Full Year Results 2017

15 March 2018

Agenda

Introduction	Henry Staunton | Chairman
Business update	Clive Bannister | Group Chief Executive
Financial review	Jim McConville | Group Finance Director
Phoenix Life	Andy Moss | Chief Executive, Phoenix Life
Outlook and Q&A	Clive Bannister | Group Chief Executive

Introduction

Henry Staunton

Integration of AXA and Abbey Life is substantially complete and we are ready to progress the Standard Life Assurance acquisition

Phoenix has a specialist operating model designed for closed funds

1 Scale
A market leading platform and scale as the largest UK consolidator of closed life funds

2 Sustainability
Phoenix has a strong balance sheet and generates long term cash flows

3 Specialism
Phoenix has a specialist operating model focused on closed life funds

4 Stewardship
Providing an effective service to our policyholders is critical to our strategy

5 Skills
Phoenix employs a uniquely talented and experienced team

6 Significant growth
A wealth of acquisition opportunities exist in the sector

2016	Acquisition of AXA Wealth and Abbey Life
2017	Integration of AXA Wealth and Abbey Life onto specialist operating model substantially complete
2018	Announced proposed acquisition of Standard Life Assurance and in exclusive discussions on our first Bulk Purchase Annuity (BPA) transaction

Business update

Clive Bannister

Key FY17 highlights: a strong performance for Phoenix in 2017

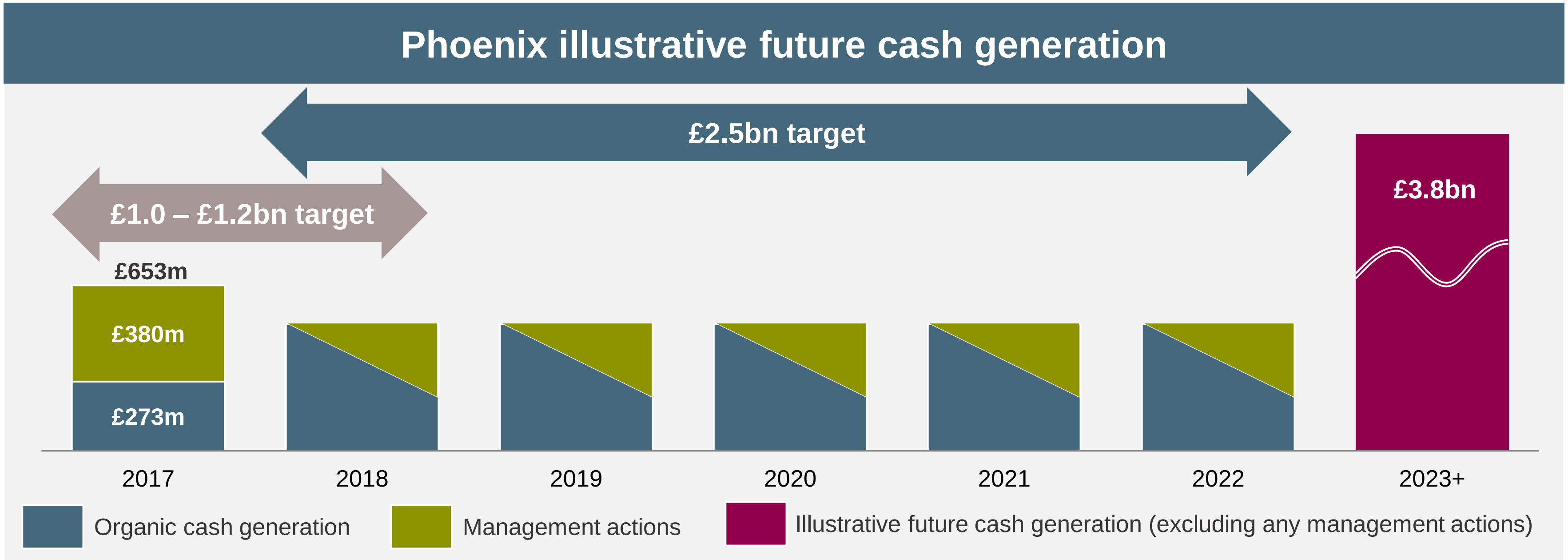
Strong cash generation	• Strong cash generation of £653 million in FY17 • Cash generation of £282 million from AXA Wealth and £236 million from Abbey Life since completion of acquisitions
Improved capital resilience	• Solvency II surplus of £1.8 billion, 164% coverage ratio(1) • Issuance of £835 million of Tier 2 and Tier 3 subordinated debt • Rating upgrade from Fitch Ratings in July 2017 to A+(2) and reaffirmed following Standard Life Assurance announcement
Integration substantially complete	• Move to Target Operating Model is ahead of plan • Cost synergies of £27 million p.a., £10 million p.a. higher than target announced
Stable and sustainable dividend	• Final 2017 dividend of 25.1p, a 5% increase on the Final 2016 dividend • Stable and sustainable dividend policy supported by long-term cashflow target

(1) Shareholder Capital Coverage Ratio excludes Own Funds and SCR of unsupported with profits funds and PGL Pension Scheme
(2) Insurer Financial Strength rating of Phoenix Life Limited and Phoenix Life Assurance Limited

Integration of acquisitions have delivered synergies ahead of target

1 Cash flows	AXA Wealth	2016 - 2020: £0.3bn	2021+: £0.2bn	✓	Delivered £282m to FY17
	Abbey Life	2016 - 2020: £0.5bn	2021+: £1.1bn	✓	Delivered £236m to FY17
2 Cost synergies	AXA Wealth	£10m p.a. by FY17		✓	£17m p.a. savings now delivered (+70%)
	Abbey Life	£7m p.a. by HY18		✓	£10m p.a. savings from Q1 2018 (+40%)
3 Finance and Actuarial systems	9 at FY16	→	3 at HY18	✓	On track to hit target at Q1 2018
4 Core Life Operation locations	4 in FY16	→	1 in HY18	✓	On track to hit target at Q1 2018
5 Indemnity	£175m cap with risk sharing of between 10-20%			✓	Operating as expected

New £2.5 billion long-term cashflow target between 2018 to 2022 with a further £1.0 billion expected from Standard Life Assurance



	Phoenix	Standard Life Assurance	Combined
Cash generation *(2018-2022)*	£2.5bn	£1.0bn	**£3.5bn**
Cash generation *(2023+)*	£3.8bn	£4.5bn	**£8.3bn**
Total cash generation	**£6.3bn**	**£5.5bn**	**£11.8bn**

Phoenix has established a dedicated Bulk Purchase Annuity team

Achievements to date	• In exclusive discussions to complete our first BPA transaction • Dedicated BPA team established and actively developing the Phoenix brand • Increased focus on origination and acquisition of illiquid assets • Strong relationship with reinsurers to manage longevity risk
Our place in the market	• BPA market continues to grow, with estimated £550 billion market over next 15 years • Aligns to our current operating model and core skills • Complementary source of growth and sensible use of surplus capital
2018 and beyond	• Selective approach to proportionate transactions which meet our M&A criteria and are funded out of own resources • Continue to develop our offering and ongoing focus on origination and acquisition of illiquid assets

Financial review

Jim McConville

Financial highlights

£ (unless otherwise stated)		FY17	FY16
Cash	Operating companies cash generation	653m	486m
	Holding company cash	535m	570m
Group capital	Solvency II surplus (estimated)	1.8bn	1.1bn[(1)]
	Shareholder Capital Coverage Ratio (estimated)	164%	139%[(1)]
IFRS	Group operating profit	368m	351m
AuM	Life company assets	74bn	76bn
Dividends	Final dividend per share	25.1p	23.9p

(1) FY16 pro forma reflects the Tier 3 bond issuance in January 2017 and impact of moving AXA businesses onto Phoenix's Internal Model

Cash generation of £653 million in FY17 driven by acquisitions

£m	FY17	FY16
Opening cash and cash equivalents	**570**	**706**
Total cash receipts from Phoenix Life	**653**	**486**
Uses of cash		
Operating expenses	(36)	(33)
Pension scheme contributions	(92)	(55)
Non-recurring cash outflows	(84)	(141)
Debt interest	(60)	(58)
Debt repayments	(1,053)	(239)
Shareholder dividend	(193)	(126)
Total cash outflows	**(1,518)**	**(652)**
Equity and debt raisings (net of fees)	830	1,336
Cost of acquisitions	-	(1,306)
Closing cash and cash equivalents	**535**	**570**

- Cash receipts include £165 million from ex-AXA business and £236 million from Abbey Life
- Pension scheme contributions incorporate new monthly payment schedule for the Pearl scheme and Abbey Life contributions
- Non-recurring cash outflows include project and acquisition integration expenses, together with costs of hedging instruments
- Debt repayments include full repayment of the RCF and part-redemption of the senior bond
- Net proceeds of £830 million from Tier 2 and Tier 3 bond issues

Credit rating upgrade and reaffirmation reflects strengthened Group position

Debt actions in 2017

Bank debt	✓	Maturity of £900 million RCF extended to 2021
	✓	RCF repaid in August 2017 and currently fully undrawn
Bonds	✓	£300 million Tier 3 bond issued in January 2017
	✓	£150 million Tier 3 tap issue in May 2017
	✓	Senior bond tender in May 2017
	✓	US$500 million Tier 2 bond issued in July 2017

Credit rating upgrade

- Ratings upgrade from Fitch in July 2017 to A+(1)
- Rating reaffirmed following announcement of Standard Life Assurance transaction

