PHOENIX GROUP

# Interim Results 2012

23 August 2012

# Agenda

| | |
|---|---|
| Introduction and business update | **Clive Bannister,** Group Chief Executive |
| Financial review | **Jim McConville,** Group Finance Director |
| Outlook and Q&A | **Clive Bannister** |

# Introduction and business update

Clive Bannister

# Continuing the journey

**2009**
- Acquisition by Liberty and public listing

**2010**
- Simplified capital structure and Premium Listing on LSE

**2011**
- Financial and operational delivery

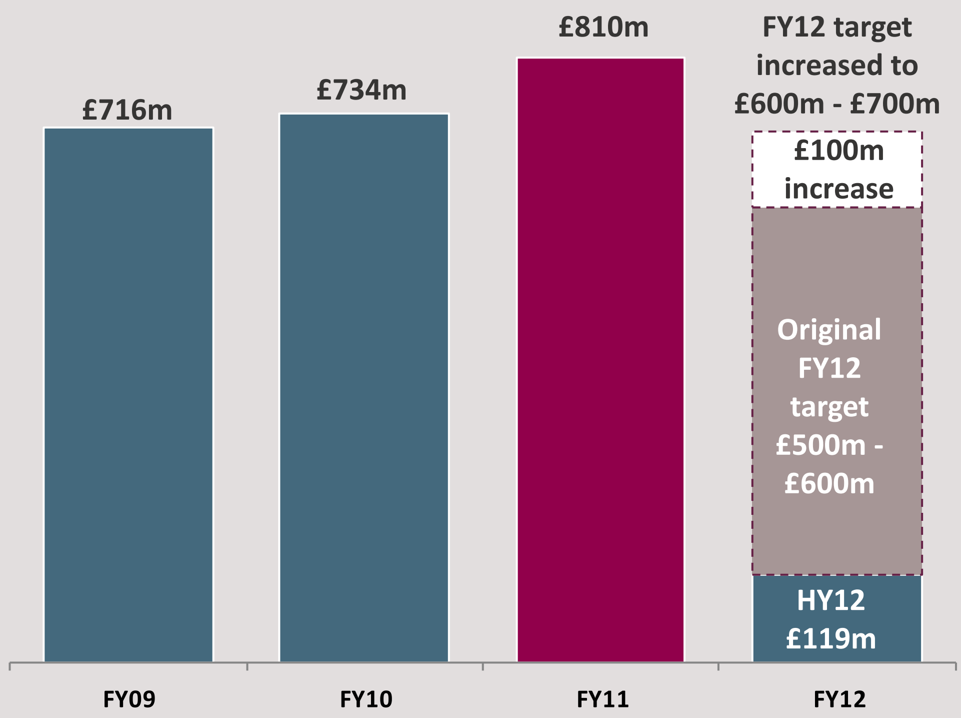
**H1 2012**
- Proposed dividend of 21p per share
- Increased  free surplus
- Enhanced MCEV
- Agreed annuity transfer
- Significant operational delivery

# Financial targets for 2012 and beyond, set at FY11

| | |
|---|---|
| **Cash generation** | • 2012 target of £500m – £600m, weighted towards H2<br>• 2011 – 2016 cumulative target of £3.2bn |
| **Gearing** | • Reduce gearing to 43% or below |
| **MCEV** | • Incremental embedded value from management actions of £100m on average per annum 2011-2014 |

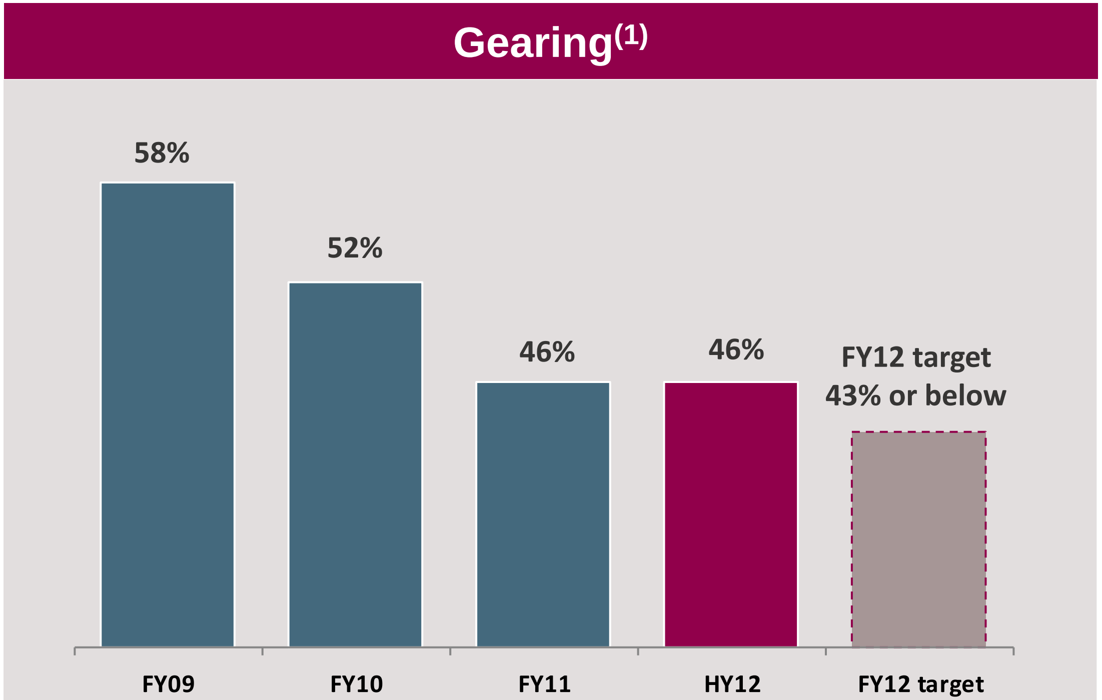
# FY12 cash generation target increased by £100 million

