

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the prospectus relating to Phoenix Group Holdings plc (“**New Phoenix**” or “**the Company**”) accessed from this page or by electronic communication or otherwise received as a result of such access or electronic communication. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person.

THE ORDINARY SHARES OF NEW PHOENIX DESCRIBED IN THE ATTACHED DOCUMENT (THE “**NEW PHOENIX SHARES**”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “**US SECURITIES ACT**”) OR UNDER ANY SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, RENOUNCED, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. IN ADDITION, THE COMPANY WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940 (THE “**US INVESTMENT COMPANY ACT**”), AS AMENDED, AND RELATED RULES. THE NEW PHOENIX SHARES MAY NOT BE OFFERED, SOLD, TAKEN UP, EXERCISED, RESOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN AUSTRALIA, CANADA, JAPAN OR SOUTH AFRICA EXCEPT UNDER CERTAIN CIRCUMSTANCES.

SUBJECT TO CERTAIN EXCEPTIONS, THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT DO NOT CONSTITUTE, NOR WILL CONSTITUTE, NOR FORM PART OF ANY OFFER OR INVITATION TO SELL OR ISSUE, OR ANY SOLICITATION OF ANY OFFER TO PURCHASE OR ACQUIRE THE NEW PHOENIX SHARES, TO ANY SHAREHOLDER WITH A REGISTERED ADDRESS IN, OR WHO IS RESIDENT OR LOCATED IN (AS APPLICABLE), AUSTRALIA, CANADA, JAPAN OR SOUTH AFRICA. ANY PERSON IN AUSTRALIA, CANADA, JAPAN OR SOUTH AFRICA WHO OBTAINS A COPY OF THE ATTACHED DOCUMENT IS REQUIRED TO DISREGARD IT.

In relation to each member state of the European Economic Area (except the United Kingdom), no offer of New Phoenix Shares may be made pursuant to the offering described in the attached document to the public in that member state, except an offer of New Phoenix Shares to the public in that member state: (i) to legal entities which are qualified investors as defined in the Prospectus Directive; (ii) to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) as permitted under the Prospectus Directive; and (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that such offer of New Phoenix Shares shall not require New Phoenix or any of the Banks to publish a prospectus in that member state pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For this purpose, the expression an “offer to the public” in relation to any New Phoenix Shares in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and any New Phoenix Shares to be offered so as to enable an investor to decide to purchase or subscribe any New Phoenix Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU), and includes any relevant implementing measure in the member state.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to New Phoenix and HSBC Bank plc (the “**Sponsor**”) that (i) you are not a resident or located in Australia, Canada, Japan or South Africa and (ii) if you are in any member state of the European Economic Area (other than the

United Kingdom) you are a “qualified investor”, and in each case, you consent to the delivery of this Prospectus by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Prospectus, electronically or otherwise, to any other person. This Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither New Phoenix, the Sponsor nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the linked document, you consent to receiving it in electronic form. The Sponsor does not accept any responsibility whatsoever for the contents of this Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with New Phoenix or the New Phoenix Shares. The Sponsor and its affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by the Sponsor or its affiliates as to the accuracy, completeness or sufficiency of the information set out in this Prospectus.

The Sponsor is acting exclusively for New Phoenix and no one else in connection with the offering described in the attached document. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the offering described in the attached document and will not be responsible to anyone other than New Phoenix for providing the protections afforded to their clients nor for giving advice in relation to the offering described in the attached document or any transaction or arrangement referred to herein.

THIS PROSPECTUS AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000, as amended (“FSMA”) if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

This Prospectus comprises a prospectus relating to Phoenix Group Holdings plc (“**New Phoenix**”) prepared in accordance with the Prospectus Rules of the FCA made under section 73A of FSMA. This Prospectus has been approved by the FCA in accordance with section 87A of FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This Prospectus together with the documents incorporated into it by reference (as set out in Part X (“*Documents Incorporated by Reference*”) of this Prospectus) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at <http://www.thephoenixgroup.com/investor-relations/agma-and-egm/> and at the New Phoenix’s principal place of business being Juxon House, 100 St Paul’s Churchyard, London EC4M 8BU, United Kingdom.

This Prospectus has been prepared in connection with a scheme of arrangement pursuant to section 86 of the Cayman Companies Law to introduce a new UK incorporated holding company to the Group (the “**Scheme**”) and has been prepared on the assumption that the Scheme will become effective in accordance with its current terms. A summary of the Scheme and related proposals are set out in Part 1 (“*The Scheme and Related Proposals*”) of this Prospectus. You should read this Prospectus and any documents incorporated herein by reference in their entirety including, in particular, the risk factors set out below the heading “*Risk Factors*” in this Prospectus.

Phoenix Group Holdings plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 11606773)

Application for admission to the premium listing segment of the Official List and to trading on the LSE’s main market for listed securities of up to 725,000,000 ordinary shares of 10 pence each

Sponsor

HSBC

Application will be made to the FCA for all of the ordinary shares of New Phoenix (the “**New Phoenix Shares**”) to be admitted to the premium listing segment of the Official List of the FCA (the “**Official List**”) and to London Stock Exchange plc (the “**London Stock Exchange**”) for all of the New Phoenix Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (the “**Main Market**”) (together, “**Admission**”). It is expected that, subject to the Scheme proceeding as currently envisaged Admission will become effective, and unconditional dealings in the New Phoenix Shares will commence, on 13 December 2018.

The directors of New Phoenix, whose names appear on page 55 of this Prospectus (each a “**Director**” or together the “**Directors**”), and New Phoenix accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and New Phoenix (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors should read this Prospectus in its entirety.

The distribution of this Prospectus and the transfer of New Phoenix Shares into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this Prospectus, the enclosures and any other such documents should not be distributed, forwarded to or transmitted into the Restricted Territories or the Excluded Territories.

New Phoenix and the Directors, whose names appear on page 55 of this Prospectus in the section headed “*New Phoenix Directors, Company Secretary and Advisers*”, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of New Phoenix and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The New Phoenix Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”) or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Phoenix Shares in the United States. New Phoenix Shares may not therefore be offered to certain US shareholders of Old Phoenix unless New Phoenix believes that there is an exemption from, or if the transaction is not subject to, the registration requirements of the US Securities Act. The New Phoenix Shares issued pursuant to the Scheme are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof based on the Cayman Court’s sanctioning of the Scheme. Old Phoenix Shareholders who will be affiliates of New Phoenix after the Scheme Effective Date will be subject to certain US transfer restrictions relating to the New Phoenix Shares received pursuant to the Scheme.