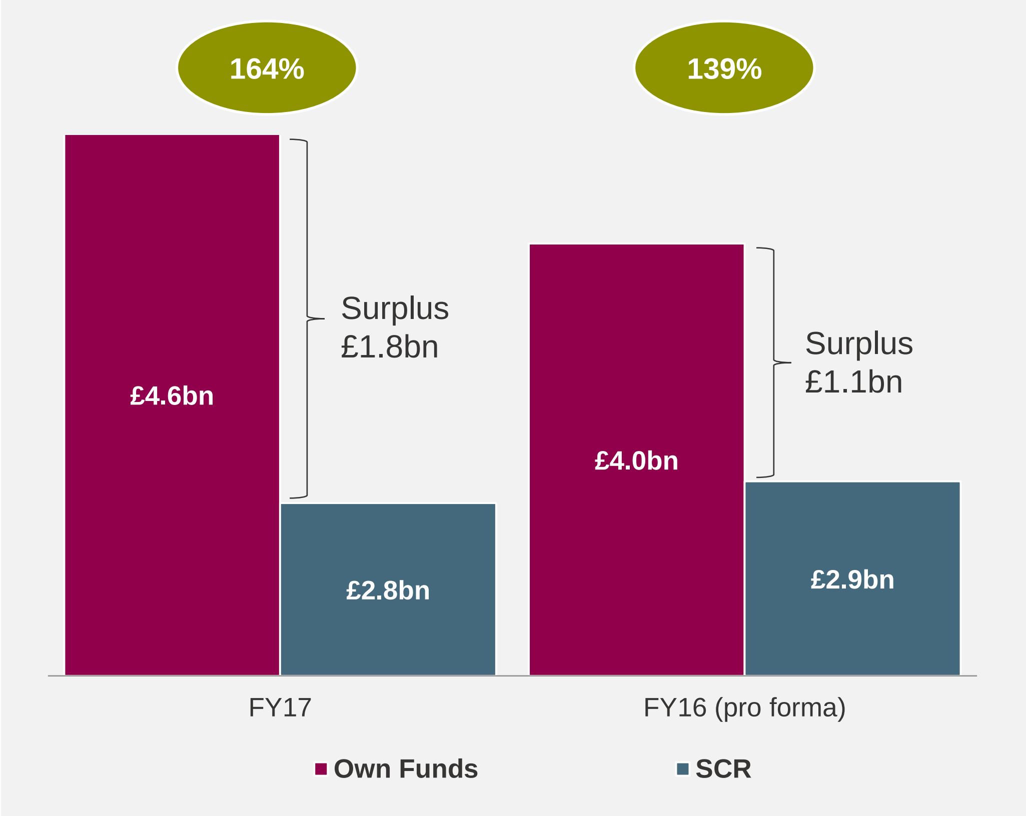
Onshoring process ongoing

- Head office became UK resident on 31 January 2018
- Governance structure simplified
- New UK Holding company to be established as soon as practicable after completion of the Standard Life Assurance transaction

(1) Insurer Financial Strength rating of Phoenix Life Limited and Phoenix Life Assurance Limited

Solvency II Shareholder Capital Coverage Ratio of 164%

Shareholder Capital position(1)



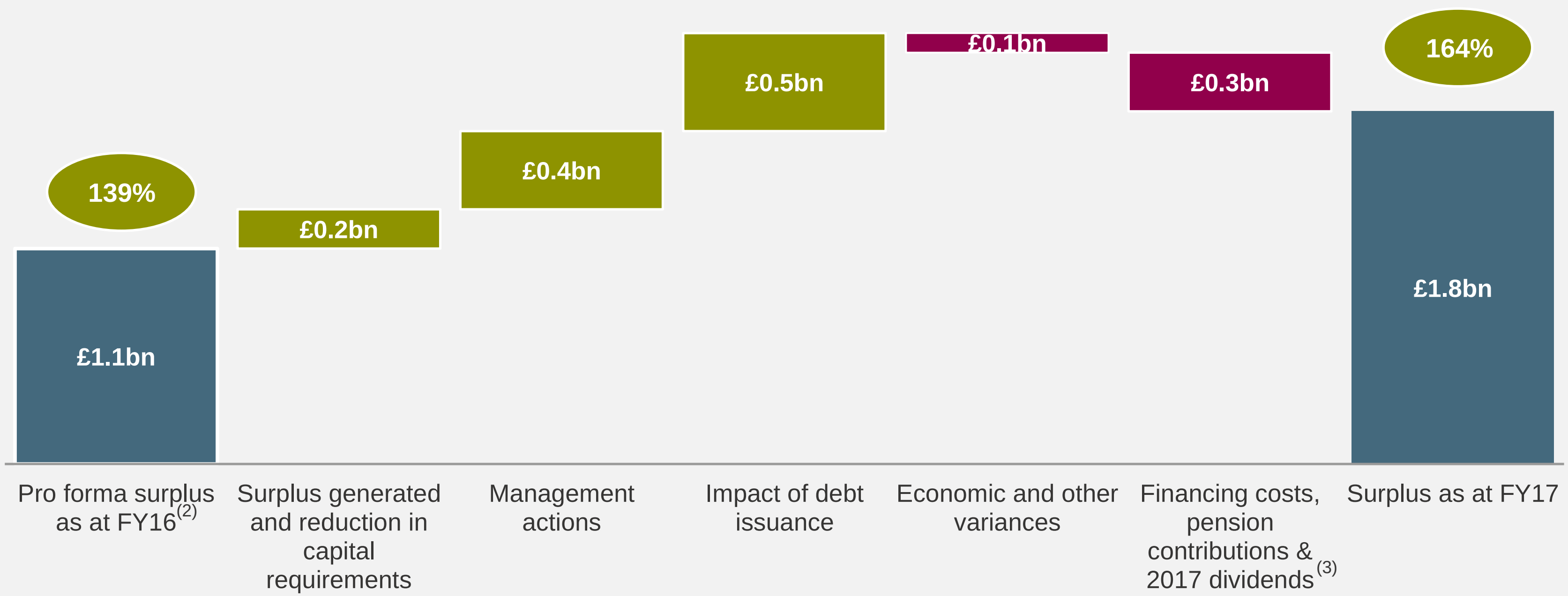
- Shareholder Capital Coverage Ratio calculation excludes Own Funds and SCR of unsupported with-profit funds and PGL Pension Scheme(2)
- AXA Wealth businesses and Abbey Life now incorporated into Phoenix's Internal Model
- £0.6 billion of unrecognised surplus in unsupported with-profit funds and PGL Pension Scheme
- Impact of the payment of the £99 million final 2017 dividend included in the Solvency II surplus

(1) Solvency II capital position is estimated position including the impact of the recalculation of transitionals

(2) Shareholder Capital Coverage Ratio excludes both unsupported with-profit funds together with the PGL Pension Scheme, whose Own Funds exceeds its SCR. Where the Own Funds of a with-profit fund or Group pension scheme do not cover its SCR, those amounts are included in the Shareholder Capital surplus

Subordinated debt issuance and management actions have increased Group solvency

Change in Solvency II surplus(1)



(1) Solvency II capital position is estimated position including the impact of the recalculation of transitionals
(2) FY16 pro forma reflects the Tier 3 bond issuance in January 2017 and impact of moving AXA businesses onto Phoenix's Internal Model
(3) Surplus reflects accrual for the proposed 2017 Final dividend

Solvency II surplus and long term cash generation remain resilient to market movements

Scenario[1]	Solvency II surplus: £1.8 billion as at FY17	Cash generation target: £2.5 billion between 2018-22
Longevity increase[2]	£(0.3) billion impact	£(0.3) billion impact
Credit spread widening[3]	£(0.2) billion impact	£(0.2) billion impact
Interest rate fall[4]	£(0.1) billion impact	£(0.2) billion impact
Lapse rates[5]	£(0.1) billion impact	£(0.1) billion impact

Solvency II surplus and cash generation have limited sensitivity to equity and property markets

(1) Assumes stress occurs on 1 January 2018
(2) Assumes a 6% decrease in annuitant mortality rates. Equivalent of 6 months increase in longevity applied to the annuity portfolio
(3) Credit stress equivalent to an average 150bps spread widening across ratings, 10% of which is due to defaults/downgrades
(4) Assumes 80bps fall in interest rates and recalculation of transitionals (subject to PRA approval)
(5) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups

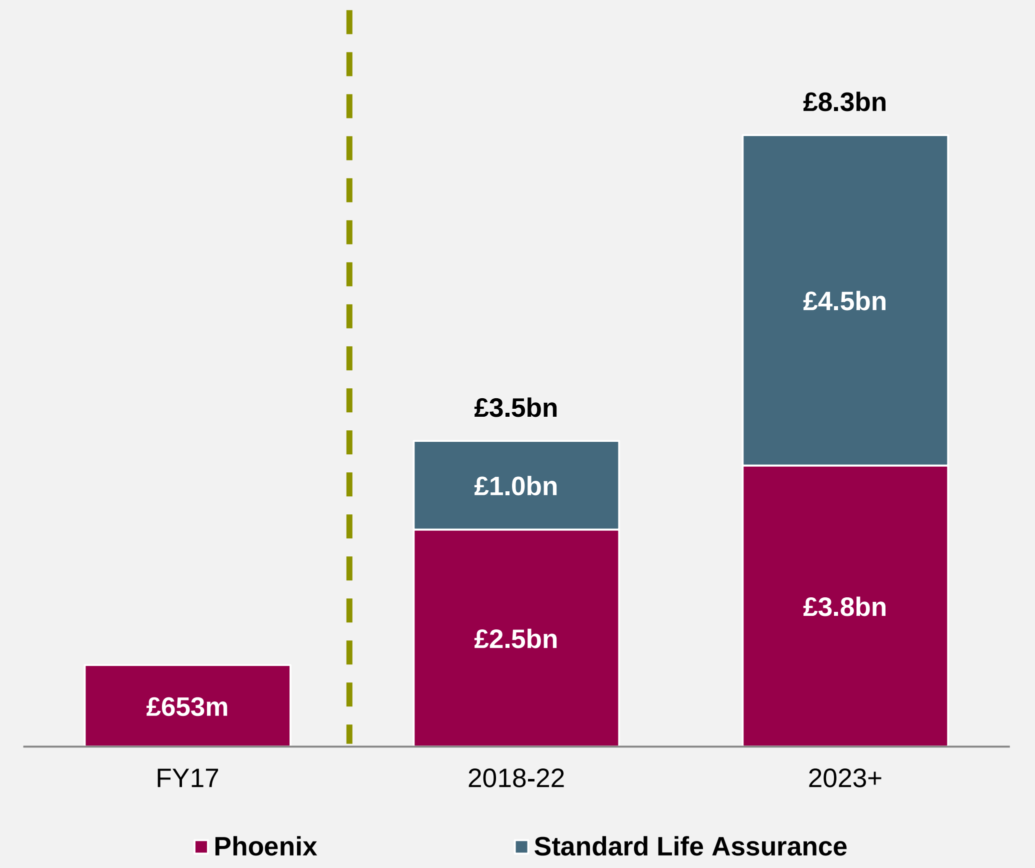
Strong FY17 operating profits of £368 million

£m	FY17	FY16
Phoenix Life	388	357
Group costs	(20)	(6)
Operating profit before tax	**368**	**351**
Investment return variances and economic assumption changes	(93)	(212)
Amortisation of intangibles	(119)	(82)
Non-operating items	(80)	(95)
Finance costs	(104)	(90)
(Loss) before tax attributable to owners	**(28)**	**(128)**
Tax credit attributable to owners	1	28
(Loss) for period attributable to owners	**(27)**	**(100)**

