

Prudential Retirement Income Limited

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

Annual PRA Insurance Returns for the year ended

31 December 2015

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 2015**

Solo solvency calculation

	Company registration number	GL/UK/CM	day	month	year	Units	
	R2	47842	GL	31	12	2015	£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	968273	554779
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	2054325	2230906
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	3022598	2785685

Guarantee fund

Guarantee fund requirement	21	332518	335880
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	2690080	2449805

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	997553	1007641
Resilience capital requirement	32		
Base capital resources requirement	33	2657	2902
Individual minimum capital requirement	34	997553	1007641
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	997553	1007641
Excess (deficiency) of available capital resources to cover 50% of MCR	37	2523822	2281864
Excess (deficiency) of available capital resources to cover 75% of MCR	38	2274434	2029954

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	997553	1007641

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	997553	1007641
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	2025045	1778044

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51	49180	220339
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Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	47842	GL	31	12	2015	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Core tier one capital

Permanent share capital	11		837700	837700	837700
Profit and loss account and other reserves	12		2900422	2900422	2434181
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		3738122	3738122	3271881

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		3758122	3758122	3291881
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		725526	725526	506196
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		725526	725526	506196
Total tier one capital after deductions (31-37)	39		3032596	3032596	2785685

Components of capital resources

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	47842	GL	31	12	2015	£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 2015**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	47842	GL	31	12	2015	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		3032596	3032596	2785685
Inadmissible assets other than intangibles and own shares	73		9998	9998	
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		3022598	3022598	2785685

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		3022598	3022598	2785685
Available capital resources for 50% MCR requirement	82		3022598	3022598	2785685
Available capital resources for 75% MCR requirement	83		3022598	3022598	2785685

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		49180	49180	220339
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		49180	49180	220339

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£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	381500	381500
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			
Rights under derivative contracts	44	305	321	
Fixed interest securities	Approved	45	888100	460268
	Other	46	350853	310379
Variable interest securities	Approved	47	270963	524218
	Other	48	168403	59711
Participation in investment pools	49			
Loans secured by mortgages	50	8360	18591	
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	26500	513873
	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 2015**

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	2015	£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	32332	499
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	16003	166470
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	15583	10158
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	2158902	2445988
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Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£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	2158902	2445988
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	42	(146)
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		(619789)
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	2158944	1826053
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	200226	

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings						1011932	938599

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	1268875	1327056
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		114	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	80346		
Rights under derivative contracts	44	350213	346932	
Fixed interest securities	Approved	45	4628078	4141583
	Other	46	15179350	16384525
Variable interest securities	Approved	47	185481	138531
	Other	48	652813	665320
Participation in investment pools	49			
Loans secured by mortgages	50	252705	367227	
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	2793	2998	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	826464	122790
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	5338491	5017801
	Property linked	59		

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£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	218	249
	Intermediaries					72		
Salvage and subrogation recoveries						73		
Reinsurance	Accepted					74		1413
	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	50282	1847
	due in more than 12 months					79		
Other assets								
Tangible assets						80		
Deposits not subject to time restriction on withdrawal with approved institutions						81	60936	
Cash in hand						82		
Other assets (particulars to be specified by way of supplementary note)						83		
Accrued interest and rent						84	403393	424425
Deferred acquisition costs (general business only)						85		
Other prepayments and accrued income						86	33153	28409
Deductions from the aggregate value of assets						87		
Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)						89	30325523	29909819

Analysis of admissible assets

Name of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**

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	2015	£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	30325523	29909819
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	9998	
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	(498232)	(635924)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	5770911	5639372
Other asset adjustments (may be negative)	101	176466	751191
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	35784666	35664458
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	1530343	1598915

Long term insurance business liabilities and margins

Name of insurer Prudential Retirement Income Limited

Global business

Financial year ended 31 December 2015

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	23196043	23599080
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	979759	554779
Long term insurance business fund carried forward (11 to 13)	14	24175802	24153859
Claims outstanding	Gross	15	5969
	Reinsurers' share	16	
	Net (15-16)	17	5969
Provisions	Taxation	21	12752
	Other risks and charges	22	
Deposits received from reinsurers	23	4514874	4680866
Creditors	Direct insurance business	31	812
	Reinsurance accepted	32	305
	Reinsurance ceded	33	5768
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	1005041	733540
Creditors	Taxation	37	87964
	Other	38	519849
Accruals and deferred income	39	20625	24335
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	6161207	5755960
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	30337009	29909819

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	3412	5368
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	29357250	29355040
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	5770911	5639372
Other adjustments to liabilities (may be negative)	74	(1047250)	(391075)
Capital and reserves and fund for future appropriations	75	1703755	1061121
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	35784666	35664458

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

Global business

Financial year ended **31 December 2015**

R15	Company registration number	GL/UK/CM	day month year			Units
	47842	GL	31	12	2015	£000
			As at end of this financial year			As at end of the previous year
			1			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	61500	120924
Creditors	Taxation	47	115	31717
	Foreseeable dividend	48		
	Other	49	42962	62441
Accruals and deferred income		51		
Total (19 to 51)		59	104577	215082
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	104577	215082