The New Phoenix Shares will not be registered under the securities laws of any Excluded Territory or Restricted Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption from, and in compliance with, any applicable securities laws. There will be no public offer in any of the Excluded Territories or the Restricted Territories.

HSBC Bank plc (“**HSBC**” or the “**Sponsor**”), which is authorised by the Prudential Regulatory Authority (the “**PRA**”) and regulated in the United Kingdom by the PRA and the FCA, is acting exclusively for New Phoenix and no one else in connection with the arrangements described in this Prospectus and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the arrangements described in this Prospectus and will not be responsible to anyone other than New Phoenix for providing the protections afforded to its clients or for providing advice in relation to the arrangements referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither the Sponsor nor any of its affiliates accepts any responsibility whatsoever or makes any representation or warranty, express or implied, for the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with New Phoenix, the New Phoenix Shares, the Proposals or Admission, or the arrangements described in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Sponsor and its affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement.

The New Phoenix Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state’s securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Phoenix Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This Prospectus does not constitute an offer of New Phoenix Shares to any person with a registered address, or who is located, in the Restricted Territories or the Excluded Territories or in any other jurisdiction in which such an offer or solicitation is unlawful.

The New Phoenix Shares have not been and will not be registered under the relevant laws of any state, province or territory of the Restricted Territories or any Excluded Territory and, subject to certain limited exceptions, may not be offered, sold, taken up, exercised, resold, renounced,

transferred or delivered, directly or indirectly, within any Restricted Territory or any Excluded Territory except pursuant to an applicable exemption under relevant securities laws.

Notice to all investors

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus for any purpose other than considering an investment in the New Phoenix Shares is prohibited.

By accepting delivery of this Prospectus, each offeree of the New Phoenix Shares agrees to the foregoing.

The distribution of this Prospectus and/or the transfer of New Phoenix Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the Restricted Territories or the Excluded Territories. No action has been taken by New Phoenix or by the Sponsor that would permit an offer of the New Phoenix Shares or rights thereto or possession or distribution of this Prospectus or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by New Phoenix or by the Sponsor. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date.

Prospective investors acknowledge that they have not relied on the Sponsor or any person affiliated with the Sponsor in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision. In making an investment decision, each prospective investor must rely on their own examination, analysis and enquiry of New Phoenix and the New Phoenix Shares, including the merits and risks involved.

Neither New Phoenix or the Sponsor, or any of their respective representatives, makes any representation to any offeree of the New Phoenix Shares under the laws applicable to such offeree. Each prospective investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of New Phoenix Shares.

The contents of the websites of the Group do not form part of this Prospectus.

Capitalised terms used in this Prospectus have the meanings ascribed to them, and certain technical terms are explained, in Part XI ("*Definitions*") of this Prospectus.

CONTENTS

SUMMARY	6
RISK FACTORS	19
IMPORTANT INFORMATION	48
SHARE CAPITAL AND SCHEME STATISTICS	53
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	54
NEW PHOENIX DIRECTORS, COMPANY SECRETARY AND ADVISERS	55
PART I—THE SCHEME AND RELATED PROPOSALS	57
PART II—BUSINESS OVERVIEW OF THE GROUP	66
PART III—REGULATORY OVERVIEW	95
PART IV—FINANCIAL INFORMATION OF THE GROUP.....	107
PART V—OPERATING AND FINANCIAL REVIEW OF THE GROUP.....	109
PART VI—FINANCIAL INFORMATION OF STANDARD LIFE ASSURANCE.....	153
PART VII—OPERATING AND FINANCIAL REVIEW OF STANDARD LIFE ASSURANCE	155
PART VIII—UK TAXATION	169
PART IX—ADDITIONAL INFORMATION	172
PART X—DOCUMENTS INCORPORATED BY REFERENCE.....	243
PART XI—DEFINITIONS.....	245

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A – INTRODUCTION AND WARNINGS		
Element	Disclosure Requirement	Disclosure
A.1	Warning to investors	<p>This summary should be read as an introduction to this Prospectus. Any decision to invest in ordinary shares with a nominal value of £0.10 each in the share capital of New Phoenix (“New Phoenix Shares”) should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area (the “EEA”), have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the New Phoenix Shares.</p>
A.2	Subsequent resale or final placement of securities by financial intermediaries	Not applicable. No consent has been given by New Phoenix or any person responsible for drawing up this Prospectus to use this Prospectus for subsequent sale or placement of securities by financial intermediaries.
SECTION B – ISSUER		
Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	Phoenix Group Holdings plc (“ New Phoenix ” or the “ Company ”).
B.2	Domicile, legal form, legislation and country of incorporation	New Phoenix is a public limited company limited by shares incorporated in England and Wales with registered number 11606773, having its registered office at Juxon House, 100 St Paul’s Churchyard, London EC4M 8BU, United Kingdom. The principal legislation under which New Phoenix operates is the UK Companies Act 2006 (the “ Companies Act ”).
B.3	Current operations, principal activities and principal markets	<p>The Group’s main focus is on closed life fund consolidation, specialising in the acquisition and management of closed life insurance and pension funds. As at 30 June 2018, the Group had more than 5.4 million policyholders, £72 billion of assets under management and Solvency II Own Funds of £7.0 billion.</p> <p>On 31 August 2018, Old Phoenix completed the acquisition of Standard Life Assurance Limited (“SLAL”) (including Vebnet (Holdings) Limited but excluding certain subsidiaries of SLAL</p>