## Cash generation




- £119 million of cash distributed to holding companies in H1
- FY12 target increased by £100 million to £600 to £700 million
- 2011 – 2016 cash generation target increased by £0.1 billion to £3.3 billion
- Increases in targets reflect importance of prudence in light of ongoing economic uncertainty

# On track to achieve FY12 gearing target of 43% or below




| £bn | FY09 | FY10 | FY11 | HY12 |
|---|---|---|---|---|
| Net shareholder debt | 3.1 | 2.7 | 2.1 | 2.2 |
| Group MCEV | 1.8 | 2.1 | 2.1 | 2.1 |
| Ignis present value of future profits | 0.4 | 0.4 | 0.4 | 0.4 |

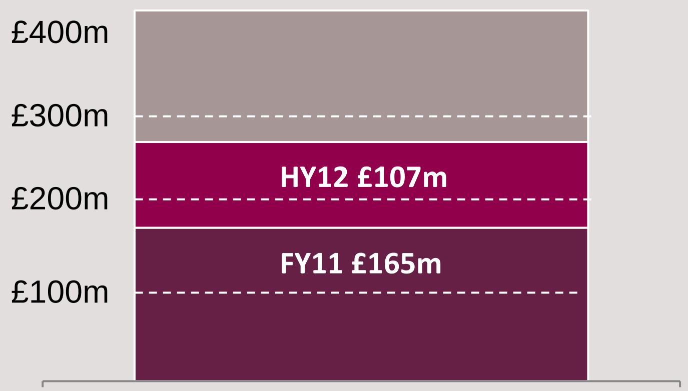
- Gearing maintained at 46% at HY12
- On track to achieve FY12 gearing target of 43% or below
- Discussions with lenders ongoing
- Debt is competitively priced. Focus is on preserving capital within the business given ongoing market uncertainty

Note: (1) Net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of Ignis

# Incremental MCEV enhancements of £107 million in H1

## MCEV


## 2011 – 2014 incremental MCEV target




- MCEV increased modestly in H1 despite market volatility
- £107 million of incremental value generated through management actions in H1
- Total incremental MCEV generated in FY11 and HY12 £272 million
- On track to achieve 2011 – 2014 incremental MCEV target of £400 million

# Summary of annuity transfer

| | |
|---|---|
| **Summary of transaction** | • Transaction announced on 27 June 2012<br>• Part of ongoing management action programme to accelerate cash<br>• Significantly reduces sensitivity to longevity risk<br>• Structured as reinsurance agreement initially, effective 1 July 2012<br>• Part VII transfers expected to take place during 2013<br>• Ignis secured mandate to continue to provide investment management services for assets backing the transferred liabilities<br>• Future transactions would be examined on an opportunistic basis |
| **Financial impact** | • Accelerated capital release of £252 million in 2012<br>• Estimated £25 million initial increase in estimated IGD surplus and headroom<br>• Further IGD benefits expected on completion of Part VII transfers expected in 2013<br>• £36 million positive impact on MCEV<br>• No material impact on 2012 recurring IFRS operating profits |

# Significant operational progress

| | |
|---|---|
| **Phoenix Life** | ✓ Funds merger of NPI into PLL completed<br>✓ Funds merger of London Life into Pearl progressing well<br>✓ Annuity transfer transaction agreed<br>✓ Solvency II programme on track for 2014 implementation date<br>✓ Further 230,000 policies transferred from legacy systems to modern administration system |
| **Ignis** | ✓ Outsourcing of investment operations and fund accounting to HSBC<br>✓ Third party net inflows of £0.9 billion, primarily into liquidity, fixed income including ARGBF, and real estate<br>✓ Secured third party mandate to continue to manage £5 billion of assets backing the annuity liabilities transferred to Guardian<br>✓ Continued strong investment performance, with 13 out of 15 major Life funds above benchmark<br>✓ Argonaut restructuring completed in July |

# Financial review

Jim McConville

# Financial highlights

| £m | | HY12 | HY11 | FY11 |
|---|---|---|---|---|
| **Cash** | Operating companies cash generation | 119 | 496 | 810 |
| **IFRS** | Group operating profit[1] | 207 | 136 | 387 |
| **MCEV** | Group Market Consistent Embedded Value (‘MCEV’) | 2,135 | 2,203 | 2,118 |
| **Capital and balance sheet** | IGD surplus | 1.2bn | 1.1bn | 1.3bn |
| | PLHL ICA surplus | 0.4bn | n/a | n/a |
| | Gearing | 46% | 48% | 46% |
| **AUM** | Group assets under management[2] | 71.6bn | 68.5bn | 72.1bn |
| **Dividends** | Dividend per share[3] | 21p | 21p | 42p |

Notes:
(1) Includes Ignis operating profit
(2) AUM represents life company assets (excluding collateral on stock-lending arrangements), Holding Company cash and third party assets managed by Ignis
(3) FY11 dividend represents interim plus final

# £473 million increase in free surplus since FY11

| £m | HY12 | HY11 | FY11 |
|---|---|---|---|
| **Opening Phoenix Life free surplus** | **93** | **750** | **750** |
| Emergence of free surplus | | | |
| IFRS operating profit(1) | 184 | 141 | 375 |
| IFRS economic variances and non-recurrings | (116) | 54 | (336) |
| Movements in capital requirements and capital policy | 448 | 79 | 84 |
| Valuation differences and other | 52 | (75) | (2) |
| **Free surplus generated** | **568** | **199** | **121** |
| **Cash distributed to Holding Companies** | **(95)** | **(481)** | **(778)** |
| **Closing Phoenix Life free surplus** | **566** | **468** | **93** |
| **Closing cash in Holding companies** | **710** | **720** | **837** |