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		(19789)
Capital and reserves		84	2054367	1630760
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	2158944	1826053

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

Global business

Financial year ended **31 December 2015**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	47842	GL	31	12	2015	£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		(178000)		600000	
Investment income	Income		14		63022		41079	
	Value re-adjustments on investments		15				94637	
	Gains on the realisation of investments		16		20893		61495	
Investment charges	Investment management charges, including interest		17		1532		1103	
	Value re-adjustments on investments		18		79657			
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21		(660)		(1087)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29		(175934)		795021	
Tax on profit or loss on ordinary activities			31		459		42245	
Profit or loss on ordinary activities after tax (29-31)			39		(176393)		752776	
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		(176393)		752776	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59		(176393)		752776	

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

Global business

Financial year ended **31 December 2015**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	2015	£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		305		25		53372	54688
	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		305		25		53372	54688
Adjustment for variation margin		52							
Total (51 + 52)		53		305		25			

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 2015**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	2015	£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	255064	189092	822167	822167			
	Inflation	13	48622	94463	1103759	1103759			
	Credit index / basket	14							
	Credit single name	15	34852		1231497				
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	11675	132651	878917	923362			
	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	350213	416206	4036340	2849288			
Adjustment for variation margin		52							
Total (51 + 52)		53	350213	416206					

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 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	1198997	385125
Investment income receivable before deduction of tax	12	1247935	1250662
Increase (decrease) in the value of non-linked assets brought into account	13	(1149057)	3347165
Increase (decrease) in the value of linked assets	14		
Other income	15	1261	848
Total income	19	1299136	4983800

Expenditure

Claims incurred	21	1035526	1228821
Expenses payable	22	105159	83558
Interest payable before the deduction of tax	23	19323	665707
Taxation	24	117185	128296
Other expenditure	25	178000	
Transfer to (from) non technical account	26	(178000)	600000
Total expenditure	29	1277193	2706382

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	21943	2277418
Fund brought forward	49	24153859	21876441
Fund carried forward (39+49)	59	24175802	24153859

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 2015**
 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		1874922		1874922
					2315935

Reinsurance - external

Regular premiums	13				
Single premiums	14		376176		376176
					127520

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16		299749		299749
					1803290

Net of reinsurance

Regular premiums	17				
Single premiums	18		1198997		1198997
					385125

Total

Gross	19		1874922		1874922
Reinsurance	20		675925		675925
Net	21		1198997		1198997
					2315935
					1930810
					385125

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 2015**
 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		611	611	280
Disability periodic payments	12				
Surrender or partial surrender	13		16359	16359	10334
Annuity payments	14		1644483	1644483	1555617
Lump sums on maturity	15		8015	8015	7198
Total	16		1669468	1669468	1573429

Reinsurance - external

Death or disability lump sums	21				44
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24		375060	375060	127712
Lump sums on maturity	25				
Total	26		375060	375060	127756

Reinsurance - intra-group

Death or disability lump sums	31		122	122	36
Disability periodic payments	32				
Surrender or partial surrender	33		3191	3191	1550
Annuity payments	34		253966	253966	214186
Lump sums on maturity	35		1603	1603	1080
Total	36		258882	258882	216852

Net of reinsurance

Death or disability lump sums	41		489	489	200
Disability periodic payments	42				
Surrender or partial surrender	43		13168	13168	8784
Annuity payments	44		1015457	1015457	1213719
Lump sums on maturity	45		6412	6412	6118
Total	46		1035526	1035526	1228821

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 2015**
 Units **£000**

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

Gross

Commission - acquisition	11		4255		4255	8208
Commission - other	12					
Management - acquisition	13		28445		28445	31759
Management - maintenance	14		69398		69398	43322
Management - other	15		29351		29351	15014
Total	16		131449		131449	98303

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		851		851	1231
Commission - other	32					
Management - acquisition	33		5689		5689	4764
Management - maintenance	34		13880		13880	6498
Management - other	35		5870		5870	2252
Total	36		26290		26290	14745

Net of reinsurance

Commission - acquisition	41		3404		3404	6977
Commission - other	42					
Management - acquisition	43		22756		22756	26995
Management - maintenance	44		55518		55518	36824
Management - other	45		23481		23481	12762
Total	46		105159		105159	83558

Long-term insurance business : Summary of new business

Name of insurer Prudential Retirement Income Limited

Total business

Financial year ended 31 December 2015

Units £000

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

Number of new policyholders/
scheme members for direct
insurance business

Regular premium business	11				
Single premium business	12		15023	15023	21876
Total	13		15023	15023	21876

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		1554987	1554987	1804226
External reinsurance	26		76079	76079	81529
Intra-group reinsurance	27		243857	243857	429627
Total	28		1874923	1874923	2315382