		<p>following a pre-Completion restructuring) (“Standard Life Assurance”) from Standard Life Aberdeen plc (“Standard Life Aberdeen”) (the “Acquisition”), in consideration for which Standard Life Aberdeen obtained an approximately 19.98 per cent. stake in the Group and Old Phoenix paid total cash consideration of £1,971 million pursuant to the Share Purchase Agreement.</p> <p>The Acquisition of Standard Life Assurance included Standard Life Aberdeen’s UK and European life insurance business but did not include Standard Life Aberdeen’s UK retail platforms and advice business. Standard Life Assurance is a leading provider of long-term savings and investment propositions. It is primarily based in the UK, with further operations through branches in Ireland, Austria and Germany. As at 31 December 2017, Standard Life Assurance had approximately 4.8 million policyholders and £166 billion of assets under management and administration (“AUMA”). On completion of the Acquisition, the Group is the largest specialist consolidator of heritage life assurance funds in Europe.</p>
<p>B.4a</p>	<p>Significant recent trends affecting the Group and the industries in which it operates</p>	<p>Significant recent trends that have affected the Group include:</p> <ul style="list-style-type: none"> ● the impact of the acquisitions and subsequent integration by Old Phoenix of (i) Abbey Life Assurance Company Limited (“ALAC”), Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited (together, “Abbey Life”); and (ii) AXA Wealth Limited’s pensions and protections business (the “SunLife Embassy Business”) and the impact of the acquisition and subsequent transition of Standard Life Assurance; ● increasing strategic activity amongst traditional UK life insurers, including in relation to M&A and changes to business mix; ● the performance of financial markets, in particular swap, gilt and bond yields; ● the impact of the prevailing low interest rate environment and changing demographics on the Group’s expectations of persistency for certain products, including those with guarantees; ● the implementation of the Solvency II regulatory regime and other changes to the UK’s regulatory environment; and ● changes to mortality and longevity rates and assumptions. <p>Going forward, New Phoenix expects the UK life insurance and pensions industry to be impacted principally by the following factors:</p> <ul style="list-style-type: none"> ● <i>Pensions reform</i>: The requirement to spend pensions savings on an annuity has been removed. The ease with which customers can switch providers has also increased, reducing customer retention. ● <i>Interest rates</i>: Changes in interest rates, such as the decision by the Bank of England to increase interest rates from 0.50 per cent. to 0.75 per cent. on 2 August 2018, will impact investment returns and the capital position for UK life insurance companies. ● <i>Brexit</i>: Following the outcome of the referendum on the UK’s membership of the European Union, uncertainty over the UK’s continued access to the single market and ‘passporting’ rights for UK firms across the EEA, and potential related regulatory change, will impact the UK life insurance industry.

		<ul style="list-style-type: none"> ● <i>Closed book and new business consolidation:</i> Existing and anticipated market dynamics, including the impact of Solvency II, shifting strategic agendas for traditional open-book life insurers, and further regulatory pressures are expected to generate a supply of potentially attractive acquisition targets.
<p>B.5</p>	<p>Description of the Group</p>	<p>New Phoenix was incorporated in anticipation of the Prospectus and Admission. Upon the occurrence of the Scheme Effective Date, New Phoenix will become the holding company of the Group.</p> <p>The Group has six operating life insurance companies which hold policyholder assets: Phoenix Life Limited (“PLL”), Phoenix Life Assurance Limited (“PLAL”), ALAC (PLL, PLAL and ALAC together, the “Phoenix Life Companies”), SLAL, Standard Life Pension Funds Limited (“SLPF”) and Standard Life International Designated Activity Company (“SLIDAC”) (SLAL, SLPF and SLIDAC together, the “Acquisition Life Companies”) (the Phoenix Life Companies and Acquisition Life Companies together, the “Life Companies”).</p> <p>Prior to the Acquisition, the Group had two principal management service companies, Pearl Group Services Limited (“PGS”) and Pearl Group Management Services Limited (“PGMS”), which aim to provide all administrative services required by the Phoenix Life Companies (or manage the provision of such services through outsourcing arrangements), including policy administration, information technology, finance and facility management services. Following completion of the Acquisition, the Group has one further principal management service company, Standard Life Assets and Employee Services Limited (“SLAESL”).</p>

<p>B.6</p>	<p>Major shareholders</p>	<p>Information provided to Old Phoenix, pursuant to the Disclosure Guidance and Transparency Rules regarding its substantial Shareholders is published on a Regulatory Information Service and on Old Phoenix’s website.</p> <p>Insofar as is known to Old Phoenix and New Phoenix, as at 31 October 2018 (being the Latest Practicable Date prior to the publication of this Prospectus) the following persons (together, the “Major Shareholders”) were interested, directly or indirectly, in 3 per cent. or more (or 5 per cent. in the case of investment managers) of Old Phoenix’s voting share capital (on the basis of their disclosed existing holdings of Old Phoenix Shares as at the Latest Practicable Date in accordance with the Disclosure Guidance and Transparency Rules) and the amount of such person’s holding of the total voting rights in respect of the New Phoenix Shares following the Scheme Effective Date is expected to be as follows:</p> <table border="1" data-bbox="635 651 1441 996"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">As at the Latest Practicable Date</th> <th colspan="2">Anticipated no. of New Phoenix Shares Immediately following Admission⁽¹⁾</th> </tr> <tr> <th>Number of voting rights in Old Phoenix</th> <th>Percentage of Old Phoenix issued share capital</th> <th>Number of voting rights in Old Phoenix</th> <th>Percentage of New Phoenix Share Capital</th> </tr> </thead> <tbody> <tr> <td>Standard Life Aberdeen plc⁽²⁾</td> <td>194,275,410</td> <td>26.94%</td> <td>194,275,410</td> <td>26.94%</td> </tr> <tr> <td>BlackRock, Inc⁽³⁾</td> <td>38,225,362</td> <td>5.28%</td> <td>38,225,362</td> <td>5.28%</td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) This assumes that there is no additional issue of Old Phoenix Shares by Old Phoenix between the Latest Practicable Date and Admission, and no acquisition or disposal of Old Phoenix Shares by the Major Shareholders during that period.</p> <p>(2) Comprising the Acquisition Shares and Old Phoenix Shares held by Standard Life Aberdeen: (i) for investment purposes in the ordinary course of business in the context of managing investments (as defined in the FCA Handbook) for, or advising, clients; and (ii) as bare nominee, custodian or trustee on behalf of a customer.</p> <p>(3) This is the number of shares that have been notified to New Phoenix by BlackRock, Inc.</p> <p>None of the major holders of Shares (“Shareholders”) referred to above has different voting rights from other Shareholders.</p> <p>As at 31 October 2018 (being the Latest Practicable Date prior to the publication of this Prospectus), New Phoenix is controlled jointly by two natural persons, Gerald Watson and James McConville, and as a result of the Scheme, there will be a change of control of New Phoenix.</p>	Name	As at the Latest Practicable Date		Anticipated no. of New Phoenix Shares Immediately following Admission ⁽¹⁾		Number of voting rights in Old Phoenix	Percentage of Old Phoenix issued share capital	Number of voting rights in Old Phoenix	Percentage of New Phoenix Share Capital	Standard Life Aberdeen plc ⁽²⁾	194,275,410	26.94%	194,275,410	26.94%	BlackRock, Inc ⁽³⁾	38,225,362	5.28%	38,225,362	5.28%
Name	As at the Latest Practicable Date			Anticipated no. of New Phoenix Shares Immediately following Admission ⁽¹⁾																	
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Standard Life Aberdeen plc ⁽²⁾	194,275,410	26.94%	194,275,410	26.94%																	
BlackRock, Inc ⁽³⁾	38,225,362	5.28%	38,225,362	5.28%																	
<p>B.7</p>	<p>Selected historical key financial information</p>	<p><i>Selected historical key financial information of New Phoenix</i></p> <p>New Phoenix has not traded since its incorporation, nor entered into any obligations other than in connection with the Scheme.</p> <p>The tables below set out the Group’s summary selected consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 and for the six months ended 30 June 2018. The data has been extracted without material adjustment from the Group’s historical financial statements for the years ended 31 December 2017, 2016 and 2015 and unaudited half-yearly interim results for the six months ended 30 June 2018.</p>																			