- Phoenix Life operating profits enhanced by positive longevity and expense assumption changes partly offset by impacts of persistency on certain guaranteed products
- Group costs increased due to higher pension scheme charges
- Investment return variances include fair value losses on hedging positions
- Other non-operating items include integration costs and the impact of the workplace pension management fee cap

Cash generation for the combined group increases to £11.8 billion

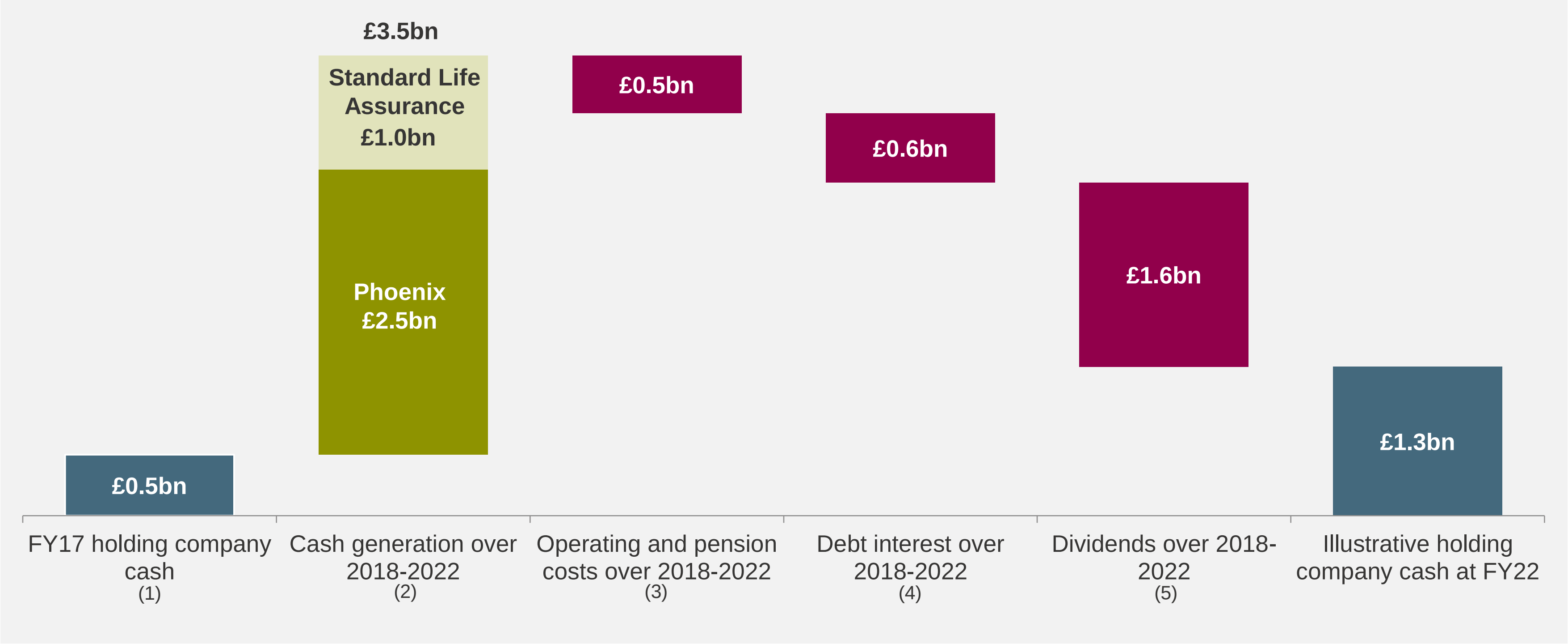
Future cash generation from in-force business



- Phoenix achieved £653 million cash generation in FY17, with new Phoenix target of £2.5 billion between 2018-2022
- Total cashflow of £5.5 billion expected to be generated from Standard Life Assurance's in-force book
- £1.0 billion of cash generation from acquisition between 2018-2022
- Extended cashflows post 2022, with scope for management actions

Cash generation for the combined group builds holding company cash and supports dividend

Combined Group: Illustrative uses of cash from 2018 - 2022



(1) Phoenix FY17 holding company cash of £535m

(2) £2.5bn 2018-2022 Phoenix cash generation target, with a further £1.0bn expected from the Standard Life Assurance acquisition (in-force business only)

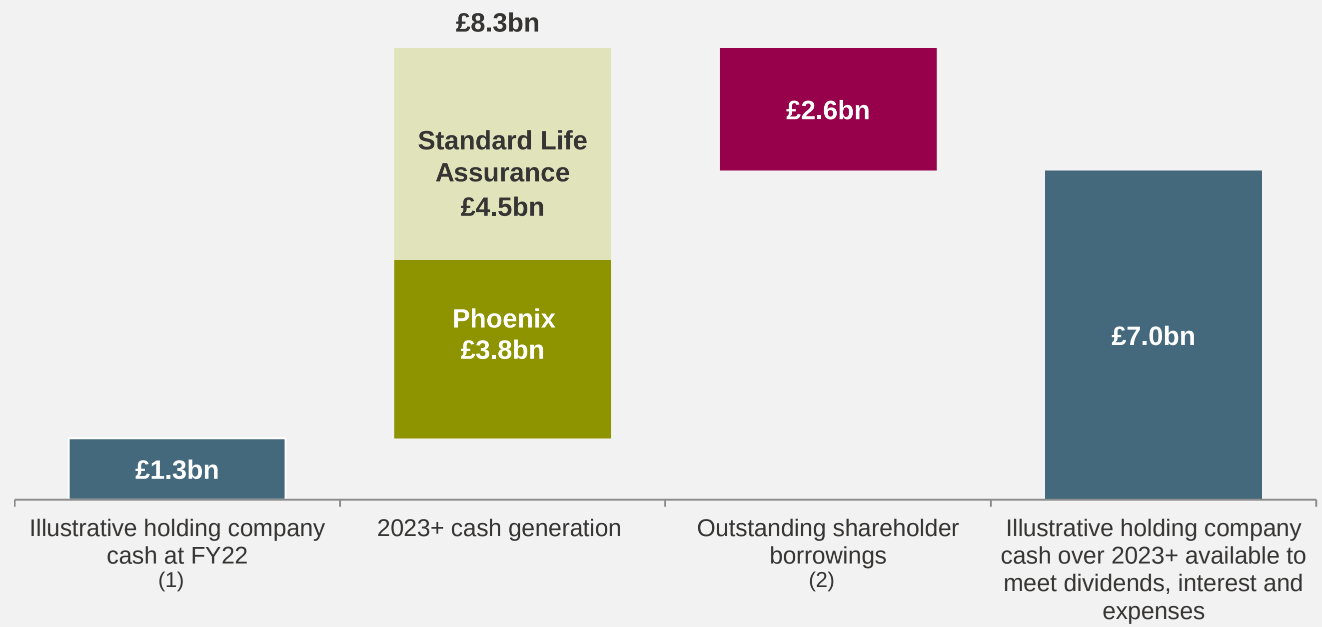
(3) Illustrative Phoenix operating expenses of £35m p.a. over 2018 to 2022. Phoenix pension scheme contributions estimated in line with current funding agreements, comprising £150m in respect of the Pearl scheme and £44m in respect of the Abbey Life scheme. Assumes integration costs of £135m (net of tax)

(4) Includes interest on the Group's listed bonds, excluding interest on PLL Tier 2 bonds which are incurred directly by Phoenix Life Limited. Acquisition debt assumed to be £1,021m and issued at the existing average cost of debt (see Appendix I). Assumes maturing debt during period is refinanced

(5) Illustrative dividend assumed at cost of £263m in 2018 and £338m per annum (see Appendix I) over 2019 to 2022 (assumes completion of transaction by HY18 results)

Beyond 2022, additional cash generation of the combined group will enhance sustainability of dividends

Combined Group: Illustrative uses of cash from 2023 onward



- There is an expected £8.3 billion of cash to emerge after 2022
- Strategic Partnership could provide additional value from future new business
- No management actions assumed

(1) Illustrative holding company cash as at FY22 as calculated on previous slide
(2) Total shareholder borrowings of £1,585m as at FY17 plus additional acquisition debt of £1,021m (see Appendix I for details)

Phoenix Life

Andy Moss

Key Phoenix Life achievements in 2017

1 AXA Wealth and Abbey Life integrations	✓ AXA Wealth and Abbey Life integrations are substantially complete ✓ Cost synergies and cashflows ahead of target
2 Management actions to support cashflow	✓ Management actions have added £553 million to Solvency II surplus in FY17 ✓ Continued shareholder investment in illiquid assets
3 Improved customer outcomes	✓ Investment in digitalisation to improve customer communication and reduce conduct risk ✓ Maintained strong service level delivery across internal and external metrics

AXA integration has delivered £282 million of cash generation and £17 million of cost synergies

Cash generation

Target	£0.3bn 2016-2020
Delivered	£282m to date

Cost synergies

Target	£10m p.a.
Delivered	£17m p.a.