Long-term insurance business : Analysis of new business

Name of insurer Prudential Retirement Income Limited
 Total business
 Financial year ended 31 December 2015
 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 - Group deferred annuities				(609)
400	Annuity non-profit (CPA) - Individual annuities in payment			1197	37567
401	Annuity non-profit (bulk transfer) - Group annuities in payment			6589	621178
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment			92	4566
905	Index linked annuity (CPA) - Individual annuities in payment			108	7180
906	Index linked annuity (bulk transfer) - Group annuities in payment			7035	884910
907	Index linked deferred annuity - Group deferred annuities			2	195

Long-term insurance business : Analysis of new business

Name of insurer **Prudential Retirement Income Limited**
 Total business
 Financial year ended **31 December 2015**
 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				75714
905	Index linked annuity (CPA) - Individual annuities in payment				365

Long-term insurance business : Analysis of new business

Name of insurer Prudential Retirement Income Limited

Total business

Financial year ended

Units

UK Pension / Reinsurance accepted intra-group

31 December 2015

£000

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				219022
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment				19498
905	Index linked annuity (CPA) - Individual annuities in payment				5337

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 2015**
 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	1011932	1011932	52949	5.23	
Approved fixed interest securities	12	4699912	4699912	170438	2.34	
Other fixed interest securities	13	15456698	15456698	714143	3.76	
Variable interest securities	14	842713	842713	17154	0.67	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	2975777	2975777	62166	2.09	
Total	19	24987032	24987032	1016850	3.25	

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 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1326842	10.24	1.76	1.76
Other approved fixed interest securities	21	3373071	10.29	2.56	2.46
Other fixed interest securities					
AAA/Aaa	31	812783	9.71	3.08	2.96
AA/Aa	32	2010453	11.78	3.51	3.26
A/A	33	6477497	11.39	3.65	3.05
BBB/Baa	34	3329038	9.11	4.16	3.09
BB/Ba	35	160163	8.93	6.79	2.99
B/B	36	391	2.79	6.13	3.35
CCC/Caa	37				
Other (including unrated)	38	2666373	11.69	3.74	2.99
Total other fixed interest securities	39	15456698	10.89	3.76	3.07
Approved variable interest securities	41	186057	17.28	(0.74)	(0.74)
Other variable interest securities	51	656656	15.06	1.06	0.68
Total (11+21+39+41+51)	61	20999324	10.94	3.32	2.78

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 2015**
 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		22430534	22430534	23252766
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16		6818913	6818913	6300440
Form 54 - non-linked	17		90335	90335	83305
Total	18		29339782	29339782	29636511

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		198929	198929	109474
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26		145800	145800	28188
Form 54 - non-linked	27				
Total	28		344729	344729	137663

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		4446320	4446320	4628657
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		1334623	1334623	1254450
Form 54 - non-linked	37		18067	18067	16661
Total	38		5799010	5799010	5899768

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		17785285	17785285	18514635
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46		5338490	5338490	5017801
Form 54 - non-linked	47		72268	72268	66645
Total	48		23196043	23196043	23599080

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 2015
 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	17499	22321					429016
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							16842
400	Annuity non-profit (CPA) - Group annuities in payment	75104	215579					3514490
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		11665					194397
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							(913)
400	Annuity non-profit (CPA) - Individual annuities in payment	432735	537869					7608864
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		545898					8878859
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment	12096	39713					506007
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		21388					337510
440	Additional reserves non-profit OB - Miscellaneous							80990
440	Additional reserves non-profit OB - Mismatching							261344
440	Additional reserves non-profit OB - Policy related expenses							603128

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 2015**

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) - Group annuities in payment							40760
400	Annuity non-profit (CPA) - Individual annuities in payment							158627
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment							880
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)							(1338)

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 2015

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		4464					85803
390	Deferred annuity non-profit - Group deferred annuities unprocessed business							3368
400	Annuity non-profit (CPA) - Group annuities in payment		43116					694746
400	Annuity non-profit (CPA) - Group annuities in payment (reassurance accepted)		2333					38879
400	Annuity non-profit (CPA) - Group annuities in payment unprocessed business							(183)
400	Annuity non-profit (CPA) - Individual annuities in payment		107574					1490047
400	Annuity non-profit (CPA) - Individual annuities in payment (reassurance accepted)		109180					1775772
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment		7943					101025
405	Annuity non-profit (CPA impaired life) - Individual annuities in payment (reassurance accepted)		4278					67770
440	Additional reserves non-profit OB - Miscellaneous							16198
440	Additional reserves non-profit OB - Mismatching							52269
440	Additional reserves non-profit OB - Policy related expenses							120626

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 2015
 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	51573	262520		5392570	5392570		5392570
905	Index linked annuity (CPA) - Group annuities in payment - valued as fixed	39	67		1271	1271		1271
905	Index linked annuity (CPA) - Group annuities in payment (reassurance accepted)		861		17878	17878		17878
905	Index linked annuity (CPA) - Group annuities in payment unprocessed business				(5030)	(5030)		(5030)
905	Index linked annuity (CPA) - Individual annuities in payment	32561	44674		918122	918122		918122
905	Index linked annuity (CPA) - Individual annuities in payment (reassurance accepted)		5956		143891	143891		143891
907	Index linked deferred annuity - Group deferred annuities	8244	10913		255656	255656		255656
907	Index linked deferred annuity - Group deferred annuities - valued as fixed	153	285		16144	16144		16144
907	Index linked deferred annuity - Group deferred annuities unprocessed business				9329	9329		9329
915	Additional reserves index linked - Miscellaneous						24691	24691
915	Additional reserves index linked - Mismatching						65644	65644
915	Additional reserves index linked - Policy related expenses				69082	69082		69082