Summary selected statement of consolidated income

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	(£ million) (unaudited)		(£ million) (audited)		
Net income.....	889	2,945	6,089	7,445	692
Total operating expenses	(864)	(2,950)	(5,964)	(7,393)	(404)
Finance costs.....	(67)	(64)	(132)	(122)	(136)
(Loss)/profit for the year before tax	(42)	(69)	(7)	(70)	152
Tax credit/(charge) attributable to policyholders' returns.....	4	(32)	(21)	(58)	33
Tax credit attributable to owners.....	14	5	1	28	64
Tax (charge)/credit	18	(27)	(20)	(30)	97
(Loss)/profit for the year attributable to owners.....	(24)	(96)	(27)	(100)	249
Attributable to: Owners of the parent.....	(24)	(96)	(27)	(101)	201
Non-controlling interests	—	—	—	1	48
	(24)	(96)	(27)	(100)	249

Summary selected consolidated statement of financial position

	As at 30 June		As at 31 December		
	2018	2017	2017	2016	2015
	(£ million) (unaudited)		(£ million) (audited)		
Total assets	82,197	85,186	83,443	85,999	64,514
Total liabilities	78,563	81,998	80,288	82,666	61,510
Equity attributable to owners of the parent.....	3,140	3,188	3,155	3,333	2,434
Non-controlling interests	—	—	—	—	570
Tier 1 notes	494	—	—	—	—
Total equity	3,634	3,188	3,155	3,333	3,004

Except for the completion of the Acquisition on 31 August 2018 and the issuance of the 2029 Notes on 24 September 2018 by Old Phoenix, there has been no significant change to the Group's financial condition and operating results in the period since 30 June 2018 to the date of publication of this Prospectus.

A summary of the significant factors impacting the Group's financial condition and operating results during the years ended 31 December 2017, 2016 and 2015 and for the six months ended 30 June 2018 is set out below.

The Group's IFRS loss after tax for the six month period ended 30 June 2018 was £24 million (six month ended 30 June 2017: loss after tax of £96 million). The loss principally reflects adverse economic variances arising on derivative positions held to hedge the Group's exposure to equity risk arising from the acquisition of Standard Life Assurance.

The Group's IFRS loss after tax for the year ended 31 December 2017 was £27 million (2016: loss after tax of £100 million). The improvement of £73 million from the prior year reflects: (i) the twelve-month contribution of the acquired AXA Wealth and Abbey Life businesses following completion of those transactions in the second half of 2016; and (ii) lower adverse impacts of economic factors in light of stability in yields during the period (compared with significant falls in yields in 2016). The adverse impact of the further

strengthening of persistency assumptions in a continued low interest rate environment and associated later retirements was offset by positive longevity and expense assumption changes. The Group issued £450 million Tier 3 subordinated notes due 2022 (the “**2022 Notes**”) and US\$500 million Tier 2 notes due 2027 (the “**2027 Notes**”), the proceeds from which were used to repay drawn-down amounts under the Revolving Credit Agreement and repurchase £178 million of the Senior Bonds.

The Group’s loss after tax for the year ended 31 December 2016 was £100 million (2015: profit after tax of £249 million). The adverse variance of £349 million from the prior year reflects the recognition of a provision to reflect the impact of a continued low interest rate environment on the Group’s expectations of persistency for products with guarantees of £64 million, and the adverse impacts of economic factors including falling yields, widening credit spreads and losses on equity hedging positions (compared with positive investment variances driven by rising yields and increased property returns in 2015). The Group undertook an equity placing of £190 million (net of deduction of commissions and expenses) and a bridge facility agreement of £220 million in connection with the completion of the AXA Transaction; and (iii) a rights issue of £735 million in connection with the completion of the Abbey Life Acquisition.

The Group’s profit after tax for the year ended 31 December 2015 was £249 million. The reduction of £157 million from the prior year reflects lower positive impacts of actuarial modelling enhancements and balance sheet reviews, together with the recognition in 2014 of a gain on disposal of the Group’s interest in Ignis Asset Management of £110 million and a gain of £68 million arising on the restructuring of the Group’s exposure to longevity risk in the PGL Pension Scheme. These factors were partly offset by the recognition of a gain of £49 million (net of a £64 million impairment of associated acquired value of in-force business) in 2015 arising on the external reinsurance of a portfolio of annuity liabilities with RGA International.

Selected historical key financial information of Standard Life Assurance

The tables below set out Standard Life Assurance’s summary selected combined financial information as at and for the years ended 31 December 2017, 2016 and 2015. The data has been extracted without material adjustment from Standard Life Assurance’s combine historical financial information as at and for the years ended 31 December 2017, 2016 and 2015.

Summary selected statement of combined income

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Total net revenue.....	15,516	18,054	7,869
Total expenses.....	14,965	17,544	7,540
Profit before tax.....	551	510	329
Total tax expense.....	207	271	120
Profit for the year	344	239	209

		<i>Summary selected combined statement of financial position</i>		
		Year ended 31 December		
		2017	2016	2015
		(£ million)		
		Total assets	183,388	181,575
		Total net investment	3,120	3,027
		Total liabilities	180,268	178,548
		Total equity and liabilities	183,388	181,575
			169,941	169,941
		<p>A summary of the significant factors impacting Standard Life Assurance's financial condition and operating results during the years ended 31 December 2017, 2016 and 2015 is set out below.</p> <p>Standard Life Assurance's profit after tax for the year ended 31 December 2017 was £344 million (2016: £239 million). The increase of £105 million from the prior year reflects the impact of net outflows in Standard Life Assurance's older books of business, offset by a reduction in investment return and the associated effect on third party interest in the consolidated investment funds.</p> <p>Standard Life Assurance's profit after tax for the year ended 31 December 2016 was £239 million (2015: £209 million). The increase of £30 million from the prior year reflects the increase in investment return from positive equity performance and reduced yields generating gains on debt securities, offset by increases in liabilities as a result of these factors.</p>		
B.8	Selected key <i>pro forma</i> financial information	Not applicable. New Phoenix is a newly incorporated company which has not traded since its incorporation and, prior to the Scheme becoming effective, will not own any assets or have any liabilities. As a result of the Scheme becoming effective, New Phoenix will become the new holding company of the Group and its assets, liabilities and earnings on a consolidated basis will be those of the Group.		
B.9	Profit forecast or estimate	Not applicable. There is no profit forecast or estimate included in this Prospectus.		
B.10	Qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications to the auditors' report on the historical financial information of Phoenix.		
B.11	Working capital – qualifications	Not applicable. New Phoenix is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months following the date of this Prospectus.		