Delivered through integration

Move to Target Operating Model substantially complete

- ✓ Outsourcing model fully operational on 1 January 2018
- ✓ Actuarial modelling moved to MG-ALFA
- ✓ All core functions fully integrated
- ✓ Specialist investment operations team established in Basingstoke
- ✓ SunLife established as an independent distributor still based in Bristol
- ✓ 96% of policy migration now completed. Remaining 4% to be completed by outsourcers during 1H 2018

Capital management harmonised

- ✓ Internal Model application completed and approval achieved
- ✓ Part VII transfer into Phoenix Life Limited completed

SunLife established as a distribution business based in Bristol

SunLife

Sales & marketing

- Distributor based in Bristol, with 121 employees
- Market leader in sales of over 50s protection plans
- Advertising and direct sales capabilities

Further products provided by third parties, including car/home insurance and equity release plans

Clear responsibilities across separate legal entities

PHOENIX LIFE

White-label manufacture & policy administration

- Product manufacturer with responsibility for pricing
- Underwriting of SunLife over 50s protection plans
- Policy administration undertaken by Diligenta

White-label model to be leveraged for Standard Life Aberdeen Strategic Partnership

Abbey Life integration has delivered £236 million of cash generation and £10 million of cost synergies

Cash generation	
Target	£0.5bn 2016-2020
Delivered	£236m to date

Cost synergies	
Target	£7m p.a.
Delivered	£10m p.a. from Q1 2018

Delivered through integration

Move to Target Operating Model to complete end Q1 2018

- ✓ All functions (except for actuarial reporting) fully integrated
- ✓ Actuarial modelling will go live on MG-ALFA at Q1 2018 and conclude the migration of actuarial reporting
- ✓ Risk management and outsourcer oversight frameworks fully embedded

Capital management harmonised

- ✓ Internal Model application approved on 1 March 2018
- ✓ Transitional measures obtained on Abbey Life business following reinsurance to Phoenix Life Limited
- ✓ Matching Adjustment approvals harmonised on c.£2 billion Abbey Life annuity book
- ✓ Hedging and credit optimisation management actions delivered

Management actions have added £553 million to Solvency II surplus

Increase overall cashflows

Increase Solvency II Own Funds

- Investment in illiquid assets, primarily equity release mortgages
- Benefits associated with acquisition cost synergies
- Part VII transfer of AXA policies to Phoenix Life Limited

£321 million benefit in FY17

Accelerate cashflows

Reduce Solvency II SCR

- Approval to include AXA business in Phoenix's Internal Model
- Longevity reinsurance simplification
- Hedging actions and credit optimisation

£232 million benefit in FY17

Phoenix has invested, in co-operation with our outsource partners, to deliver enhanced services

Digital Vision	• Driving forward with Digital Vision to improve customer optionality, engagement and ease of processing • Online encashment of smaller pension pots for the over 55s • Online tools and calculators to inform customers in an interactive way • Developing Pensions Dashboard for Phoenix customers
IFA service for AXA Wealth	• Dedicated Advisor unit to support IFA business within AXA Wealth • Positive feedback from advisors, with persistency experience better than expected • Maintaining strong service levels for IFAs and for employers with workplace pensions will be a key focus for the Standard Life Assurance business

Continued innovation to deliver wider options for customers

Innovative customer service

- Initiative to buy out further small annuities-in-payment
- Continuing focus on repatriation of customers with their lost policies
- Increased focus on the needs of customers in potentially vulnerable circumstances
- Annual fees on workplace pension products reduced to 1%

Customer metrics

	2017	Full year target[1]
Speed of Pension Transfer pay-outs (ORIGO)	11 days	<12 days
Customer Satisfaction	92%	90%
FOS overturn rate	17%	<30%
Service complaints (as a percentage of customer transactions)	0.46%	<0.5%

(1) Targets based on external and internal measures. Targets for "Speed of pension transfer pay-outs" and "FOS overturn rate" based on external industry metrics

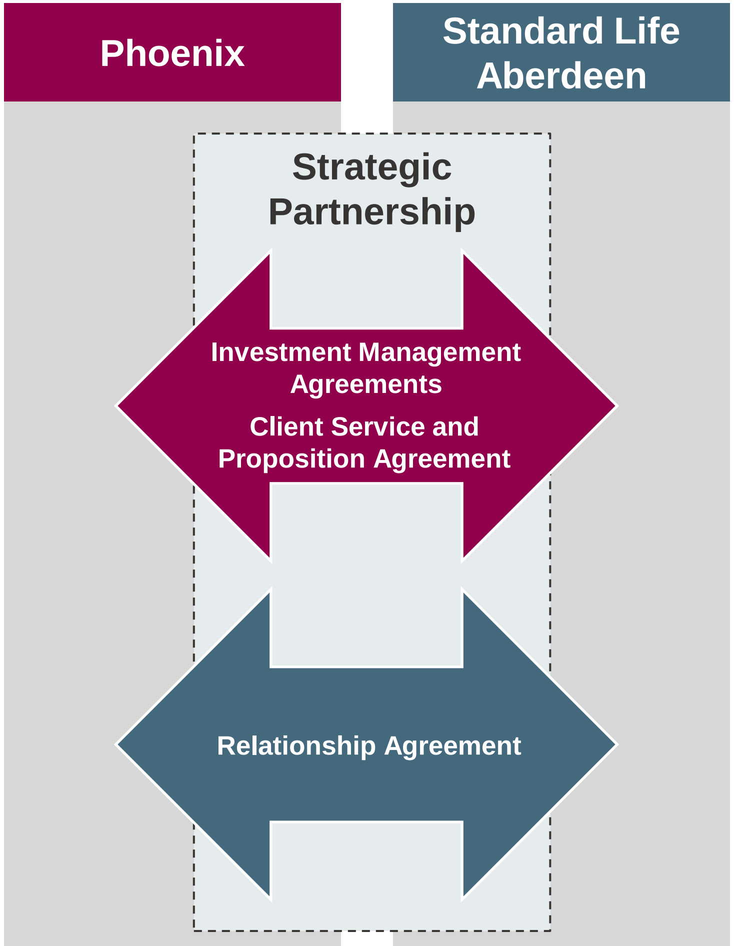
Management of customer and regulatory issues

Abbey Life	• Phoenix's customer model and risk management framework are in place with oversight by established governance arrangements • Actions resulting from the Legacy Review are still ongoing and we continue to work with the FCA in support of the enforcement investigation • Cost assessments remain within expectations and the Deed of Indemnity will cover the majority of shareholder exposure
PA(GI) creditor insurance	• Legacy issue related to creditor insurance, written within a subsidiary of the Group that formerly transacted general insurance business • Provision of £40 million as at FY17, with £32 million asset related to recoveries from third parties under contractual arrangements • Time bar for claims set for August 2019
FCA publications	• Regulatory landscape remains fast paced with a number of publications and consultations • Phoenix remains well placed to respond

Outlook

Clive Bannister

The Standard Life Assurance transaction is in line with strategy



Distinctive benefits for Phoenix anchored in a Strategic Partnership

- Expansion of current investment management agreements with Aberdeen Standard Investments
- Client Service and Proposition Agreement for Workplace pensions and SIPPs
- Relationship Agreement, including 19.99% shareholding by Standard Life Aberdeen in Phoenix plus two Board Directors

Both entities working with each other

- Both are asset gatherers
- Phoenix administers policies and provides risk capital
- Standard Life Aberdeen continues to manage brand, channels and customer access

The proposed acquisition is financially compelling

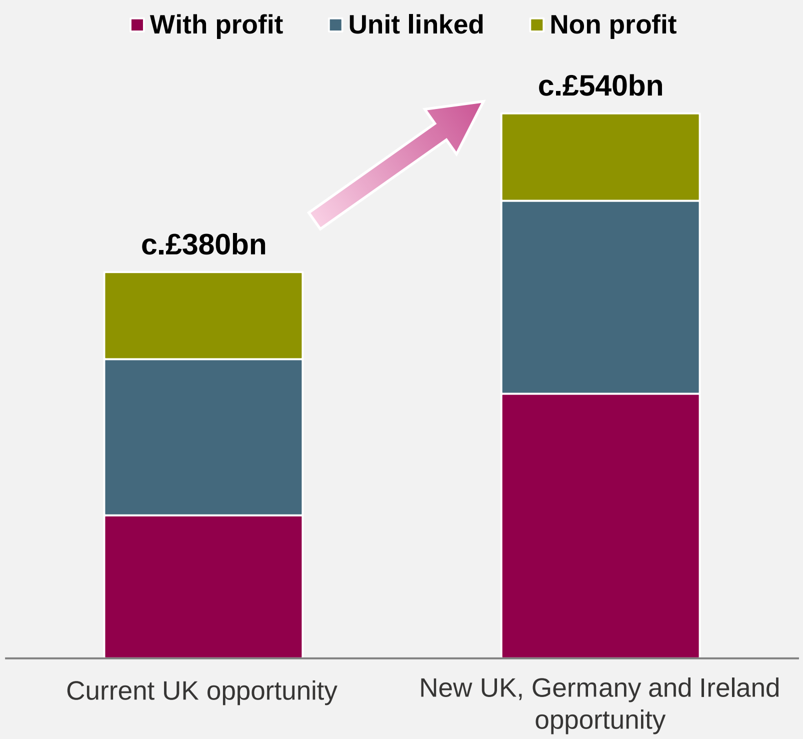
Value accretive	✓ Total expected cash flow generation of £5.5 billion from acquisition ✓ Increased dividend with enhanced sustainability
Delivers scale	✓ Provides in-force business with £166 billion of assets and 4.8 million policyholders ✓ Net value of cost and capital synergies of £720 million
Future opportunities	✓ Growth from assets generated through Client Service and Proposition Agreement ✓ Provides opportunities for participation in future European consolidation
A Strategic Partnership	✓ Standard Life Aberdeen to hold a 19.99% strategic stake in Phoenix ✓ Ongoing partnership for investment management and policy underwriting

Transaction provides optionality to participate in sizeable and emerging European life insurance consolidation

Significant new market opportunity

- Increases potential market opportunity for Phoenix from c.£380 billion in the UK to c.£540 billion including Germany and Ireland
- European life markets highly fragmented and nascent in terms of consolidation
- Product and market similarities allow Phoenix to leverage existing capabilities
- German & Irish entities will require a Part VII transfer to move from branch of UK entity into Irish subsidiary

Increased market size (by assets)[1]



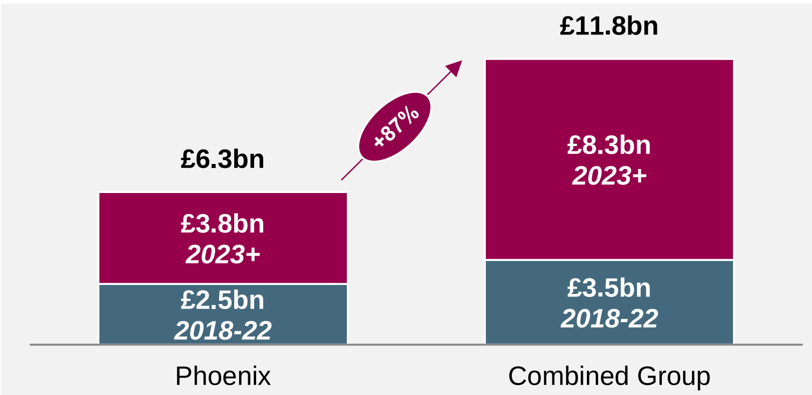
(1) Source: Phoenix analysis

Phoenix has a range of growth opportunities

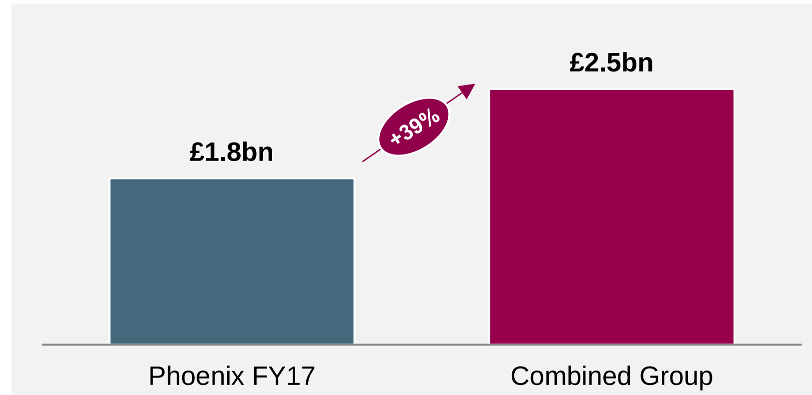
Closed fund consolidation	• Continued significant UK opportunity of c.£380 billion • Additional emerging opportunity in Germany and Ireland of c.£160 billion
Bulk Purchase Annuities	• In exclusive discussions on first external pensions buy-in transaction • New Phoenix team in place and approach to pricing has been established
Workplace pensions / SIPP provider	• Product manufacturing and risk underwriting under new Client Service and Proposition Agreement
Vesting annuities	• Continue to write annuities for vesting policyholders • Complementary to SunLife protection products, with natural longevity hedge
SunLife	• Distribution company in place, with Phoenix Life Limited underwriting risk • Launch of new products during 2018