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 2015
 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) - Group annuities in payment				145612	145612		145612
905	Index linked annuity (CPA) - Individual annuities in payment				138	138		138
905	Index linked annuity (CPA) - Individual annuities in payment (reassurance accepted)				50	50		50

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 2015
 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		52504		1049392	1049392		1049392
905	Index linked annuity (CPA) - Group annuities in payment - valued as fixed		13		254	254		254
905	Index linked annuity (CPA) - Group annuities in payment (reassurance accepted)		172		3576	3576		3576
905	Index linked annuity (CPA) - Group annuities in payment unprocessed business				(1006)	(1006)		(1006)
905	Index linked annuity (CPA) - Individual annuities in payment		8935		183597	183597		183597
905	Index linked annuity (CPA) - Individual annuities in payment (reassurance accepted)		1191		28768	28768		28768
907	Index linked deferred annuity - Group deferred annuities		2183		51131	51131		51131
907	Index linked deferred annuity - Group deferred annuities - valued as fixed		57		3229	3229		3229
907	Index linked deferred annuity - Group deferred annuities unprocessed business				1866	1866		1866
915	Additional reserves index linked - Miscellaneous						4938	4938
915	Additional reserves index linked - Mismatching						13129	13129
915	Additional reserves index linked - Policy related expenses				13816	13816		13816

Long-term insurance business : Index linked business

Name of insurer **Prudential Retirement Income Limited**
Total business
Financial year ended **31 December 2015**
Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11	1102004	17.28
Other variable interest securities	12	3040062	14.36
Approved fixed interest securities	13	708628	15.35
Other fixed interest securities	14	1099996	11.56
Cash and deposits	15	62975	
Equity index derivatives	16		
Inflation swaps	17	(27643)	
Other assets	18	(647531)	
Variation margin	19		
Total (11 to 19)	20	5338491	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31	44289	13.27
AA/Aa	32	148136	9.59
A/A	33	2348549	13.79
BBB/Baa	34	697637	12.12
BB/Ba	35	93037	10.22
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	808410	15.54
Total other fixed interest and other variable interest securities	39	4140058	13.62

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 2015

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	17028914		3.19	3.27
Form 51: Additional reserves	482502		0.06	0.06
Form 51: Additional reserves - policy related expenses	273868			3.27
Form 54: Additional reserves	72268			0.06
Total	17857552			

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 2015**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	24175802	24153859
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		600000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	24175802	24753859
Mathematical reserves	21	23196043	23599080
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	979759	1154779

Composition of surplus

Balance brought forward	31	554779	673300
Transfer from non-technical account	32	178000	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	246980	481479
Total	39	979759	1154779

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		600000
Total distributed surplus (46+47)	48		600000
Surplus carried forward	49	979759	554779
Total (48+49)	59	979759	1154779

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 requirementName of insurer **Prudential Retirement Income Limited**

Global business

Financial year ended **31 December 2015**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%	22430534	17785285	0.85	190660	197649
Classes III, VII and VIII (investment risk)	33	1%	6909248	5410758	0.85	58729	54262
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					249388	251910

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	22430534	17785285	0.85	571979	592946
Classes III, VII and VIII (investment risk)	43	3%	6909248	5410758	0.85	176186	162785
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		29339782	23196043		748164	755731

Long term insurance capital requirement	51					997553	1007641
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PRUDENTIAL RETIREMENT INCOME LIMITED

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

Valuation Report as at 31 December 2015

1. Introduction

- (1) The investigation relates to 31 December 2015.
- (2) The previous investigation related to 31 December 2014.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2014.

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

Valuation Report as at 31 December 2015 (continued)

(6) Not applicable

(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.

Valuation Report as at 31 December 2015 (continued)

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 3.75% annual revaluation throughout the remaining deferred period followed by the actual fixed escalation in payment. The 3.75% annual revaluation rate is the same as the inflation rate assumed for benefit inflation 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.

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

- (2) The PRA, on the application of the firm, made a direction under section 138A 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 138A 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 2015 %	31 December 2014 %
All	All products	3.19	2.86

Valuation Report as at 31 December 2015 (continued)

Index linked

Product code number	Product description	31 December 2015 %	31 December 2014 %
All	All products (except index linked annuities – valued as fixed)	0.06	(0.10)
All	Index linked annuity – group annuities in payment – valued as fixed Index linked annuity – group deferred annuities – valued as fixed	3.19	2.86

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.

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%

Valuation Report as at 31 December 2015 (continued)

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 below:

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

Valuation Report as at 31 December 2015 (continued)

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 2015 has been taken to be the allowance for credit risk brought forward from 31 December 2014 but adjusted to allow for changes in asset mix that have occurred during 2015.