Notes: (1) Net of policyholder tax

- Strong Phoenix Life IFRS operating profit of £184 million increased free surplus, although partly offset by £116 million of adverse economic variances and non-recurring items
- Annuity transfer generated further £252 million increase in free surplus
- Free surplus position gives confidence in Group's ability to meet increased FY12 cash generation target

# Cash generation on track to meet increased FY12 target

| £m | HY12 | HY11 | FY11 |
|---|---|---|---|
| **Opening cash & cash equivalents** | **837** | **486** | **486** |
| Cash receipts | | | |
| Phoenix Life | 95 | 481 | 778 |
| Ignis | 24 | 15 | 32 |
| **Total cash receipts** | **119** | **496** | **810** |
| Operating expenses | (22) | (28) | (52) |
| Pension scheme contributions | (10) | (5) | (35) |
| Debt interest | (70) | (77) | (122) |
| Total non-recurring cash outflows | (5) | (15) | (24) |
| Debt repayment | (103) | (108) | (171) |
| Shareholder dividend | (36) | (29) | (55) |
| **Total cash outflows** | **246** | **262** | **(459)** |
| **Closing cash & cash equivalents** | **710** | **720** | **837** |

- £119 million of cash distributed to holding companies in H1
- Includes £32 million from management actions
- In line with guidance that 2012 distributions would be weighted towards H2
- On track to meet increased FY12 cash generation target of £600 - £700m

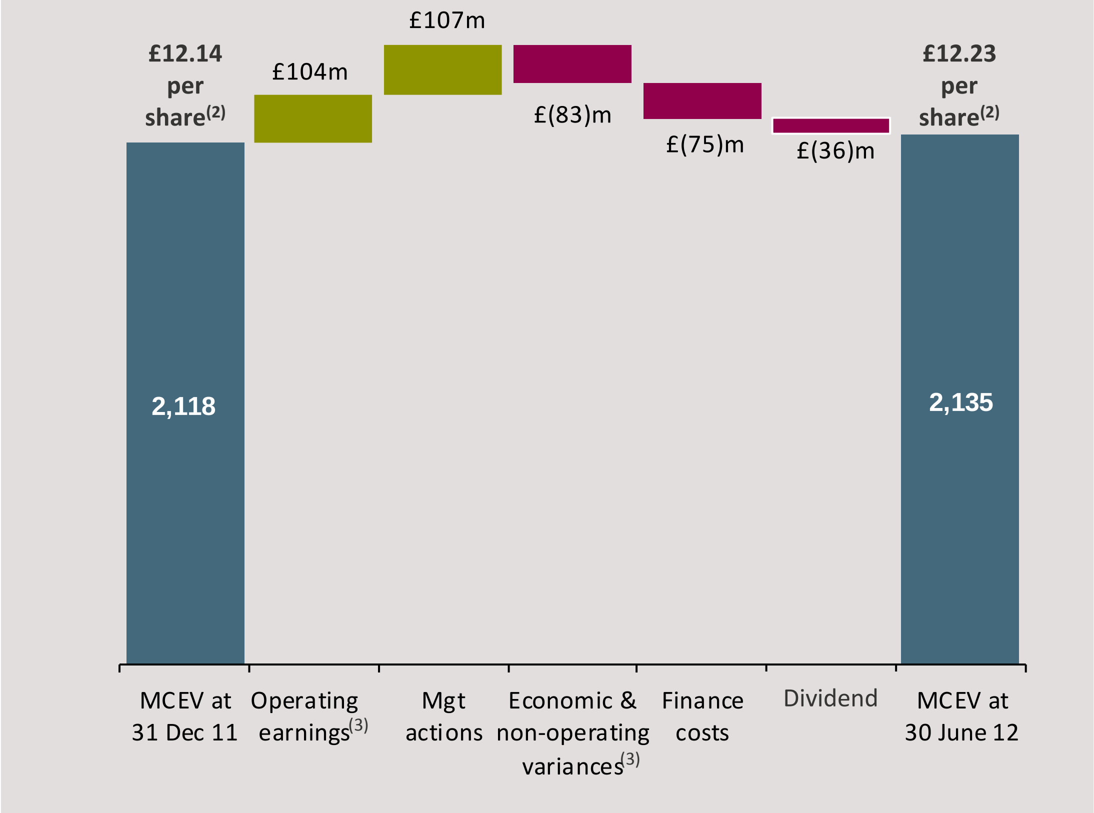
# Strong Group IFRS operating profit

| £m | HY12 | HY11 | FY11 |
|---|---|---|---|
| Phoenix Life | 205 | 152 | 395 |
| Ignis | 19 | 18 | 46 |
| Group costs | (17) | (34) | (54) |
| **Operating profit before tax** | **207** | **136** | **387** |
| Investment return variances and economic assumption changes | (82) | 47 | (338) |
| Variance on owners' funds | (2) | (3) | 9 |
| Amortisation of intangibles | (67) | (69) | (139) |
| Non-recurring items | (29) | 13 | 14 |
| Finance costs | (56) | (55) | (110) |
| **(Loss)/profit before tax attributable to owners** | **(29)** | **69** | **(177)** |
| Tax credit attributable to owners | 38 | 39 | 79 |
| **(Loss)/profit for period attributable to owners** | **9** | **108** | **(98)** |

- Phoenix Life operating profit enhanced by £59 million of management actions to harmonise methodologies and policies across Phoenix Life
- No material impact on FY12 IFRS operating profit from annuity transfer transaction
- Ignis operating profit in line with HY11

# MCEV increased modestly despite market volatility

## Group MCEV(1)




- Operating earnings of £104 million generated in line with long term rate of return assumptions
- Management actions increased MCEV by £107 million, more than offsetting the impact of economic and non-operating variances

Notes: (1) Excludes VIF of Ignis
(2) HY12 shares in issue: 174.6m. FY11 shares in issue: 174.5m
(3) Excluding impact of management actions