SECTION C – SECURITIES

Element	Disclosure Requirement	Disclosure
C.1	Type and class of securities	<p>New Phoenix is proposing to list up to 725,000,000 New Phoenix Shares, with a nominal value of 10 pence each, which will be fully paid.</p> <p>When admitted to trading, the New Phoenix Shares will be registered with ISIN: GB00BGXQNP29 and SEDOL: BGXQNP2.</p>
C.2	Currency of the securities issue	The currency of the issue is pounds sterling, the lawful currency of the United Kingdom.
C.3	The number of issued and fully paid Shares	As at the Latest Practicable Date, New Phoenix had in issue two ordinary shares of 10 pence each (each of which are fully paid or credited as fully paid), and 50,000 redeemable shares of £1.00 each (each of which are fully paid or credited as fully paid), and the nominal share capital of New Phoenix amounted to £50,000.02.
C.4	Rights attaching to the New Phoenix Shares	<p>The rights attaching to the New Phoenix Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of New Phoenix.</p> <p>On a show of hands every holder of New Phoenix Shares (each, a “New Phoenix Shareholder”) who is present in person shall have one vote and on a poll every New Phoenix Shareholder present in person or by proxy (including as instructed by, or represented by, Old Phoenix DI Holders), shall have one vote per New Phoenix Share.</p> <p>Except as provided by the rights and restrictions attached to any class of New Phoenix Shares, New Phoenix Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.</p>
C.5	Restrictions on the free transferability of the securities	There are no restrictions on the transferability of the New Phoenix Shares.
C.6	Admission	Applications will be made to the FCA and to the LSE for the New Phoenix Shares to be admitted to the premium listing segment of the Official List of the FCA and to trading on the LSE’s main market for listed securities respectively. It is expected that Admission will become effective on 13 December 2018 and that dealings in the New Phoenix Shares will commence as soon as practicable after 8.00 a.m. on that date.
C.7	Dividend policy	<p>Following the occurrence of the Scheme Effective Date, and subject to the approval of the New Phoenix board of directors, New Phoenix intends to adopt an equivalent dividend policy to the current Old Phoenix policy. This dividend policy will reflect the Directors’ view that, given the long-term run-off nature of the Group’s business, it is prudent to maintain a stable, sustainable dividend.</p> <p>Old Phoenix’s dividend per share was 50.2 pence in respect of the year ended 31 December 2017. When taking into account the bonus adjustment associated with the rights issue completed at the time of</p>

		<p>the Abbey Life Acquisition, the equivalent dividend per share was 46.6 pence in respect of the year ended 31 December 2016 and 45.4 pence in respect of the year ended 31 December 2015.</p> <p>Supported by the additional long-term cashflows arising from the Acquisition, Old Phoenix announced on 23 February 2018 that it expects to increase its annualised dividend to £338 million from the date of the final 2018 dividend versus the current standalone annualised dividend of £197 million. Taking into account the impact of the Rights Issue and the associated bonus adjustment, this is approximately equivalent to a 4.3 per cent. increase in the dividend per share based on the share price of 772 pence as at 29 May 2018. Given the long-term run-off nature of the Group's business, the Directors believe it is prudent to maintain its stable and sustainable dividend policy going forward.</p> <p>The Group currently maintains a significant regulatory capital surplus that is resilient to market movements. This provides further support for its stable and sustainable dividend policy.</p> <p>New Phoenix has not traded since incorporation and lacks distributable reserves. This could restrict New Phoenix's ability to pay future dividends. Therefore, shortly after Admission, New Phoenix proposes to carry out a capital reduction of the issued share premium to create distributable reserves to facilitate future dividend distributions. This will be effected by way of a court approved reduction of capital governed by the Companies Act.</p>
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SECTION D – RISKS

Element	Disclosure Requirement	Disclosure
D.1	Key risks specific to the Group and its industry	<p><i>Risks relating to integration</i></p> <p>The Group is subject to risks relating to integration of past or prospective acquisitions:</p> <ul style="list-style-type: none"> ● the Group may be unable to integrate past or prospective acquisitions successfully and/or in a timely manner, which could materially adversely affect the Group's growth; ● there will be numerous challenges with the transition of the migration and separation from Standard Life Aberdeen, transition of Standard Life Assurance and the synergies expected from the transition may not be fully achieved; and ● the risk that New Phoenix has limited management resources and thus may become overstretched by the process of migrating/transitioning Standard Life Assurance and managing the Group. <p><i>Key risks specific to the Group and its industry</i></p> <p>The Group's business is subject to the following key risks stemming from the economy and the performance of financial markets generally:</p> <ul style="list-style-type: none"> ● risks arising from economic conditions in the United Kingdom and other markets in which it operates or in which its and its policyholders' investments are invested; ● risks arising from Brexit and any possible future second referendum on Scottish independence;