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 138A waiver, after allowing for credit risk.

Aggregate yields on the backing assets have been adjusted by 0.59% and 0.47% 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 55 basis points per annum.

Valuation Report as at 31 December 2015 (continued)

(4)

Non-linked

Product code number	Product description	31 December 2015	31 December 2014
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 93.5% PCMA00 / 82.5% PCFA00	Modified 91.2% PCMA00 / 84.3% PCFA00
	Expectation of life age 65	25.4 (M), 27.6 (F)	25.7 (M), 27.5 (F)
	Expectation of life age 75	15.6 (M), 17.7 (F)	15.8 (M), 17.6 (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 93.5% PCMA00 / 95.6% PCFA00	Modified 95.0% PCMA00 / 97.9% PCFA00
	Expectation of life age 65	25.4 (M), 26.4 (F)	25.3 (M), 26.2 (F)
	Expectation of life age 75	15.6 (M), 16.6 (F)	15.5 (M), 16.5 (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 93.5% PCMA00 / 95.6% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 95.0% PCMA00 / 97.9% PCFA00
	Current age 45, expectation of life age 65	29.2 (M), 29.1 (F)	29.1 (M), 29.0 (F)
	Current age 55, expectation of life age 65	27.3 (M), 27.7 (F)	27.2 (M), 27.6 (F)

Valuation Report as at 31 December 2015 (continued)

Index linked

Product code number	Product description	31 December 2015	31 December 2014
905	Index linked annuity (CPA) – individual annuities in payment Index linked annuity (CPA) – individual annuities in payment (reassurance accepted)		
	Mortality table	Modified 93.5% PCMA00 / 82.5% PCFA00	Modified 91.2% PCMA00 / 84.3% PCFA00
	Expectation of life age 65	25.4 (M), 27.6 (F)	25.7 (M), 27.5 (F)
	Expectation of life age 75	15.6 (M), 17.7 (F)	15.8 (M), 17.6 (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 93.5% PCMA00 / 95.6% PCFA00	Modified 95.0% PCMA00 / 97.9% PCFA00
	Expectation of life age 65	25.4 (M), 26.4 (F)	25.3 (M), 26.2 (F)
	Expectation of life age 75	15.6 (M), 16.6 (F)	15.5 (M), 16.5 (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 93.5% PCMA00 / 95.6% PCFA00	In deferment: AM92 /AF92 – 4 years In payment: Modified 95.0% PCMA00 / 97.9% PCFA00
	Current age 45, expectation of life age 65	29.2 (M), 29.1 (F)	29.1 (M), 29.0 (F)
	Current age 55, expectation of life age 65	27.3 (M), 27.7 (F)	27.2 (M), 27.6 (F)

Valuation Report as at 31 December 2015 (continued)

Mortality bases used at 31 December 2015 and 31 December 2014

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 2014 mortality model (changed from CMI 2012 at the 31 December 2014 valuation), with a long term improvement rate of 2.25% p.a. For females, future improvement factors are in line with Prudential's own calibration of the CMI 2014 mortality model (changed from CMI 2012 at the 31 December 2014 valuation), with a long term improvement rate of 1.75% p.a.

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);
- (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); and
- (c) introduces a floor or minimum value equal to the long-term rate of improvements; and.
- (d) Includes an adjustment of 0.25% to the initial rates of improvement.

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 2015	31 December 2014
All	All products	£23.58 p.a.	£17.99 p.a.

Valuation Report as at 31 December 2015 (continued)

The inflation rate assumed for future expenses is as follows:

Product code number	Product description	31 December 2015	31 December 2014
All	All products	4.25% p.a.	3.50% p.a.

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 2015	31 December 2014
All	All products	0.065% p.a.	0.059% 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 2015	31 December 2014
<u>Annuities in payment</u>		
When single at retirement	10%	10%
When married at retirement	100%	100%
When average married assumption applies (includes group business written in the year)	69.1% to 92.0%	74.6% to 99.2%
When average married assumption applies (all other cases)	82%	82%
Remarriage assumption for spouse	3% or 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%

Valuation Report as at 31 December 2015 (continued)

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

(11) Derivative contracts held as at 31 December 2015 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 Sterling LIBOR and floating non-Sterling EURIBOR for fixed Sterling;
- iv) Contracts to swap inflation linked Sterling RPI/LPI for fixed Sterling;
- v) Contracts to swap future fixed sterling for future inflation linked Sterling RPI/LPI;
- vi) Contracts to swap inflation linked Sterling property income for fixed Sterling;
- vii) FFX contracts to swap fixed, floating LIBOR and Credit default premium cashflows for fixed Sterling;
- viii) Contracts to swap fixed / floating Sterling for inflation linked Sterling RPI/LPI;
- ix) Contracts to take Sovereign credit risk in return for a premium; and
- x) Contracts to swap inflation linked Sterling RPI for inflation linked Sterling LPI
- xi) Contracts to swap fixed Sterling for Sterling LIBOR;

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

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

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

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

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

Valuation Report as at 31 December 2015 (continued)

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

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

The effect of the contract under ix) is to take Sovereign credit risk in return for a premium.