# Capital Management Framework

**Phoenix Group Holdings**

## IGD

- Pillar 1 group capital calculation
- Consolidated view of group solvency
- Calculated at Phoenix Life Holdings Limited (PLHL), the highest insurance undertaking in EEA
- Capital policy held on top of minimum requirement

**UK Holding Companies(1)**

## PLHL ICA calculation

- Pillar 2 assessment of capital resources and risks outside the life companies
- Includes net assets of holding companies and free surplus of life companies
- Calculated at PLHL
- Aim to maintain surplus of £150 million

**Phoenix life companies**

## Individual life company solvency calculations

- Pillar 1 and Pillar 2 calculations
- Capital policies held on top of minimum requirements
- Free surplus represents excess over capital policy

Notes: (1) Headed by PLHL

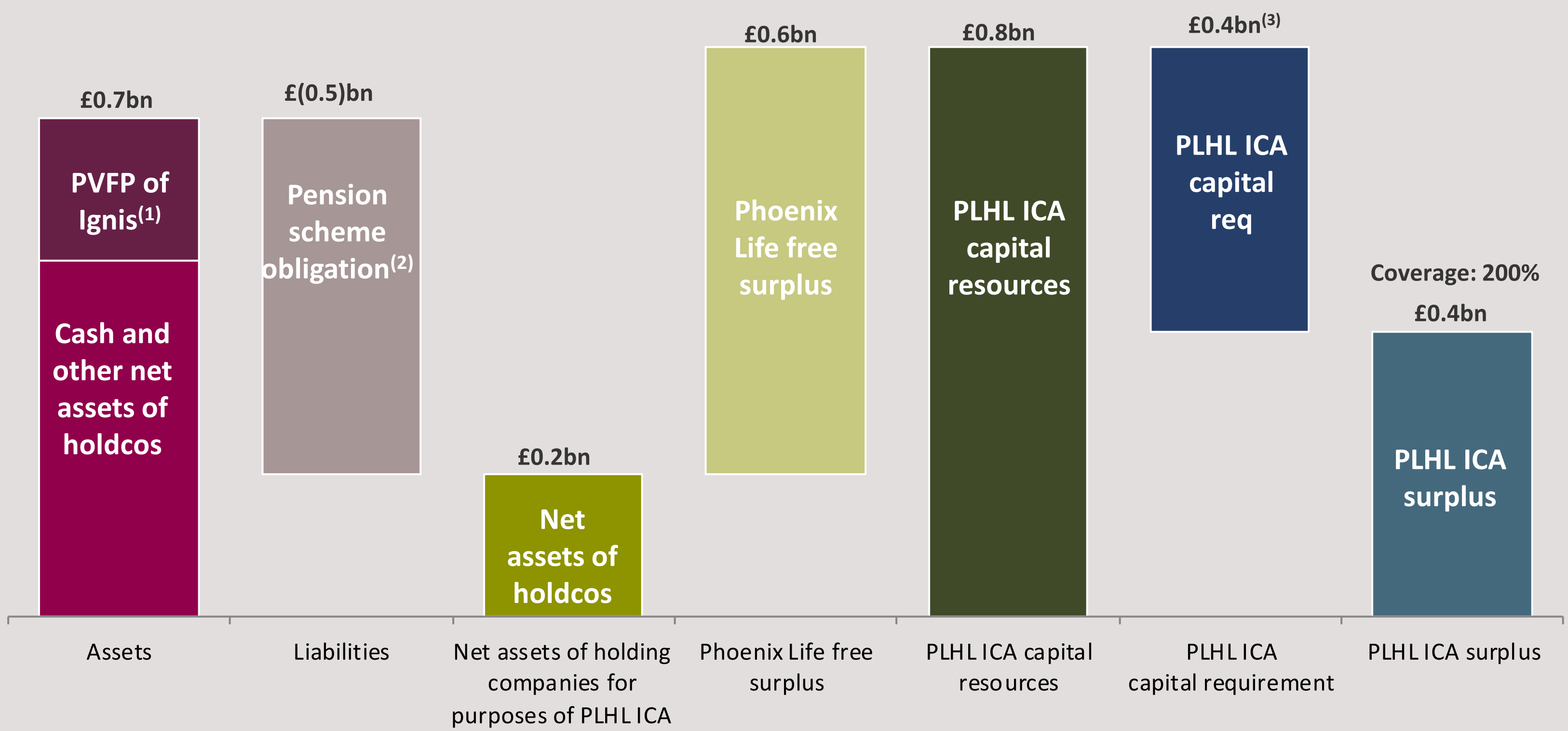
# Robust IGD surplus

## IGD surplus and headroom


- IGD surplus and headroom remained robust, estimated at £1.2 billion and £0.4 billion respectively
- Significant improvement in IGD headroom over last 18 months through management actions

# Summary of PLHL ICA calculation

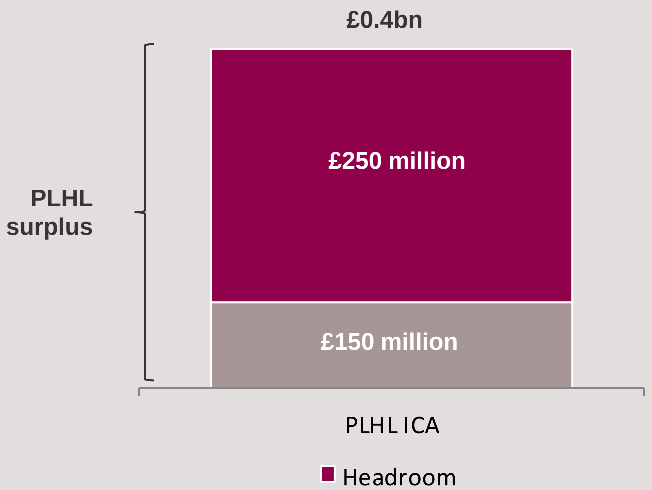
## PLHL ICA calculation




Note: (1) Prudent assessment of future profits of Ignis (2) Calculated on a Pillar 2 basis (3) Includes pension scheme risk capital offset by group diversification benefits