The transaction results in a bigger and better Phoenix – all key metrics are improved

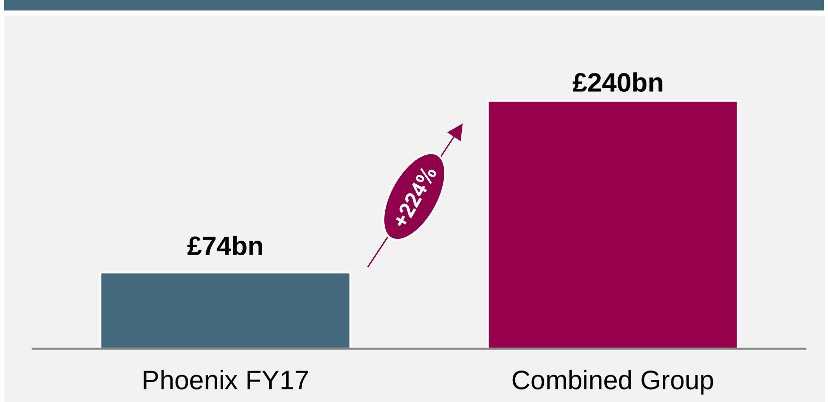
Total cash generation (2018+)



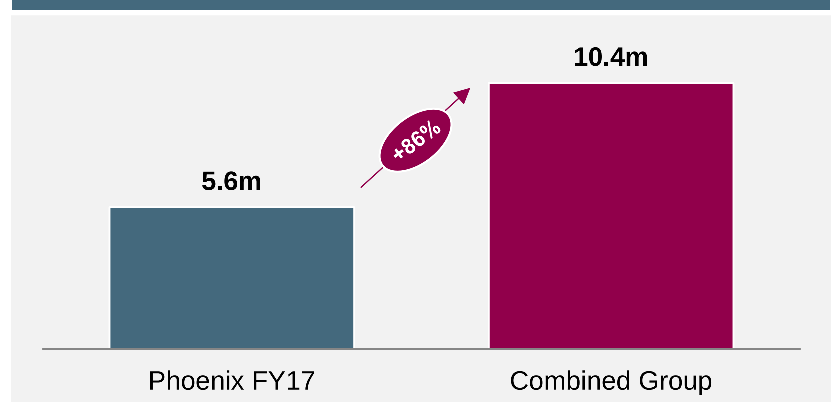
Solvency II surplus[1]



Life company assets[1]



Policyholders



(1) Estimated position as at 31 December 2017. Solvency II surplus of Combined Group assumes additional £600m of hybrid debt, with the remaining debt finance being senior debt (see Appendix I). Subject to regulatory approval of the Internal Model treatment

Phoenix has a clear set of strategic priorities for 2018

Cash generation	• To be at the top end of the £1.0 - £1.2 billion range for 2017 - 2018 • Long-term cash generation target of £2.5 billion between 2018 - 2022
Complete Standard Life Assurance transaction	• Rights Issue in May with completion targeted for Q3 2018 • Intention to refinance acquisition funding into hybrid capital • Transition programme being mobilised
Improve customer outcomes	• Improved experience for customers, with enhanced financial outcomes • Improved customer communications including further development of Digital proposition
Group structure	• Complete final stage of onshoring following completion of Standard Life Assurance acquisition
Growth	• Consider further value accretive acquisitions of closed life books • Continue to selectively compete in the BPA market

Q&A

PHOENIX GROUP

Appendices

Appendix I:
Standard Life Assurance financing and impact on dividend policy

Consideration and financing

- Price of £2,930 million for the acquisition
- Acquisition consideration consisting of cash of £1,971 million and stake of 19.99% in enlarged group
- Capital raisings to fund cash consideration of:
  - Fully underwritten Rights Issue on a standby basis to raise £950 million
  - Remaining cash consideration of £1,021 million to be financed from £1,500 million underwritten debt facilities and up to £250 million of own cash resources
- Intention to refinance senior acquisition funding into hybrid capital through the capital markets

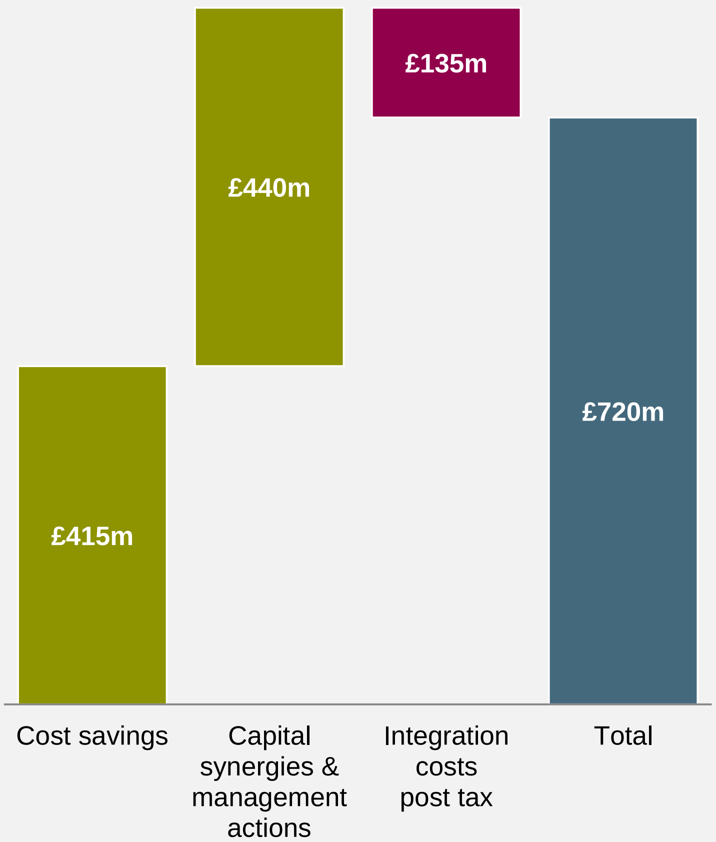
Dividend policy

- Management have announced that they will increase dividend distributions following completion of the acquisition
- Expected annualised cost of dividend will increase to £338 million as at 2018 Final dividend[(1)]
- This increase implies a 3% increase in dividend per share[(1)]
- Phoenix's stable and sustainable dividend policy will be maintained
- This will be supported by the additional cash generation of the acquired business

(1) Current annualised dividend of 50.2p. The increased annualised cost of £338m approximates to a dividend per share uplift of 3% based on a closing share price of 759.5p on 22 February

Appendix II:
Standard Life Assurance transaction potential cost and capital synergies

Indicative net value of synergies(1)



Sources of synergies

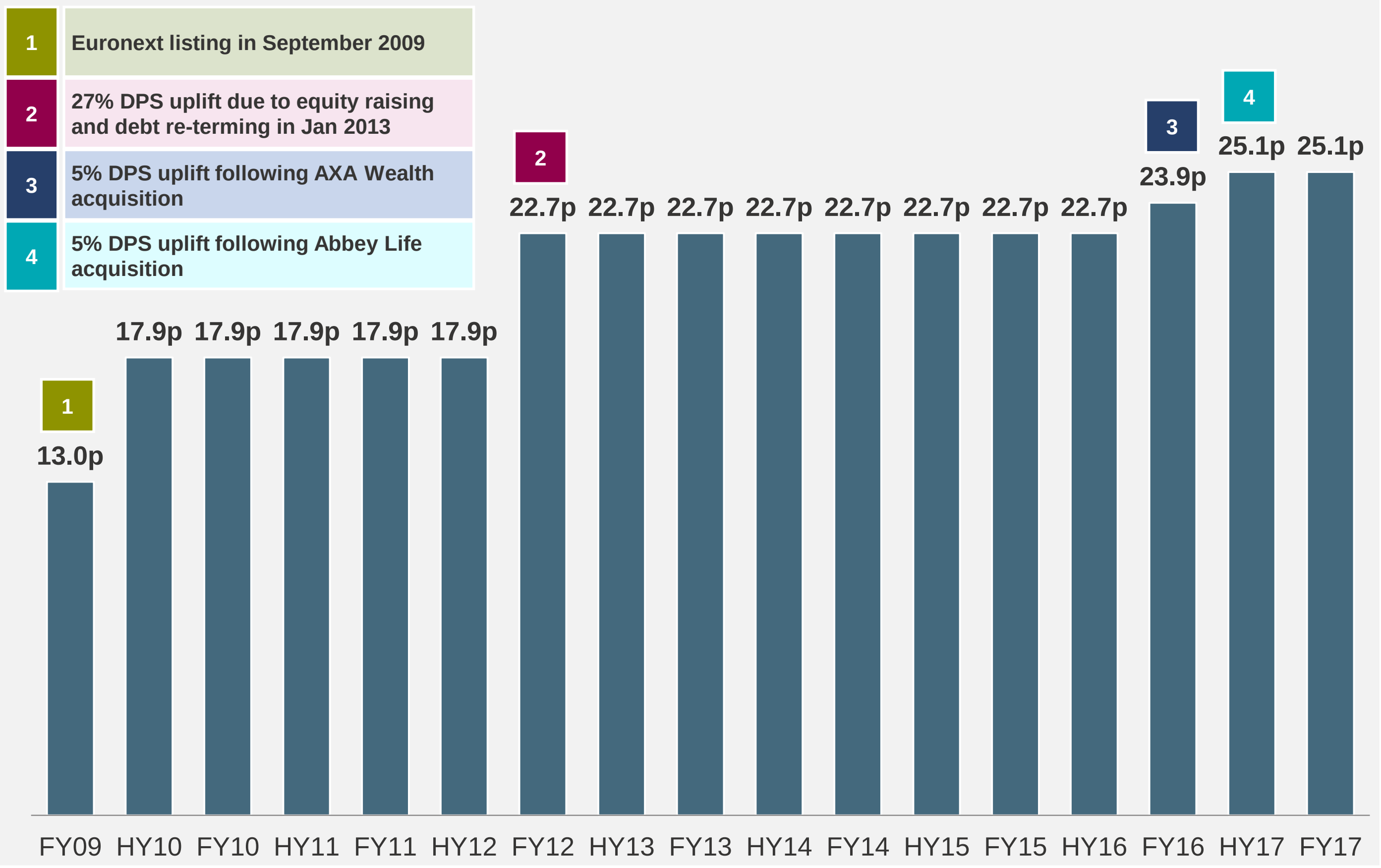
- **Cost savings of £50 million p.a. (pre tax):**
  - Combination of life company management and support functions
  - Leverage Phoenix operating model
- **Capital synergies and management actions of £440 million:**
  - Hedging of unit-linked VIF
  - Application of Phoenix's Strategic Asset Allocation to annuity portfolio
- **Integration costs:**
  - Total post-tax costs expected to be £135 million