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

The effect of the contracts under xi) is to convert cashflows from fixed Sterling assets into Sterling LIBOR cashflows. These have the effect of closing out some of the contracts under iii).

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 138A waiver.

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 138A 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 £59.0m is held at the valuation date to cover the risk of negative inflation.

Valuation Report as at 31 December 2015 (continued)

Under an inward reinsurance contract, elements of the pricing basis for new business are fixed for up to 3 years. There would be a six month notice period if the firm decided to cancel the contract, during which time it would be required to accept business on these fixed terms. An additional reserve of £11.9m is held at the valuation date as a prudent allowance for the potential valuation strain arising from future new business.

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	26.6
Longevity swap management expenses	23.0
Investment management expenses	20.0
Total	69.6

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 £69.4m. These expenses include investment management costs of £4.2m and £1.8m of administration costs whose payment is contingent on the emergence of statutory surplus emerging and, as such, no reserve is held for them.
- (4) Other than the inward reinsurance contract described in 5(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 additional new business expense overrun reserve is required.
- (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. In this scenario, the amount of the expense loading over the remaining lifetime of the contracts in force at the valuation date is £611.8m.

Valuation Report as at 31 December 2015 (continued)

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 £48.4m is held for the impact of closing to new business.

In addition, a reserve of £1.8m is held for the forecast expense margin expected to be paid to Prudential Distribution Limited in 2016 and a reserve of £10.0m is held to cover the cost of additional contributions to the Prudential Staff Pension Scheme and Scottish Amicable 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 0.48%, which is the percentage point rise equal to 20% of the long-term gilt yield at the valuation date, and;
 - (iii) a rise of 0.14% in the index-linked real security yield in conjunction with a rise of 0.34% in the inflation rate such that the overall rise in the nominalised yield is equal to 0.48%.

Valuation Report as at 31 December 2015 (continued)

- (5) There were no significant territories at the valuation date.
- (6) In respect of the scenarios described under (4) above;
- (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 £1,265m.
- For index-linked annuities, the decrease in the aggregate amount of long-term insurance liabilities was £233m.
- (c) For non-linked annuities, the decrease in the aggregate amount of assets backing these liabilities was £1,264m.
- For index-linked annuities, the decrease in the aggregate amount of assets backing these liabilities was £233m.
- (7) A reserve of £327m 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.

Valuation Report as at 31 December 2015 (continued)

- 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.

8. Other special reserves

Other special reserves are as follows:

A reserve of £106m is held to cover general contingencies.

A reserve of £26.5m is held to cover potential additional liabilities in respect of systems and administration errors.

A reserve of £9.0m is held to cover the potential risks, including operational risks, arising in connection with the sale of sovereign credit default swaps.

9. Reinsurance

(1) Not applicable

(2) Details of any reinsurance treaties held as at 31 December 2015 which satisfy criteria (a), (b) or (c) are as follows:

Valuation Report as at 31 December 2015 (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 – PRIL 1	A single treaty covering enhanced annuity liabilities insured by PRIL. In return for a fixed series of reinsurance premiums, Hannover Life Re will pay to PRIL a specified proportion (50%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement.	13.2	None	Open	None	(0.3)	N/A
Hannover Life Re – PRIL 3	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.	52.3	None	Closed	None	50.4	N/A
SCOR Global Life SE – PRIL 4	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.	57.8	None	Closed	None	39.6	N/A

Valuation Report as at 31 December 2015 (continued)

Hannover Life Re – PRIL 5	A single treaty covering specific annuity liabilities issued by PRIL. In return for a series of reinsurance premiums Hannover Life Re will pay to PRIL a specified proportion (85%) of the actual claims incurred by PRIL on the policies covered by the reinsurance arrangement.	31.5	None	Closed	None	39.7	N/A
Hannover Life Re – PRIL 6	A single treaty covering specific annuity liabilities issued by PRIL. In return for a series of reinsurance premiums Hannover Life Re will pay to PRIL a specified proportion (85%) of the actual claims	76.3	None	Closed	None	59.8	N/A
SCOR Global Life SE – PRIL 7	A single treaty covering specific annuity liabilities issued by PRIL. In return for a series of reinsurance premiums SCOR Global Life SE will pay to PRIL a specified proportion (80%) of the actual claims.	94.0	None	Closed	None	53.1	N/A
Swiss Re – PRIL 8	A single treaty covering specific annuity liabilities issued by PRIL. In return for a series of reinsurance premiums Swiss Re will pay to PRIL a specified proportion (90%) of the actual claims	24.9	None	Closed	None	24.9	N/A
Pacific Life Re – PRIL 9	A single treaty covering specific annuity liabilities issued by PRIL. In return for a series of reinsurance premiums Pacific Life Re will pay to PRIL a specified proportion (100%) of the actual claims	5.3	None	Closed	None	12.4	N/A

Valuation Report as at 31 December 2015 (continued)

Pacific Life Re – PRIL 10	A single treaty covering specific annuity liabilities issued by PRIL. In return for a series of reinsurance premiums Pacific Life Re will pay to PRIL a specified proportion (100%) of the actual claims	20.8	None	Closed	None	65.1	N/A
The Prudential Assurance Company Limited (PAC) *- PRIL 2	PAC reinsures 20% 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.	299.7	5,799.0	Open	None	5,799.0	The firm retains 80% of liabilities in respect of new policies. The firm's retention is 80% of liabilities after the cession of mortality risk under other reinsurance arrangements.