		<ul style="list-style-type: none"> ● significant declines in equity markets, bond markets or property prices, significant movements in swap yields relative to gilt yields or changes in interest rates and inflation risks; ● competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute its proposed M&A strategy; ● the Group may be adversely affected by changes in interest rates and inflation risks; ● defaults in relation to investments and financial investments and by counterparties; and ● the risk of any downgrade of the Group’s credit rating. <p>The Group’s business is subject to the following key regulatory risks:</p> <ul style="list-style-type: none"> ● changes in law and regulation, changes in interpretation or emphasis with respect to existing law and regulation and/or industry-wide changes in approach to law and regulation; ● the risk of potential intervention by the FCA, the PRA, the Central Bank of Ireland (the “CBI”) and other regulators, including on industry-wide issues and to other specific investigations, reports and reviews, as well as individual and groups of customers referring disputes with the Group to the Financial Ombudsman Service (“FOS”); ● potential changes in regulatory capital and other requirements; ● the thematic review on the fair treatment of long-standing customers in the life insurance sector; and ● the thematic review on annuity sales practices. <p>The Group’s business is subject to the following key operational risks:</p> <ul style="list-style-type: none"> ● changes in accounting standards and assumptions may lead to increases in the level of provisioning or additional provisions being made; ● risks relating to the dependence of the Holding Companies upon distribution from their subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments; ● the ability of certain members of the Group to pay dividends may be restricted, or a failure to pay dividends according to the Group’s dividend policy, or future changes to the Group’s dividend policy; ● changes in actuarial assumptions that, amongst others, may lead to increases in the level of reserving and regulatory capital required to be maintained; ● the Group may fail to reduce the expenses of managing long-term business in line with the run-off profile of its funds; ● the Group’s risk management policies and procedures may not be effective; ● the risk of adverse market perception relating to any reputational damage suffered by the Group, particularly because the Group operates in a highly regulated industry; ● liabilities relating to product guarantees may increase, which may adversely affect the Group; ● risks arising from new business that the Group is involved in;
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		<ul style="list-style-type: none"> ● risks related to the Group’s participation in the bulk annuity market; ● the Group may fail to attract, motivate and retain key personnel; and ● the Group may be required to make further contributions, in addition to those already agreed, to its defined benefit pension schemes. <p>The Group’s business is subject to the following key risks as a result of the actions of third parties and other counterparties involved in its business:</p> <ul style="list-style-type: none"> ● the risks of defaults in relation to investments and financial investments and by counterparties; ● risks relating to the Group’s reliance on third party asset management firms to manage the Group’s assets; ● the Group may experience difficulties from outsourcing relationships; ● the Group may be unable to maintain the availability of its systems and safeguard the security of its data; ● third party reinsurers may be unwilling or unable to meet their obligations under reinsurance contracts, or vary or reduce the nature and scope of their cover; ● the withdrawal of assets from investment management agreements may expose the Group to purchase price adjustments; and ● legal and arbitration proceedings could cause the Group to incur significant expenses. <p>The Group’s business is subject to the following additional risks:</p> <ul style="list-style-type: none"> ● the Group may be materially adversely affected by its indebtedness; ● the Group’s finance facilities and debt instruments include covenants that may restrict the Group from taking certain actions; ● future changes in tax legislation (including in relation to specific products) may adversely impact the Group; and ● changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group. <p>The Group’s business is subject to the following risks relating to the Scheme and the New Phoenix Shares:</p> <ul style="list-style-type: none"> ● the Scheme Effective Date is subject to certain conditions which may not be satisfied; ● the risk that there is no existing market for the New Phoenix Shares and an active trading market for the New Phoenix Shares may not develop or be sustained; ● New Phoenix Shares may be subject to market price volatility; ● the risk that New Phoenix Shareholders in the United States and other jurisdictions outside of the United Kingdom may not be able to participate in future equity offerings; ● not all rights available to shareholders under US law will be available to holders of the New Phoenix Shares; ● the transfer restrictions imposed on shareholders in the United States may make it difficult to resell the New Phoenix Shares or
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		<p>may have an adverse impact on the market price of the New Phoenix Shares generally;</p> <ul style="list-style-type: none"> ● New Phoenix's ability to pay dividends in the future depends, among other things, on the Group's financial performance and capital requirements and the New Phoenix Reduction of Capital; ● the risk that the issuance of additional New Phoenix Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings; ● overseas shareholders may be subject to exchange rate risk; and ● New Phoenix is a holding company with no business operations of its own and depends on its subsidiaries for cash, including in order to pay dividends.
D.3	Key information on the key risks specific to the New Phoenix Shares	<ul style="list-style-type: none"> ● There is currently no active market for the New Phoenix Shares and an active trading market may not develop nor be sustained. ● If a market develops, New Phoenix Shares may be subject to market price volatility and the market price of the New Phoenix Shares may decline disproportionately in response to developments that are unrelated to the Group's operating performance, or as a result of the issuance of additional New Phoenix Shares in the future, and New Phoenix Shareholders could earn a negative return or no return on, or otherwise experience a dilution of, their investment in New Phoenix. ● New Phoenix Shareholders in the United States and other jurisdictions outside of the United Kingdom may not be able to participate in future equity offerings.

SECTION E – OFFER

Element	Disclosure Requirement	Disclosure
E.1	Total net proceeds and estimated total expenses of the Offer	<p>Not applicable. There is no offer of New Phoenix's securities pursuant to this Prospectus so there are no net proceeds receivable by New Phoenix.</p> <p>The total costs and expenses relating to the issue of this Prospectus, Admission and the implementation of the Scheme are estimated to amount to approximately £6 million (inclusive of VAT) and are payable by the Group.</p>
E.2a	Reasons for the offer, use of proceeds and estimated net amount of proceeds	<p>Not applicable. There is no offer of New Phoenix's securities pursuant to this Prospectus so there are no net proceeds receivable by New Phoenix.</p>
E.3	Terms and conditions of the Offer	<p>Not applicable. There is no offer of New Phoenix's securities pursuant to this Prospectus.</p>
E.4	Interests that are material to the Offer including conflicting interests	<p>There are no interests, including conflicting interests, that are material to the Proposals, other than those disclosed in B.6 above.</p>

E.5	Name of the person or entity offering to sell the securities and details of any lock-up agreements	Not applicable. There is no offer of New Phoenix's securities pursuant to this Prospectus and there are no selling shareholders.
E.6	Dilution	Not applicable. No New Phoenix Shares will be publicly offered and sold under this Prospectus, which is published by New Phoenix in connection with Admission.
E.7	Estimated expenses charged to the investor	Not applicable. No expenses will be directly charged to the investors by New Phoenix.

RISK FACTORS

Any investment in the New Phoenix Shares is subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Phoenix Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus and all of the information incorporated by reference into this Prospectus, including, in particular, the risk factors described below, and their personal circumstances, prior to making any investment decision. Some of the following factors relate principally to the Group's business, whereas other factors relate principally to an investment in the New Phoenix Shares. The Group's business, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such case, the market price of the New Phoenix Shares may decline and investors may lose all or part of their investment.

*Prospective investors should note that the risks relating to the Group, its industry and the New Phoenix Shares summarised in the section of this Prospectus headed "Summary" are the risks that the directors of New Phoenix as at the date of this Prospectus or, where the context so requires, the directors of New Phoenix from time to time (the "**Directors**") believe to be the most essential to an assessment by a prospective investor of whether to invest in the New Phoenix Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.*

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Phoenix Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, operating results and financial position and, if any such risk or risks should occur, the price of the New Phoenix Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Phoenix Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO INTEGRATION

The Group may be unable to integrate past or prospective acquisitions successfully and/or in a timely manner, which could materially adversely affect the Group's growth.