(1) Value of cost synergies calculated after tax and capitalised over 10 years

Appendix III:
Phoenix's stable and sustainable dividend track record

Stable dividend profile with uplifts following acquisitions[1]

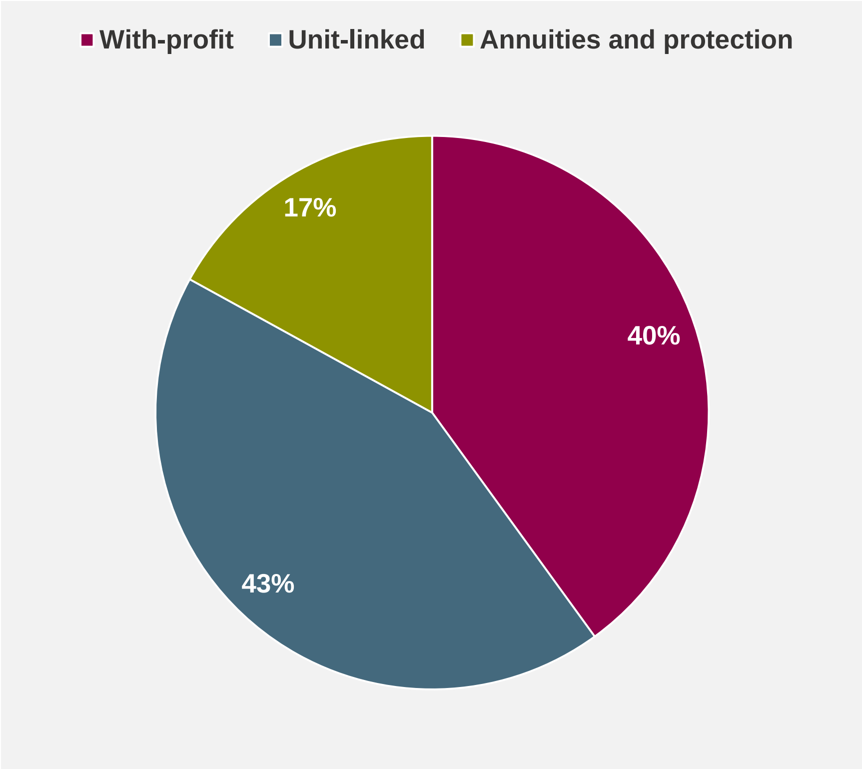
- Stable and sustainable dividend policy given run-off profile of closed life business
- 5% DPS increases following AXA Wealth and Abbey Life acquisitions respectively
- Expected annualised cost of dividend to increase to £338 million as at 2018 Final dividend[2]
- Implies a 3% increase in dividend per share[2]



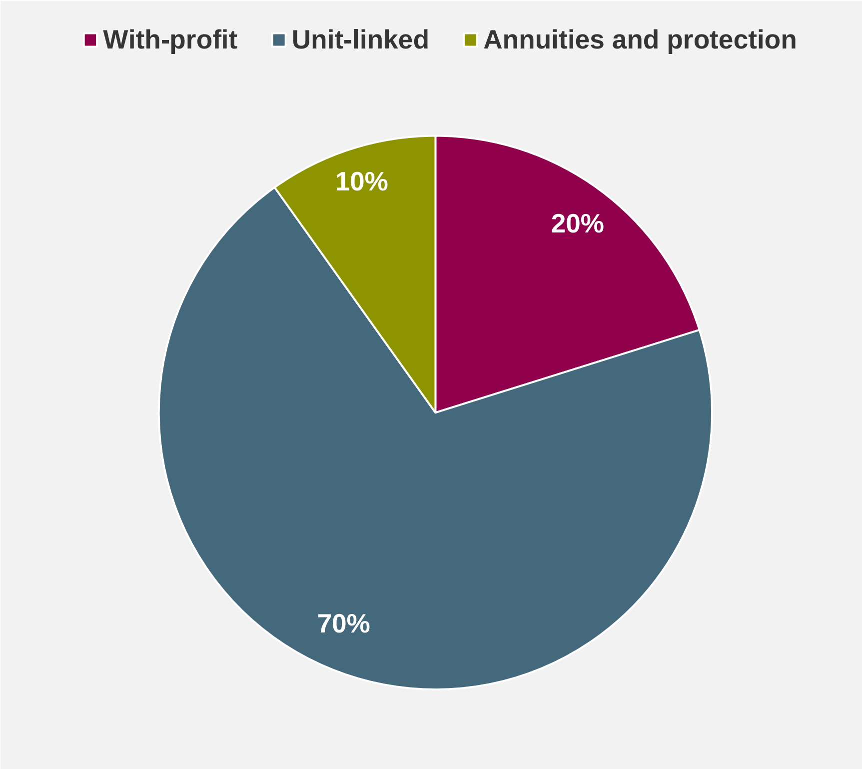
(1) Historic dividends per share rebased to take into account the bonus element of the rights issue completed in November 2016
(2) The increased annualised cost of £338m approximates to a dividend per share uplift of 3% based on a closing share price of 759.5p on 22 February

Appendix IV:
Phoenix and Standard Life Assurance product mix as at FY17

Phoenix product mix

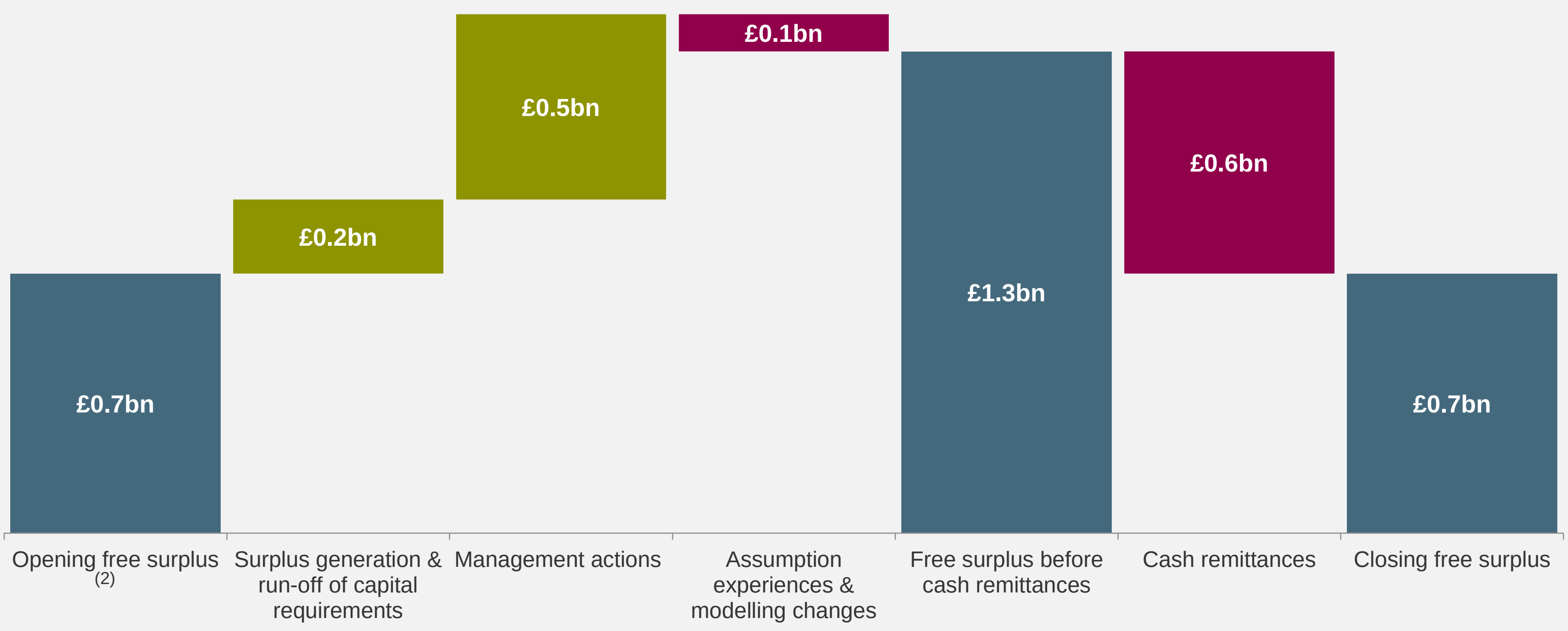


Standard Life Assurance product mix



Appendix V:
Change in Phoenix Life Free Surplus

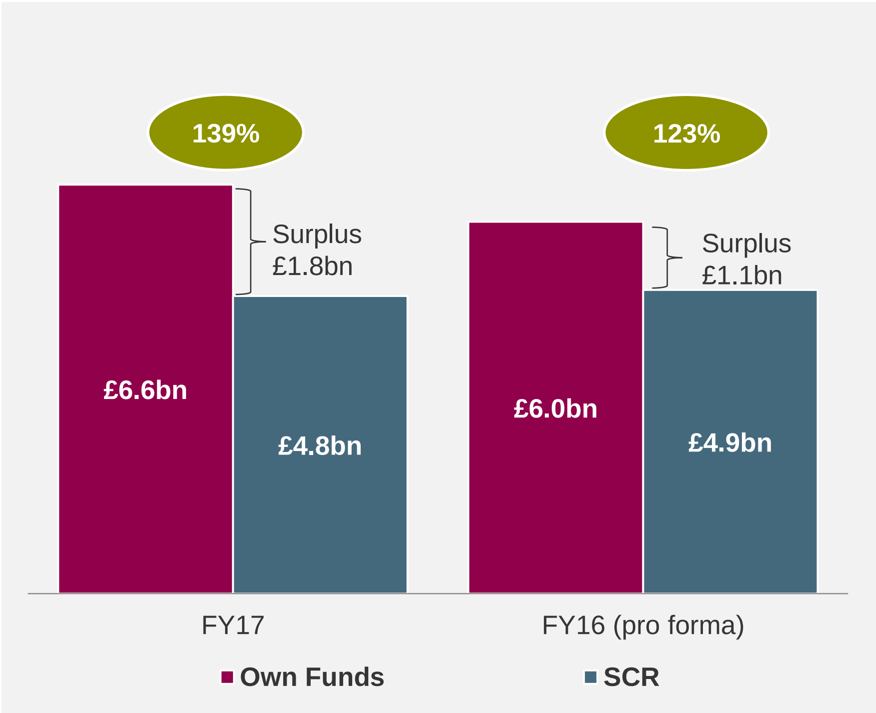
Change in Phoenix Life Free Surplus in 2017[1]