# Estimated PLHL ICA surplus of £0.4 billion

## PLHL ICA and sensitivities at HY12




| PLHL ICA sensitivities (£bn) | |
|---|---|
| PLHL ICA at 30 June 2012 | 0.4 |
| Following 20% fall in equity markets | 0.2 |
| Following 15% fall in property values | 0.3 |
| Following 75bps parallel increase in yields(1) | 0.3 |
| Following 75bps parallel decrease in yields(2) | 0.2 |
| Following Credit spread widening(3) | 0.2 |

Notes: (1) Represents a real yield reduction of 25bps, given a 75bps parallel increase in nominal yields
(2) Represents a real yield reduction of 25bps, given a 75bps parallel decrease in nominal yields
(3) 10 year term: AAA – 46 bps, AA – 77 bps, A – 99 bps, BBB – 140 bps

- We aim to ensure that PLHL maintains an ICA surplus at least £150 million
- Estimated PLHL ICA surplus of £0.4 billion and headroom of £0.3 billion at HY12
- Intend to reduce capital requirements and volatility by implementing de-risking and hedging strategies

# Direct shareholder exposure to Peripheral Eurozone[1] remains very low

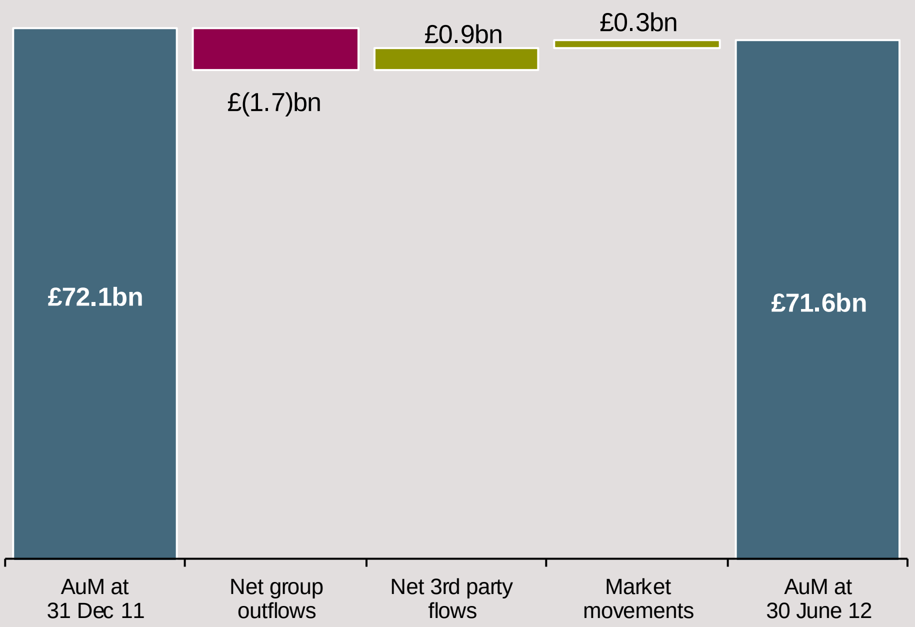
| | HY12 | | FY11 | |
|---|---|---|---|---|
| £m | Total exposure | Of which Peripheral Eurozone | Total exposure | Of which Peripheral Eurozone |
| Government and supranational | 7,054 | 5 | 7,215 | 9 |
| Corporate: Financial institutions | 2,964 | 88 | 2,896 | 88 |
| Corporate: Other | 4,100 | 135 | 4,028 | 196 |
| ABS | 661 | 23 | 795 | 70 |
| **Shareholder debt securities[2]** | **14,779** | **251** | **14,934** | **363** |

- Shareholder exposure to Peripheral Eurozone debt reduced by 31% to £251 million at HY12
- £5m, less than 0.05%, of shareholder debt securities held in sovereign debt of Peripheral Eurozone

Notes: (1) Defined as Portugal, Italy, Ireland, Greece and Spain
(2) Shareholder exposure includes investments in supported with profits funds