Valuation Report as at 31 December 2015 (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 2015

Supplementary notes to the returns

Form 2

0201 Waivers under Section 138A, Financial Services and Markets Act 2000

(1735913) The PRA, on the application of the firm, made a direction under section 138A of the Financial Services and Markets Act 2000 in February 2014. 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 1 April 2016 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

	2015 £'000s
Line 89 on Form 13 (OLTB)	2,158,902
Line 89 on Form 13 (LTF)	30,325,523
Line 11 on Form 14	(23,196,043)
Line 49 on Form 14	(6,161,207)
Line 69 on Form 15	(104,577)
Line 79 on Form 3	<u>3,022,598</u>

0308 The Company has one contingent loan from The Prudential Assurance Company Ltd. The loan accumulates 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 loan may be prepaid by the Company upon prior notice.

During the year a repayment of £178m was made.

Supplementary notes to the returns (continued)

Form 3 (continued)

0310 Valuation differences

	2015 £'000s
<i>Positive valuation differences where liabilities are lower than in the shareholders accounts</i>	
Deferred tax held on life tax transitional arrangements	169,800
Contingent loan	49,180
<i>Positive valuation differences where assets are higher than in the shareholder accounts</i>	
PRA valuation difference on investments	499,720
<i>Negative valuation differences where liabilities are higher than in the shareholders accounts</i>	
Additional reserves held in long term fund	(1,442,696)
<i>Negative valuation differences where assets are lower than in the shareholders accounts</i>	
Prudent valuation adjustment	(1,530)
Line 35 on Form 3	<u>(725,526)</u>

0313 Reconciliation of profit and loss account and other reserves

	2015 £'000s
Profit & loss account and reserves b/fwd (Form 3 line 12)	2,434,181
Profit & loss account and reserves c/fwd (Form 3 line 12)	<u>2,900,422</u>
Movement	466,241
Movement in additional reserves held for PRA	101,609
Movement in valuation difference	(136,205)
Movement in deferred tax	(11,900)
Movement in unallocated surplus	(424,979)
Movement in contingent loan	(171,159)
Line 59 on Form 16	<u>(176,393)</u>

Form 13

Notes 1301 to 1307 apply to the other than long term business fund.

1301 The Company held £219m in unlisted securities.

1302 The Company held £53m 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 £507.1m to 'secured obligations'. This figure has not been deducted from the admissibility testing for 31 December 2015, 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 £1,903m in unlisted securities.

1309 The Company held £609m 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 £507.1m to 'secured obligations'. This figure has not been deducted from the admissibility testing for 31st December 2015, as the original test covered all exposures within the limits set.

1318 Other asset adjustments

	2015 £'000s
<i>Total long term business assets</i>	
Deposit back liability netted off Index Linked assets in the regulatory return	69,444
Miscellaneous adjustments to assets	107,022
Line 101 on Form 13	<u>176,466</u>

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.

Supplementary notes to the returns (continued)

Form 13 (continued)

1321 Other differences in valuation of assets

	2015 £'000s
<i>Other than long term business assets</i>	
Assets valued on a different basis than that in the financial statements	42
Line 98 on Form 13	<u>42</u>
	2015 £'000s
<i>Total long term business assets</i>	
Assets valued on a different basis than that in the financial statements	(498,232)
Line 98 on Form 13	<u>(498,232)</u>

Form 14

1401 The long term fund held a number of interest rate, credit default, 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 £8,841,474k and £464,920k. 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 £2,350,632k. The aggregate value of the assets subject to the charge is £2,621,194k (see table overleaf).

Supplementary notes to the returns (continued)

Form 14 (continued)

	2015 £'000s
<i>Assets which are subject to the charge</i>	
<i>Form 13</i>	
Line 45 – Approved fixed interest securities	185,334
Line 46 – Other fixed interest securities	365,564
Line 47 – Approved variable interest securities	62,977
Line 48 – Other variable interest securities	135,845
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	12,789
Line 84 – Accrued interest and rent	10,183
<i>Form 56</i>	
Line 11 – Approved variable interest securities	374,170
Line 12 – Other variable interest securities	807,100
Line 13 – Approved fixed interest securities	267,503
Line 14 – Other fixed interest securities	367,119
Line 15 – Cash and deposits	16,110
Line 18 – Other assets	16,500
Total	<u>2,621,194</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 one contingent loan not in Form 14, from The Prudential Assurance Company Ltd. The loan accumulates with interest at specified rates. The value of this loan is £49,180k.

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 a repayment of £178m was made.