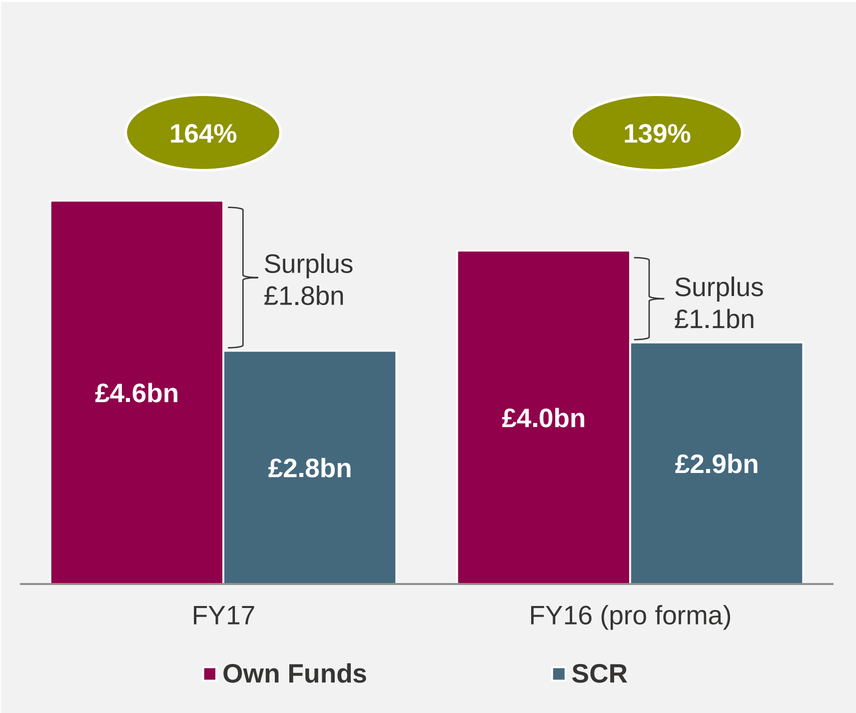
(1) Estimated position including the impact of the recalculation of transitionals
(2) FY16 pro forma reflects the Tier 3 bond issuance in January 2017 and impact of moving AXA businesses onto Phoenix's Internal Model

Appendix VI:
Estimated Solvency II surplus and SCR coverage ratio

Solvency II coverage ratio[1]



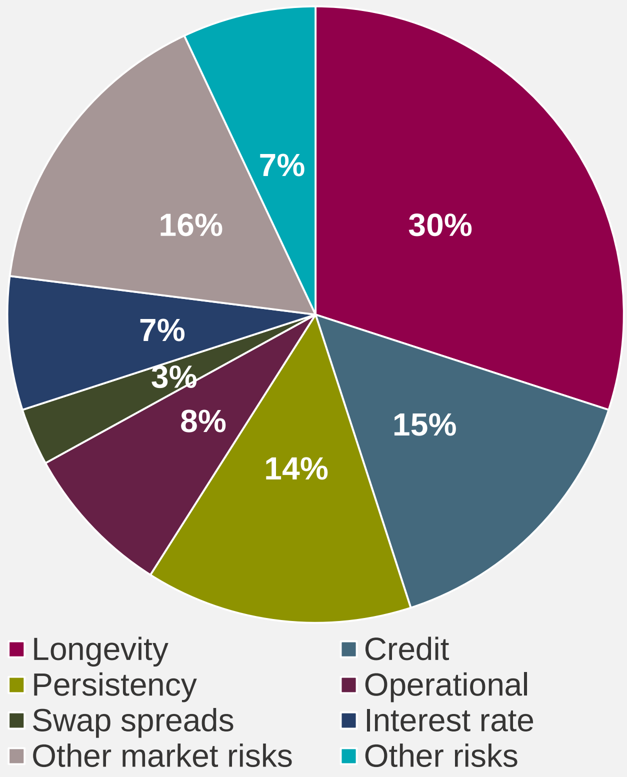
Shareholder Capital ratio[1]



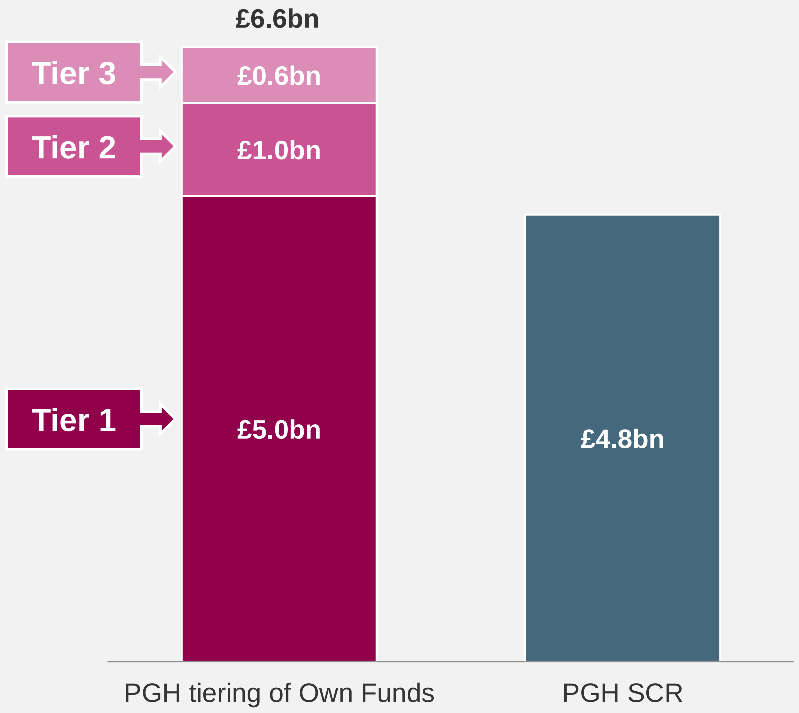
(1) Estimated position including the impact of the recalculation of transitionals as at 31 December 2017

Appendix VII:
Breakdown of SCR and Own Funds

SCR by risk type(1)



Own Funds by Capital Tier(1)



(1) Estimated position including the impact of the recalculation of transitionals as at 31 December 2017. Split of SCR pre diversification benefits and on Shareholder Capital basis

Appendix VIII:
Phoenix Life operating profit drivers

		FY17			FY16		
		Reported Operating Profit	Closing liability/ equity[2]	Expected return margin[1]	Reported Operating Profit	Closing liability/ equity[2]	Expected return margin[1]
Fund type	**How profits are generated**	**£m**	**£bn**	**bps**	**£m**	**£bn**	**bps**
With-profit	Our share of bonuses paid to policyholders of with-profit business	84	23.4	35	81	24.3	34
With-profit (internal capital support)	Return on with-profit funds which are supported with capital from shareholder funds	(108)	4.6	nm	(72)	4.7	nm
Unit linked	Margin earned on unit linked business	90	24.2	38	25	24.3	38
Annuities	Spread earned on annuities	227	10.2[3]	53[4]	288	9.8[3]	55[4]
Protection and other non-profit	Investment return and release of margins	56	0.3	nm[5]	(30)	0.4	nm[5]
Shareholder funds	Return earned on shareholder fund assets[6]	39	2.2	151	34	2.7	200
One-off impact of IFRS methodology change		-			31		
Total		**388**			**357**		

(1) Expected return margin represents the underlying recurring operating profit earned in the period as a proportion of the opening relevant class of policyholder liabilities and shareholder equity. Non-economic variances and assumption changes which are included within reported IFRS operating profit are not included within the expected return margin calculation as they are non-recurring. It is therefore not possible to recalculate the expected margin using the information presented above

(2) Net of reinsurance

(3) Includes insurance liabilities subject to longevity swap arrangement

(4) Excludes operating profit margin on new business calculated as new business profits as a percentage of opening liabilities: negative 15bps in FY17 and positive 15bps in FY16

(5) Not meaningful due to the recognition of negative reserves within insurance liabilities for protection business. New business profits in respect of the SunLife business were £4m in FY17 (FY16: £1m)

(6) Includes Management Services business unit profit of £21m in FY17 and £27m in FY16

Appendix IX:
Asset mix of life companies

At 31 December 2017 £m (unless otherwise stated)	Total shareholder, non-profit and supported with-profits[2]	%	Policyholder funds[3]		Total policyholder	Total assets[1]
			Non-supported with-profits funds	Unit-linked		
Cash deposits	4,460	23	4,312	2,355	6,667	11,127
Debt securities						
Debt securities – gilts	3,529	18	6,461	963	7,424	10,953
Debt securities – bonds	8,989	47	6,166	3,049	9,215	18,204
Total debt securities	**12,518**	**65**	**12,627**	**4,012**	**16,639**	**29,157**
Equity securities	210	1	5,350	16,845	22,195	22,405
Property investments	164	1	847	651	1,498	1,662
Other investments[4]	1,951	10	1,547	6,103	7,650	9,601
Total	**19,303**	**100**	**24,683**	**29,966**	**54,649**	**73,952**