Acquisitions may strain the Group's management and financial resources. Among the risks associated with the integration of acquisitions that could materially adversely affect the Group's growth, are the following:

- the Group may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses, such as costs and issues relating to monitoring, hiring and training of new personnel, or the integration of IT and accounting and internal control systems;
- the Group may incur costs associated with revamping or rebranding newly acquired businesses or developing appropriate risk management and internal control structures for operations in a new market, or understanding and complying with a new regulatory scheme;
- increased investments may be needed in order to understand new markets and follow trends in these markets in order to effectively compete; and
- an acquisition may not achieve anticipated synergies or other expected benefits.

Following the integration of an acquired business into the Group, such acquired business may not be able to generate the expected margins or cash flows. For further information on the risks associated with acquisitions more generally, see "*Risks Relating to the Group—Economy and Financial Markets – Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute its M&A strategy and future acquisitions and disposals, which could have an adverse effect on the Group*" below.

The Group's success will be dependent upon its ability to integrate any businesses it purchases into its existing businesses; there will be numerous challenges associated with the migration and separation from Standard Life Aberdeen, transition of Standard Life Assurance and the synergies expected from the transition may not be fully achieved.

The operations of the Old Phoenix businesses and the Standard Life Assurance businesses are undergoing a transition to form the combined operations of the Group over a period of at least three to four years. Whilst Old Phoenix has demonstrable experience in integrating businesses and is able to draw on its skilled resource pool, the scale of transition relating to Standard Life Assurance provide additional challenges for the Phoenix businesses. Following the completion of: (i) the acquisition of AXA Wealth Limited's ("AWL") pensions and protections business ("**SunLife Embassy Business**") in November 2016 (the "**AXA Transaction**"); and (ii) the acquisition of Abbey Life Assurance Company Limited ("**ALAC**"), Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited (together, "**Abbey Life**") in December 2016 (the "**Abbey Life Acquisition**"), full integration of these businesses is now complete, with cost synergies of £27 million per annum, £10 million higher than the original target announced. However, Standard Life Assurance is a materially larger and more complex business with a strong culture and strong brand identity relative to the other businesses previously acquired by Phoenix. To the extent that the Group's management is unable to efficiently transition the operations within proposed timeframes, realise anticipated cost reductions, retain qualified personnel or customers and avoid unforeseen costs or delay, or the transfers of employees or assets from Standard Life Aberdeen to Standard Life Assurance are disrupted or do not occur, there may be an adverse effect on the business, results of operations, financial condition and/or prospects of the Group. Whilst the Directors believe that the costs and synergies expected to arise have been estimated on a reasonable basis, more information may come to light, unanticipated events or liabilities may arise (whether as a result of a decision or action taken by a regulator with jurisdiction over the Group's business or otherwise) which could result in a delay or reduction in the benefits derived from the transition, or an increase in costs significantly in excess of those estimated. The transition of the businesses is supported by a management team with experience of large transition processes and cost reduction exercises. However, no assurance can be given that the significant transition process will deliver all or substantially all of the expected benefits or that benefits will be realised in a timely manner and the Group recognises that the relative scale, scope, geographies and number of employees in the Standard Life Assurance business, in comparison to the Group's business, gives rise to additional complexity compared to prior acquisitions undertaken by the Group.

The Group has significantly enhanced its existing long-term strategic partnership with Standard Life Aberdeen. Key components of that partnership include a reciprocal Transitional Services Agreement, a Client Service and Proposition Agreement (whereby the Group provides workplace products, pension products and onshore and offshore bond products that Standard Life Aberdeen act as distributor for) and an extended and enhanced investment management relationship. Under the Transitional Services Agreement, Standard Life Assurance will provide to and receive services from Standard Life Aberdeen, and will continue to do so until the two businesses fully separate. IT infrastructure and data are the most material elements of the separation process and mismanagement of these, or any other service underlying the enhanced strategic partnership, could result in material financial detriment to the Group and reputational damage.

Under any of the foregoing circumstances, the growth opportunities, cost reductions, purchasing and distribution benefits, capital and other synergies anticipated may not be achieved as expected, or at all, or may be materially delayed. To the extent that the Group incurs higher transition costs or achieves lower synergy benefits than expected, its business, results of operations, financial condition and/or prospects, and the price of the New Phoenix Shares, may be adversely affected.

New Phoenix has limited management resources and thus may become distracted or overstretched by the process of migrating/transitioning Standard Life Assurance and managing the Group.

The Group is required to devote significant management attention and resources to migrating and transitioning the Standard Life Assurance businesses. This activity may distract management from existing operational objectives for the Group. Furthermore, Standard Life Assurance is a materially larger and more complex business relative to other businesses the Group has acquired and integrated in the past, which may require skills and expertise that the existing management team do not currently have, leading to unforeseen delays and an inability to achieve the required objectives. There is a risk that the challenges associated with migration and integration or transition under any of the circumstances above, and/or those associated with other actual or potential acquisitions, may result in overstretch of management and the deferral or reduced effectiveness of certain planned management

actions. Consequently, the Group's business may not perform in line with management or shareholder expectations, which could have an adverse effect on the Group's business, results, financial condition and prospects.

RISKS RELATING TO THE GROUP

Economy and Financial Markets

The Group's business is subject to risks arising from economic conditions in the United Kingdom and other markets in which it operates or in which its and its policyholders' investments are invested and from risks arising from the vote by the United Kingdom to leave the European Union, also known as "Brexit", and any possible future further referendum on Scottish independence.

The Group's business is subject to risks arising from general and sector-specific economic conditions in the markets in which it operates or invests, particularly the United Kingdom, in which the Group's earnings are and will be predominantly generated and in which its and its policyholders' investments are predominantly invested. Although under drawdown or accumulation policies investment risks are often borne, in whole or in part, by its policyholders in accordance with the terms of the relevant policies, fluctuations in investment markets and the general rate of inflation will, directly and indirectly, affect the financial position of the Group including its value, reserving and regulatory capital requirements and results. In addition, the Group bears risk in respect of products where the benefits are not aligned with the investment performance of the assets which support them. Substantial decreases in the value of investments could lead to shareholder capital of the Life Companies being required to meet obligations to policyholders and reserving and regulatory capital requirements and could restrict the ability of the Life Companies to distribute dividends or release capital to service debt or pay Shareholder dividends. Decreases in the value of investments may lead to policyholders terminating their policies with the Group as they may seek to reduce their exposure to the Group's investments. Decreases in the value of investments could also require further capital to be held to cover pension scheme obligations.