(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

	2015 £'000s
Additional reserves held in long term fund	(1,442,696)
Deferred tax held on life tax transitional arrangements	169,800
Contingent loan	49,180
Miscellaneous adjustments to liabilities	176,466
Line 74 on Form 14	<u>(1,047,250)</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.

Form 16

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

1603 Balances in line 21 relate to management expenses.

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.

Supplementary notes to the returns (continued)

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 a repayment of £178m was made.

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, PPM America Inc., Prudential Portfolio Management Group 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 £541m were paid under these reinsurance agreements and claims amounting to £259m were ceded. A premium, calculated on normal commercial terms, amounting to £244m was received and a premium amounting to £300m was ceded. The reinsurance included in the Return, relating to this business, amount to £9,306m liability for reinsurance accepted and £5,799m 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 6,164.

Supplementary notes to the returns (continued)

Form 48

- *4802* There are 5 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 exceptions to this are Government perpetual bonds (which can redeem at any time), where the coupon is assumed to continue in perpetuity and certain variable dated bonds where the issuer has an option to extend the maturity date which we assume will redeem at the initial redemption date.

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 48,789.

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.

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 48,789.

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.

Supplementary notes to the returns (continued)

Form 56

5601 Credit ratings used on Form 56 are the second highest of 3 external rating agencies, namely Fitch, S&P & Moody's.

Form 57

5702 (1735913) The PRA, on the application of the firm, made a direction under section 138A of the Financial Services and Markets Act 2000 in February 2014. 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 1 April 2016 or, if earlier, the date the relevant rule is revoked or no longer applies to the firm (in whole or in part).

Asset yields before risk adjustment and the yields adjusted for risk shown in Form 57 as required by waiver 1735913 (effective from 1 April 2014, 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	3.27%	3.86%
Form 51: Additional reserves – policy related expenses	0.06%	0.53%

Form 58

5803 There is a difference between line 49 and Form 2 line 11 of £11,486k. This difference relates to the inadmissible assets shown on Form 13 (Long term Business) line 93 of £9,998k and a prudent valuation adjustment of £1,488k included within Form 13 (Long term Business) line 98.

PRUDENTIAL RETIREMENT INCOME LIMITED

Global Business

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

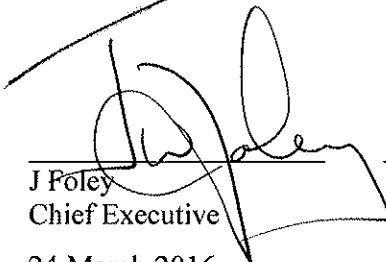
Financial year ended 31 December 2015

We certify:

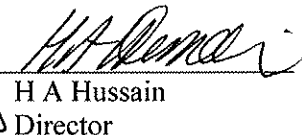
1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by a waiver detailed in supplementary note 0201 issued under section 138A of the Financial Services and Markets Act 2000 which continues to have effect; and
- (b) We are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and the Fundamental Rules as well as the provisions of IPRU(INS), GENPRU and INSPRU;

The certificate required by IPRU(INS) Appendix 9.6 paragraph 1(1)(b)(ii) in respect of compliance since the end of the financial year in question with the requirements in SYSC, Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and ongoing compliance has not been provided. This is because these requirements have been replaced as from 1 January 2016, the commencement date of Solvency II, so the firm is subject to a new regulatory regime.

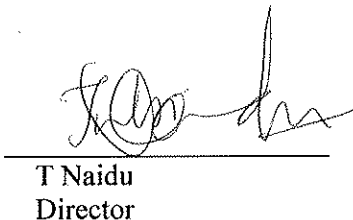
2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable 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 Foley
Chief Executive



H A Hussain
Director



T Naidu
Director

24 March 2016

PRUDENTIAL RETIREMENT INCOME LIMITED

Global business

Financial year ended 31 December 2015

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 19, 24, 25, 33, 35, 36 and 57 to 65 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on pages 70 to 71 ('the Statement'); and
- the valuation report required by IPRU(INS) rule 9.31(a)(i) ("the valuation report") on pages 37 to 56.

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 23, 26 to 32, 34 and 63 to 65;
- the statement required by IPRU(INS) rules 9.30 on page 72; or
- the certificate required by IPRU(INS) rule 9.34(1) on page 66 ('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 (continued)

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 138A of the Financial Services and Markets Act 2000 in February 2014. 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

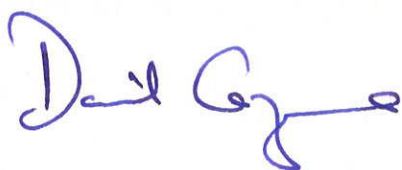
Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU(INS), the Interim Prudential Sourcebook for Insurers (continued)

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.



Daniel Cazeaux
For and on behalf of KPMG LLP, Senior Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 March 2016

PRUDENTIAL RETIREMENT INCOME LIMITED

Returns for the year ended 31 December 2015

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, 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 various types of over-the-counter derivatives (including interest rate, currency, credit default and inflation-linked swaps) and currency forwards.

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 there were 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 2015 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 2015

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.