, amounting to £752m was received and a premium amounting to £179m was ceded. The reinsurance included in the Return, relating to this business, amount to £8,584m liability for reinsurance accepted and £3,742m asset for the reinsurance ceded at the year end.

There were no other material intra-group transactions.

Form 47

- *4702* For annuity business where a premium includes both non-linked and linked benefits, total counts have been reported against both the non-linked and linked premiums. The extent of double counting of policies on Form 47 arising from this is 653.

Supplementary notes to the returns (continued)

Form 48

- *4802* There are 15 assets where the payment of interest is in default. The expected interest from these assets has been reduced to nil.
- *4803* Securities with an issuer option to redeem early are assumed to redeem at the next call date. The only exception to this are Government perpetual bonds (which can redeem at any time), and for these securities we assume that cashflows continue for 150 years.

Form 49

- *4901* Credit ratings used on Form 49 are the second highest of 3 external rating agencies, namely Fitch, S&P & Moody's.

Form 51

- *5105* The amount of double-counting of policies between Forms 51 and 54 combined is 37,387.

The counts and benefit amounts are not shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems.

The unprocessed business comes from former occupational pension schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

- *5106* Annuities included in Forms 51 and 54 are categorised depending on the type of escalation of benefits once an annuity is in payment. Form 51 includes annuities that increase at a guaranteed fixed rate and Form 54 includes annuities where benefits are dependent on changes in UK inflation. Deferred annuities with revaluation in line with inflation in deferment and fixed increases in payment are included in Form 51.

Form 54

- *5405* The amount of double-counting of policies between Forms 51 and 54 combined is 37,387.

The counts and benefit amounts are not shown for some liabilities where the benefits to which these relate are currently unprocessed and are not yet set up on our administration systems. The unprocessed business comes from former occupational pension schemes which are now in wind-up where final benefits and member details are yet to be finalised by the Trustees.

Form 56

- *5601* Credit ratings used on Form 49 are the second highest of 3 external rating agencies, namely Fitch, S&P & Moody's.

Supplementary notes to the returns (continued)

Form 57

The FSA (the UK insurance regulator at the time), on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in August 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for certain assets taken in combination.

Asset yields before risk adjustment and the yields adjusted for risk shown in Form 57, as required by waiver 1502402 (effective from 1 November 2012, see note *0201*), are as follows:

Product group	Risk adjusted yield on matching assets (Form 57 column 5)	Corresponding asset yield
Form 51: Immediate & deferred annuities	3.95%	4.60%
Form 51: Additional reserves – policy related expenses	0.63%	1.18%

Form 58

5803 There is a difference between line 49 and Form 2 line 11 of £8,400k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global Business

Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules

Financial year ended 31 December 2013

We certify:

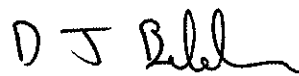
1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver detailed in supplementary note 0201 issued under section 138A of the Financial Services and Markets Act 2000 and section 68 of the Insurance Companies Act 1982 which continues to have effect; and:
 - (b) We are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of 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) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the 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) that 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 in question for the long-term insurance 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) that we have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.



J Hunt
Chief Executive



H A Hussain
Director



D J Belsham
Director

25 March 2014

PRUDENTIAL RETIREMENT INCOME LIMITED
Global business

Financial year ended 31 December 2013

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers

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

- Forms 2, 3, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 1 to 61 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on pages 66 to 67 ('the Statement'); and
- the valuation report required by IPRU(INS) rule 9.31(a)(i) ("the valuation report") on pages 37 to 52.

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

- Forms 46, 47, 50, 51, 54 and 57 (including the supplementary notes) on pages 20 to 61;
- the statement required by IPRU(INS) rules 9.30 on page 68; or
- the certificate required by IPRU(INS) rule 9.34(1) on page 62 ('the certificate').

This report is made solely to the insurer's directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the insurer's directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the PRA of its regulatory functions in respect of the insurer, conferred on the PRA by or under the Financial Services and Markets Act 2000. Our work (including our examination) has been undertaken so that we might state to the insurer's directors, as a body, those matters we are required to state to them in an auditor's report issued pursuant to IPRU(INS) rule 9.35 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 and the insurer's directors as a body, for our work (including our examination), for this report, or for the opinions we have formed.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by a direction issued under section 148 of the Financial Services and Markets Act 2000 in August 2012. Under IPRU(INS) rule 9.11 the Forms, the Statement, and the valuation report, 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 report are required to reflect appropriately the requirements of INSPRU 1.2.

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

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

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 report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year. 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 report.

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 report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers

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:

- i) the Forms, the Statements and the valuation report 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
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of INSPRU 1.2.



Robert Lewis
For and on behalf of KPMG Audit Plc, Statutory Auditor Chartered Accountants
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

25 March 2014

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2013

Statement pursuant to the Interim Prudential Sourcebook for Insurers (IPRU(INS)) rule 9.29

(a) Investment guidelines

As requested by Rule 9.29 of the Interim Prudential Sourcebook, (FSA Statutory Instrument 2004/98) the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below. These are fully explained in the Company's Investment Management Agreement with its fund managers and are consistent with the investment strategy.

- (i) Derivatives are used for the purpose of efficient portfolio management or to reduce risk, specific examples being to implement tactical asset allocation changes around the strategic benchmark, hedge cash flows, or control the risk profile of an identified strategy.
- (ii) A number of restrictions on the use of derivatives have been agreed with the Company's fund managers and can only be overruled by prior agreement between the two parties:
 - all derivatives that impose obligations on the fund must be strictly covered.
 - all derivative contracts must satisfy the definition of approved under Rule 3.2.5 of the Prudential sourcebook for Insurers (INSPRU)
 - the maximum allowable exposure to counterparties should not be exceeded.
 - only certain permitted exchanges and contracts can be used.
- (iii) During the year the Company has used interest rate, currency, credit default and inflation-linked swaps in the long term business and interest rate swaps in the other than long term business.
The Company has previously used redeemable convertible corporate bonds. These bonds have not been categorised as derivative contracts as the derivative element is minimal and have therefore not been reported on form 17. This year the value is £Nil as there are none held.

(b) Derivatives where exercise is unlikely.

There are no specific guidelines for the use of contracts not reasonably likely to be exercised. However the Investment Management Agreement only allows the use of derivatives for the purpose of efficient portfolio management or to reduce risk and the Company's investment managers work within these constraints.

PRUDENTIAL RETIREMENT INCOME LIMITED

**Statement pursuant to the Interim Prudential Sourcebook for Insurers (IPRU(INS))
rule 9.29 (continued)**

(c) Quantification of derivatives in (b) above

There was zero exposure during the year to out of the money call options / warrants.

(h) Derivatives not covered by the definition of an admissible derivative contract in the Prudential Sourcebooks.

There were no derivative contracts held during 2013 that did not satisfy requirements of the Interim Prudential Sourcebook.

(i) Consideration for granting rights under derivative contracts

No rights under derivative contracts have been granted.

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2013

Rule 9.30 Statement on Shareholder Controllers

The following companies were shareholder controllers of Prudential Retirement Income Limited for the year: The Prudential Assurance Company Ltd holding 100% of its issued share capital and voting power throughout the year; and Prudential plc, being the ultimate holding company, holding 100% of the issued share capital and voting power of The Prudential Assurance Company Ltd throughout the year.