(1) The analysis of the asset portfolio comprises assets held by the Group's life companies. It excludes other Group assets such as cash held in holding companies and service companies, and is net of derivative liabilities. This information is presented on a look through basis to underlying holdings where available

(2) Includes assets where shareholders of the life companies bear the investment risk

(3) Includes assets where policyholders bear most of the investment risk

(4) Includes equity release mortgages of £1,255m, policy loans of £12m, other loans of £199m, net derivative assets of £1,563m, reinsurers' share of investment contracts of £6,085m and other investments of £487m

Appendix X:
Total debt exposure by country

At 31 December 2017 £m	Sovereign and Supranational		Corporate: Financial Institutions		Corporate: Other		Asset Backed Securities		Total debt securities		Total debt
	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	
UK	3,932	7,693	1,511	933	1,314	1,530	1,030	555	7,787	10,711	18,498
Supranationals	695	384	-	-	-	-	-	-	695	384	1,079
USA	3	468	645	450	592	272	-	2	1,240	1,192	2,432
Germany	150	581	81	50	284	167	9	4	524	802	1,326
France	51	175	134	84	235	158	60	-	480	417	897
Netherlands	49	128	256	214	5	18	85	24	395	384	779
Italy	55	34	7	7	48	37	-	-	110	78	188
Ireland	-	-	-	-	5	8	36	26	41	34	75
Spain	-	37	3	16	47	22	-	-	50	75	125
Other - non Eurozone[(2)]	73	850	571	297	348	1,226	15	5	1,007	2,378	3,385
Other - Eurozone	17	54	47	38	93	74	32	18	189	184	373
Total debt exposure	**5,025**	**10,404**	**3,255**	**2,089**	**2,971**	**3,512**	**1,267**	**634**	**12,518**	**16,639**	**29,157**
of which Peripheral Eurozone	**55**	**71**	**10**	**23**	**100**	**67**	**36**	**26**	**201**	**187**	**388**
At 31 December 2016 £m											
Total debt exposure	**5,215**	**11,318**	**3,906**	**4,064**	**3,403**	**2,101**	**1,545**	**757**	**14,069**	**18,240**	**32,309**
of which Peripheral Eurozone	**-**	**36**	**46**	**72**	**115**	**75**	**31**	**18**	**192**	**201**	**393**

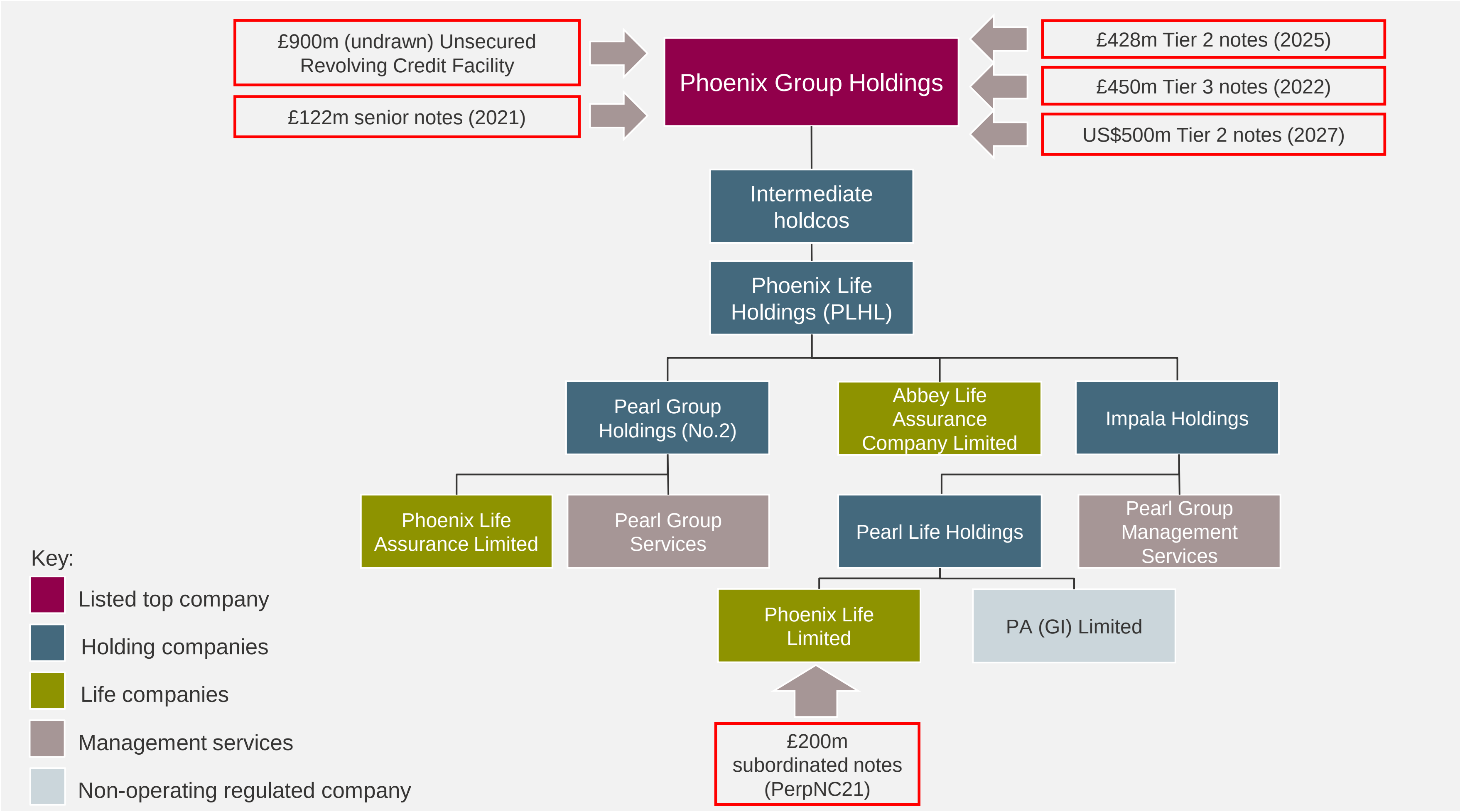
(1) Shareholder includes non-profit and supported with-profits. Policyholder includes non-supported with-profits and unit-linked

(2) Shareholder exposures within 'Other - non Eurozone' primarily consist of Australia, Switzerland and Japan. Policyholder exposures in this line are largely holdings in collective investment schemes that invest predominantly in a globally diversified debt portfolio for which look-through information is not available

Appendix XI:
Credit rating analysis of debt portfolio

At 31 December 2017 £m	Total shareholder, non-profit and supported with-profits	Policyholder funds		Total policyholder	Total assets
		Non-supported with-profits funds	Unit-linked		
AAA	2,029	1,568	549	2,117	4,146
AA	4,916	7,055	995	8,050	12,966
A	3,479	1,264	280	1,544	5,023
BBB	1,685	1,716	282	1,998	3,683
BB	51	187	23	210	261
B and below	1	101	1	102	103
Non-rated	357	736	1,882	2,618	2,975
Total	**12,518**	**12,627**	**4,012**	**16,639**	**29,157**

Appendix XII:
Current corporate structure



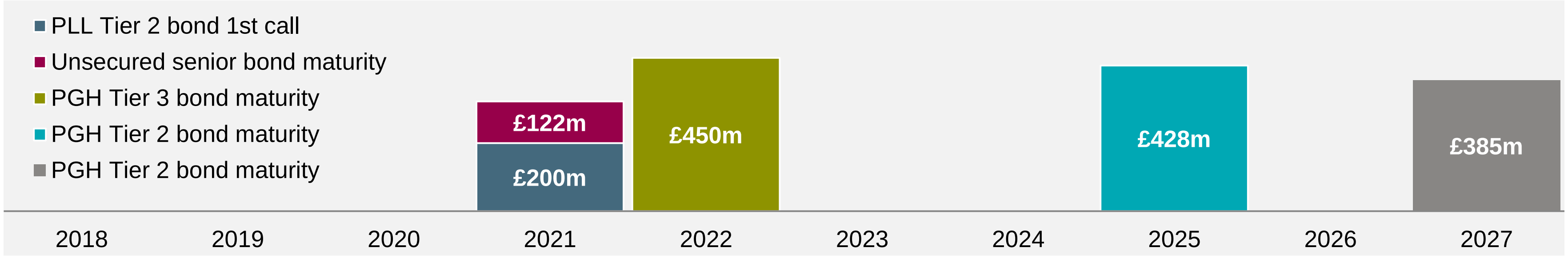
Notes: All shareholdings are 100%. Only shows material subsidiaries. All debt figures are as at 31 December 2017.

Appendix XIII:
Outline of current debt structure

Structure of £1,585 million of outstanding debt as at 31 December 2017

	Instrument	Issuer/borrower	Maturity	Face value
Bank Debt	**Unsecured Revolving Credit Facility (L+110bps)**(1)	Phoenix Group Holdings	June 2021	-
Bonds	**Unsecured Senior Bond (5.750% due Jul-2021, XS1081768738)**	Phoenix Group Holdings	July 2021	£122m
Bonds	**Subordinated Tier 3 Bond (4.125% due Jul-2022, XS1551285007)**	Phoenix Group Holdings	July 2022	£450m
Bonds	**Subordinated Tier 2 Bond (6.625% due Dec-2025, XS1171593293)**	Phoenix Group Holdings	December 2025	£428m
Bonds	**Subordinated Tier 2 Bond**(2) **(5.375% due Jul-2027, XS1639849204)**	Phoenix Group Holdings	July 2027	US$500m(3)
Bonds	**Subordinated Tier 2 Bond (7.250% Perpetual NC2021, XS0133173137)**	Phoenix Life Limited	March 2021 (first call date)	£200m

Debt maturity profile as at 31 December 2017



(1) Revolving Credit Facility has an interest margin of 110bps. In addition, a utilisation fee of 10bps is payable if the RCF is utilised by up to 33% of the £900m facility, 20bps is payable if the RCF is utilised by between 33% and 67% of the £900m facility, and 40bps if utilised by more than 67% of the £900m facility. Commitment fees of 35% of margin are payable on undrawn amounts

(2) Swapped into £385m at a semi-annual rate of 4.2% per annum (excluding costs and fees)

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- Statements containing the words: 'believes', 'intends', 'will', 'expects', 'may', 'should', 'plans', 'aims', 'seeks', 'continues', 'targets' and 'anticipates' or other words of similar meaning are forward-looking. Such forward-looking statements and other financial and/or statistical data involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that the Group has estimated
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