# Stable Group assets under management

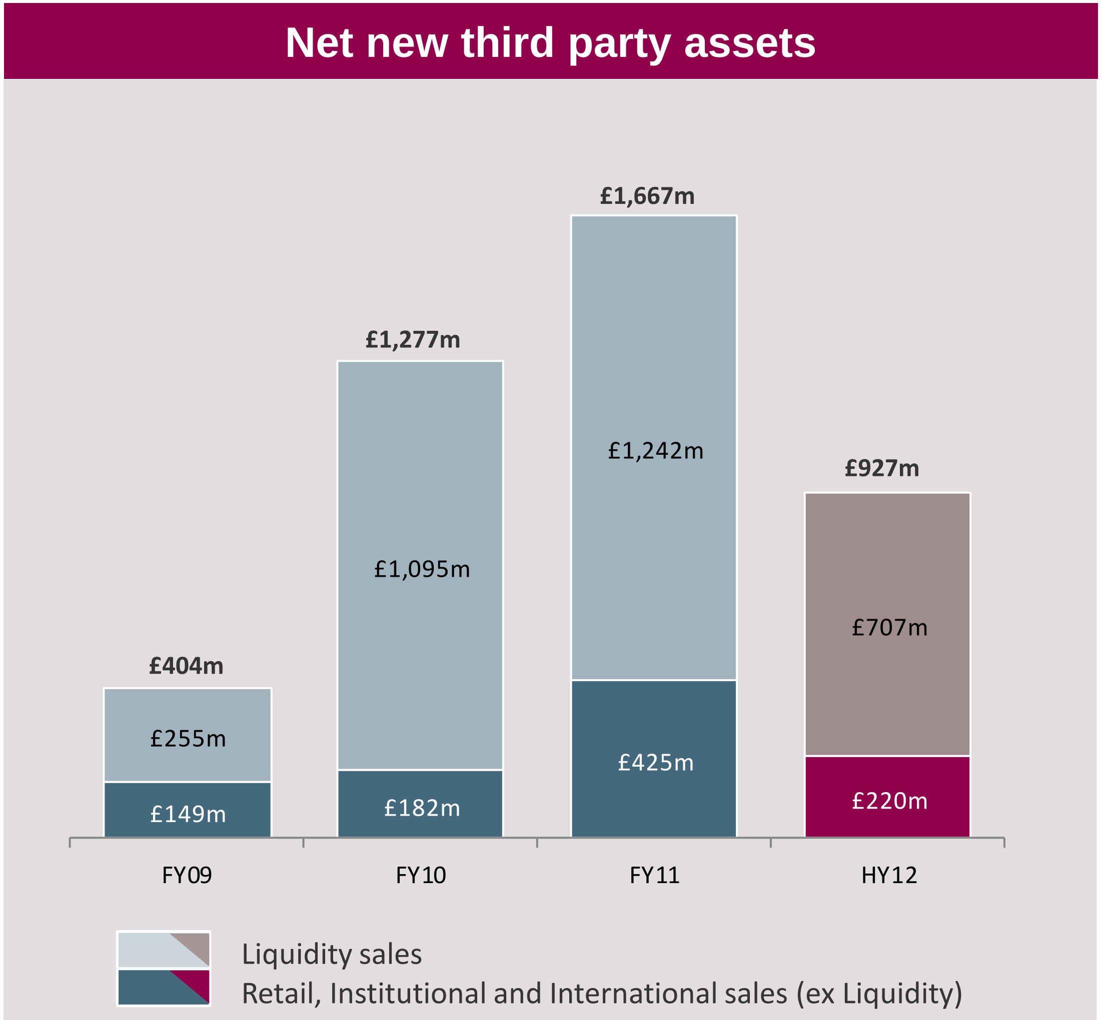
## Group AUM




- Group assets under management remained stable at £71.6 billion at HY12
- Strong third party inflows of £0.9 billion in H1
- Ignis secured mandate to continue to manage £5 billion of assets backing annuity liabilities transferred to Guardian
- 13 out of 15 major Life funds delivered above benchmark performance

Notes: (1) Phoenix Life run-off net of holding companies cash receipts
(2) Excludes stock lending collateral of £10.4bn at HY12 (FY11: £10.8bn)

# £927 million of net third party inflows supported by strong investment performance




- Continuing growth in established liquidity franchise
- Building on real estate sales in UK Retail and Institutional
- £225 million of net inflows in ARGBF since launch in 2011. Absolute performance in excess of 9% since inception(1)
- Secured mandate to continue to manage £5 billion of assets transferred to new client, Guardian

Notes: (1) Performance to 30 June 2012 based on GBP I Share Class 31 March 2011 to 30 June 2012

# Proposed interim dividend per share of 21 pence

## Dividend per share


- Proposed interim dividend per share of 21 pence
- On an annualised basis, this represents the maximum possible under current facility agreements
- Scrip dividend option removed to avoid dilutive impact on shareholders

Notes: (1) 2009 dividend per share in respect of the four month period to 31 December 2009, post the Liberty acquisition

# Outlook

Clive Bannister

# Financial targets for 2012 and beyond

| | |
|---|---|
| **Increased cash generation targets** | • 2012 target increased by £100m to £600m – £700m, recognising importance of prudence in light of ongoing economic uncertainty<br>• 2011 – 2016 cumulative target increased by £0.1bn to £3.3bn |
| **Gearing** | • 2012 target to reduce gearing to 43% or below |
| **MCEV** | • Incremental embedded value from management actions of £100m on average per annum 2011-2014 |

# Another set of strong results…

| 2009 | 2010 | 2011 | 2012 and beyond |
|---|---|---|---|

✓ Unique, simple business model

✓ Strong operating platform

✓ Clear strategy and focus on delivery

**Our objectives are to deliver:**

- ✓ Continued cashflow delivery
- ✓ Incremental MCEV
- ✓ Further organic de-gearing
- ✓ Continued operational focus and delivery
- ✓ Reterming of bank debt

## …and a clear focus for the rest of 2012 and beyond

# Q&A

# Appendices

# Appendix I: Management actions

## Cash acceleration

| | HY12 | HY11 |
|---|---|---|
| Restructuring | £17m | £171m |
| Risk management | - | £8m |
| Operational management | £15m | £18m |
| **Total** | **£32m** | **£197m** |

## Incremental MCEV

| | HY12 | HY11 |
|---|---|---|
| Restructuring | £15m | £30m |
| Risk management | £36m | - |
| Operational management | £56m | £39m |
| **Total** | **£107m** | **£69m** |

# Appendix II: Phoenix Life IFRS operating profit drivers

| | | HY12 | | | HY11 | | |
|---|---|---|---|---|---|---|---|
| | | Reported IFRS Op Profit | Opening liability/ equity | Expected return margin[1] | Reported IFRS Op Profit | Opening liability/ equity | 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 | 32 | 29.8 | 21 | 27 | 24.9 | 22 |
| With-profit (internal capital support) | Return on with-profit funds which are supported with capital from shareholder funds | 3 | 5.2 | nm[3] | 30 | 10.1 | nm[3] |
| Unit linked | Margin earned on unit linked business | 28 | 10.8 | 56 | 29 | 12.1 | 48 |
| Annuities | Spread earned on annuities | 93[4] | 10.8 | 69[2] | 13 | 9.5 | 61[2] |
| Protection and other non-profit | Investment return and release of margins | 22 | 0.9 | nm[3] | 20 | 0.8 | nm[3] |
| Shareholder funds | Return earned on shareholder fund assets | 27 | 2.1 | 257 | 33 | 2.6 | 254 |
| **Total** | | **205** | | | **152** | | |

Notes:
(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 on-offs.
(2) Includes new business margin of 35 bps in HY12 and 25 bps in HY11. Increase in NB margin due to calculation being based on opening liabilities, rather than premiums. The new business margin has remained stable relative to premiums written.
(3) Not meaningful as relates to insurance margin
(4) Increase in reported IFRS operating profit due to impact of non-recurring management actions such as modelling and policy harmonisations across Phoenix Life.

# Appendix III: Ignis IFRS operating profit drivers

| | HY12 | | | HY11 | | |
|---|---|---|---|---|---|---|
| | IFRS results | Closing AUM | Margin[1] | IFRS results | Closing AUM | Margin[1] |
| | £m | £bn | bps | £m | £bn | bps |
| Retail | 8 | 1.9 | 82 | 9 | 2.1 | 76 |
| Institutional, international and Group pension[2] | 7 | 7.1 | 20 | 7 | 5.3 | 26 |
| Life funds[3] | 48 | 61.3 | 16 | 49 | 59.8 | 17 |
| Other[4] | 3 | | | 1 | | |
| **Total revenue/Ignis AUM** | **66** | **70.3**[5] | | **66** | **67.2**[5] | |
| Staff costs | (31) | | | (29) | | |
| Other operating expenses | (16) | | | (19) | | |
| **Total Ignis IFRS operating profit** | **19** | | | **18** | | |
| Operating profit margin | 29% | | | 27% | | |

Notes:
(1) Margin based on average AUM over period
(2) Revenue including performance fees of £1m in HY12 and £1m in HY11
(3) Revenue includes performance fees of £5m in HY12 and £8m in HY11
(4) Other revenue includes Partners profits
(5) Excludes Holding Companies' cash and Phoenix Life assets managed by third parties and not administered by Ignis of £1.3bn in HY12 and £1.3bn in HY11

# Appendix IV: Group solvency sensitivities

| IGD sensitivities £bn | IGD surplus | IGD excess over capital policy | IGD Excess Capital |
|---|---|---|---|
| IGD at 30 June 2012 (estimated) | 1.2 | 0.4 | 3.2 |
| 20% fall in equity markets | 1.2 | 0.4 | 3.1 |
| 15% fall in property values | 1.2 | 0.4 | 3.1 |
| 75 bps increase in yields(1) | 1.1 | 0.4 | 3.0 |
| 75 bps decrease in yields(2) | 1.2 | 0.3 | 3.4 |
| Credit spreads widening(3) | 1.1 | 0.3 | 3.0 |

| PLHL ICA sensitivities £bn | PLHL ICA surplus |
|---|---|
| PLHL ICA surplus at 30 June 2012 (estimated) | 0.4 |
| 20% fall in equity markets | 0.2 |
| 15% fall in property values | 0.3 |
| 75 bps increase in yields(1) | 0.3 |
| 75 bps decrease in yields(2) | 0.2 |
| Credit spreads widening(3) | 0.2 |

Note: (1) Represents a real yield reduction of 25bps, given a 75bps parallel increase in nominal yields
(2) Represents a real yield reduction of 25bps, given a 75bps parallel decrease in nominal yields
(3) 10 year term: AAA – 46 bps, AA – 77 bps, A – 99 bps, BBB – 140 bps

# Appendix V: Cashflow sensitivities

| £bn | 2011 – 2016 cash generation target |
|---|---|
| Base case 6 year projections | 3.3 |
| 20% fall in equity markets | 3.2 |
| 15% fall in property values | 3.2 |
| 75 bps increase in yields | 3.3 |
| Credit spreads widening[1] | 3.1 |

Note: (1) 10 year term: AAA – 46 bps, AA – 77 bps, A – 99 bps, BBB – 140 bps

# Appendix VI: Asset mix of life companies

| At 30 June 2012 £m unless otherwise stated | Total shareholder, non-profit and supported with-profits[2] | % | Policyholder funds[3] Non-supported with-profits funds | Policyholder funds[3] Unit linked | Total Policyholder | Total assets[4] |
|---|---|---|---|---|---|---|
| Cash deposits | 3,724 | 18% | 9,531 | 1,032 | 10,563 | 14,287 |
| **Debt securities** | | | | | | |
| Debt securities – gilts | 5,030 | 25% | 11,582 | 878 | 12,460 | 17,490 |
| Debt securities – bonds | 9,749 | 48% | 10,143 | 926 | 11,069 | 20,818 |
| **Total debt securities** | **14,779** | **73%** | **21,725** | **1,804** | **23,529** | **38,308** |
| **Equity securities** | 374 | 2% | 6,326 | 7,234 | 13,560 | 13,934 |
| **Property investments** | 291 | 1% | 648 | 294 | 942 | 1,233 |
| **Other investments[4]** | 1,235 | 6% | 3,334 | 26 | 3,360 | 4,595 |
| **Total** | **20,403** | **100%** | **41,564** | **10,390** | **51,954** | **72,357** |

Notes:
(1) The analysis of the asset portfolio comprises assets held by the Group's life companies including stock lending collateral. It excludes other Group assets such as cash held in Holding Companies, service companies and Ignis Asset Management, the assets held by non-controlling interests in collective investment schemes and UKCPT and is net of derivative liabilities
(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 repurchase loans of £2,277m, other loans of £217m, net derivatives of £1,132m and other investments of £969m
(5) This information is presented on a look through basis to underlying holdings where available

# Appendix VII: Total debt exposure by country

| At 30 June 2012 £m | Other Government and Supranational | | Corporate: Financial Institutions | | Corporate: Other | | Asset backed securities | | Total debt securities | | Total debt secur-ities |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shareholder | Policyholder | Shareholder | Policyholder | Shareholder | Policyholder | Shareholder | Policyholder | Shareholder | Policyholder | |
| UK | 5,047 | 12,561 | 1,851 | 2,243 | 1,752 | 2,237 | 525 | 661 | 9,175 | 17,702 | 26,877 |
| USA | 52 | 69 | 427 | 557 | 803 | 416 | 31 | 28 | 1,313 | 1,070 | 2,383 |
| Germany | 940 | 889 | 36 | 78 | 70 | 150 | 17 | 70 | 1,063 | 1,187 | 2,250 |
| France | 9 | 23 | 79 | 105 | 488 | 338 | 1 | 4 | 577 | 470 | 1,047 |
| Portugal | - | - | - | - | - | 2 | - | - | - | 2 | 2 |
| Ireland | - | - | 73 | 9 | 9 | 11 | 6 | 16 | 88 | 36 | 124 |
| Italy | - | 3 | 5 | 10 | 66 | 83 | 10 | 31 | 81 | 127 | 208 |
| Greece | - | - | - | - | 6 | 2 | - | - | 6 | 2 | 8 |
| Spain | 5 | 13 | 10 | 17 | 54 | 64 | 7 | 20 | 76 | 114 | 190 |
| EIB | 874 | 674 | - | - | - | - | - | - | 874 | 674 | 1,548 |
| Netherlands | 60 | 55 | 336 | 717 | 454 | 412 | 58 | 135 | 908 | 1,319 | 2,227 |
| Other – non-Eurozone | 36 | 145 | 86 | 125 | 144 | 174 | 6 | 18 | 272 | 462 | 734 |
| Other – Eurozone | 31 | 40 | 61 | 101 | 254 | 223 | - | - | 346 | 364 | 710 |
| **Total debt exposure** | **7,054** | **14,472** | **2,964** | **3,962** | **4,100** | **4,112** | **661** | **983** | **14,779** | **23,529** | **38,308** |
| **of which Peripheral Eurozone** | **5** | **16** | **88** | **36** | **135** | **162** | **23** | **67** | **251** | **281** | **532** |
| **At 31 December 2011, £m** | | | | | | | | | | | |
| **Total debt exposure** | **7,215** | **15,299** | **2,896** | **3,809** | **4,028** | **3,592** | **795** | **1,248** | **14,934** | **23,948** | **38,882** |
| **of which Peripheral Eurozone** | **9** | **139** | **88** | **49** | **196** | **174** | **70** | **114** | **363** | **476** | **839** |

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

# Appendix VIII: MCEV sensitivities

| £m | HY12 |
|---|---|
| Base at 30 June 2012 | 3,837 |
| 1% decrease in risk free rates | 106 |
| 1% increase in risk free rates | (79) |
| 10% decrease in equity market values | (62) |
| 10% increase in equity market values | 59 |
| 10% decrease in property market values | (58) |
| 10% increase in property market values | 57 |
| 100 bps increase in credit spreads(1) | (174) |
| 100 bps decrease in credit spreads(1) | 186 |
| 25% increase in equity/property implied volatilities | (21) |
| 25% increase in swaption implied volatilities | (16) |
| 25% decrease in lapse rates and paid-up rates | (41) |
| 5% decrease in annuitant mortality | (142) |
| 5% decrease in non-annuitant mortality | 28 |
| Required capital equal to minimum regulatory capital(2) | 34 |
| Swap curve as reference rate, retaining appropriate liquidity premiums | (30) |

Notes: (1) 44bps is assumed to relate to default risk
(2) Minimum regulatory capital is defined as the greater of Pillar 1 and Pillar 2 capital requirements without any allowance for the Group's capital management policy

# Appendix IX: Maturity profile of business

| £m | 1-5 years | 6-10 years | 11-15 years | 16-20 years | 20+ years | Total |
|---|---|---|---|---|---|---|
| **MCEV present value of future profits** | | | | | | |
| 30 June 2012 | 1,037 | 638 | 407 | 257 | 253 | 2,594 |

# Appendix X: Ignis 3rd party new business flows

| £m | HY12 | HY11 |
|---|---|---|
| **Gross flows** | | |
| Retail | 356 | 382 |
| Institutional(1) | 113 | 495 |
| International | 237 | 55 |
| Liquidity funds (net) | 707 | 347 |
| **Total** | **1,413** | **1,279** |
| **Net flows** | | |
| Retail | 9 | (5) |
| Institutional(1) | 40 | 407 |
| International | 171 | 17 |
| Liquidity funds (net) | 707 | 347 |
| **Total** | **927** | **766** |

Note: (1) HY11 includes £430m from new rates LDI mandate from the Group pension scheme

# Appendix XI: Summary of bank facilities at HY12

| | £m | Coupon | Maturity | Repayment |
|---|---|---|---|---|
| Bank facility | 375 | L+125bps | 2016 | £25m p.a. 2011-2015<br>Balance in 2016 |
| Subordinated Lender Loan Notes | 79 | L+100bps(1) | 2024 | Bullet |
| **Total Pearl bank debt** | **454** | | | |
| Facility A | 930 | L+200bps(2) | 2014 | £125m p.a. from 2011<br>Balance in 2014 |
| Facility B | 493 | L+200bps(3) | 2015 | Bullet |
| Facility C | 493 | L+200bps(4) | 2016 | Bullet |
| **Total Impala bank debt** | **1,915** | | | |
| **Total bank debt** | **2,369** | | | |

Notes: (1) For each interest period the Group may elect to defer the coupon to the maturity of the Lender Loan Notes

Up to 2nd September 2012 the Group may elect to defer payment of:

(2) In respect of Facility A, 100bps of the coupon until the maturity of Facility A. From 2nd September 2013 the coupon on Facility A will increase to L+250bps

(3) In respect of Facility B, 75bps of the coupon until the maturity of Facility B. From 2nd September 2013 the coupon on Facility B will increase to L+325bps

(4) In respect of Facility C, 25bps of the coupon until the maturity of Facility C. From 2nd September 2013 the coupon on Facility C will increase to L+375bps

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