The exact impact of market risks faced by the Group is uncertain, difficult to predict and respond to, in particular, in view of: (i) the unpredictable consequences of the vote by the United Kingdom to leave the European Union, also known as "Brexit"; (ii) difficulties in predicting the rate at which any economic deterioration may occur, and over what duration; and (iii) the fact that many of the related risks to the business are totally, or partly, outside the control of the Group.

As part of contingency planning for Brexit, the Group intends to transfer the Irish and German branches of Standard Life Assurance into Standard Life International Designated Activity Company ("SLIDAC") (a wholly-owned Irish subsidiary of Standard Life Assurance) by way of a Part VII transfer in early 2019. Standard Life Assurance estimates indicate that SLIDAC will require approximately £250 million of additional capital from SLAL under their central scenario. Furthermore, there is a potential that in the absence of mitigating actions, this Part VII transfer could increase the Group SCR in the period prior to receipt of PRA approval for a single harmonised Solvency II Internal Model that incorporates Standard Life Assurance. See "*Regulatory Risks – Regulatory capital and other requirements may change*" below.

Furthermore, Brexit has adversely affected the global markets. Brexit, and the final departure of the United Kingdom from the European Union, could further lead to volatility in the value of securities listed on the LSE's main market for listed securities, including the New Phoenix Shares.

The majority of Standard Life Assurance's businesses are situated in Scotland. Scotland's First Minister has called for a further referendum on Scottish independence from the rest of the UK. On 9 October 2018, the First Minister confirmed that any decision by the Scottish government to introduce legislation for a referendum would be dependent on the outcome of the UK's Brexit negotiations. It is uncertain whether any such referendum will in fact occur, what the outcome would be, and, if a referendum occurred and Scotland voted to leave the UK, what Scotland's future relationship with the rest of the UK and the European Union (the "EU") would be. The consequences of a potential future referendum on the economy and the Standard Life Assurance businesses are therefore uncertain.

The Standard Life Assurance businesses also operate through branches in Ireland, Austria and Germany (with approximately £17 billion of assets under administration ("AUA") as at 31 December 2017, representing approximately 10 per cent. of its total AUA). As a result, economic conditions in Ireland, Austria and Germany will be of greater significance to the Group than they were prior to

completion of the Acquisition, which could be adversely affected by factors such as the nature of the UK-Ireland border after Brexit and the coalition government in Germany.

Economic conditions in the United Kingdom and other markets in which the Group operates or in which the Group's or their policyholders' investments are invested could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

Competition, regulatory restrictions and an inability to raise acquisition financing in the future may make it difficult for the Group to execute its M&A strategy and future acquisitions and disposals, which could have an adverse effect on the Group.

The Group's strategy includes the disciplined acquisition of companies and portfolios that have a closed life focus in order to offset the natural decline inherent in a largely closed book business as well as to grow the business and create additional value from scale advantages.

The Group's ability to acquire closed life companies and portfolios will depend upon a number of factors, including its ability to identify suitable acquisition opportunities, its ability to consummate acquisitions on favourable terms and the Group's ability to obtain financing to make acquisitions and support growth (for example, through new business or bulk purchase arrangements). Additionally, the Group's ability to obtain required regulatory consents from the FCA and PRA and other relevant regulatory authorities for acquisitions, disposals and insurance business or portfolio transfers (including under Part VII of FSMA) will depend on, amongst other things, the financial condition of the Group, the financial implications of any acquisition of the Group, the impact of such implications on new and existing policyholders and wider risks to policyholder security.

There are other closed life fund consolidators as well as a number of other potential purchasers for closed life companies, including other insurance companies, banks, hedge funds and private equity firms, which may result in increased competition (and therefore higher prices paid). External factors which influence sector participants' decisions to seek to dispose of their insurance interests could also impact the Group's ability to make acquisitions.

In connection with any future acquisitions, the Group may experience unforeseen difficulties as it integrates the acquired companies and portfolios into its existing operations. These difficulties may require significant management attention and financial resources.

In addition, future acquisitions involve risks more generally, including:

- due diligence investigations not identifying material liabilities or risks within the acquired business or adequately assessing the value of the acquired business;
- difficulties in integrating the risk, financial, technological and management standards, processes, procedures and controls of the acquired business with those of the Group's existing operations;
- challenges in managing the increased scope and complexity of the Group's operations;
- triggering or assuming liabilities, including employee pension liabilities;
- failure to achieve the anticipated benefits and synergies from acquisitions;
- distraction of management from existing businesses;
- unexpected losses of key employees of the Group and the acquired business;
- the value of any acquired business being less than the consideration paid as a result of adverse events affecting the value;
- changing the structure of the Group which may result in a reduction in brought forward tax losses; and
- New Phoenix being placed under negative watch by rating agencies or losing its investment grade rating due to the inherent risks of acquisitions such as an increase in leverage ratio and the failure to successfully integrate acquisitions.

If the Group decides to dispose of a company which it owns, or the business or assets of such a company, such as a block of annuities, there is no guarantee that it will find a purchaser for such a company, business or assets, or that a potential purchaser will have the same view of the value of such company, business or assets. In addition, significant acquisitions and disposals by the Group are likely to require regulatory approval and/or the consent of the Group's bank lenders or pension trustees and there can be no assurance that the Group would be able to obtain such approvals or consents. Any of these factors may mean that the Group is unable to realise the target value of such company, business or assets.

If the Group is unable to acquire additional closed life companies and portfolios in line with its strategy or successfully meet the challenges associated with any future acquisitions or disposals, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

Significant declines in equity markets, bond markets or property prices, or significant movements in swap yields relative to gilt yields, could have an adverse effect on the Group.

As at 30 June 2018, funds of the Phoenix Life Companies were invested as follows: 39 per cent. in government, supranational, corporate debt and other fixed income securities; 15 per cent. in cash and cash equivalents; 30 per cent. in equity securities; 2 per cent. directly in property; and 14 per cent. in other investments.

As at 31 December 2017, funds of Standard Life Assurance were invested as follows: 34 per cent. in government, supranational, corporate debt and other fixed income securities; 5 per cent. in cash and cash equivalents; 30 per cent. in equity securities; 5 per cent. directly in property; and 26 per cent. in other investments.

Although, subject to certain guaranteed benefits (see paragraph below), policyholders bear most of the impact of falls in equity, debt and property values in accordance with the terms of their policies, significant decreases in the market prices of the Group's equity, debt and property investments could reduce the amounts available to fund its long-term policyholder obligations. This, in turn, could increase liquidity risks and could lead to shareholder capital of the Life Companies being retained or shareholder capital available within the Group being required to be injected into the Life Companies to meet obligations to policyholders and regulatory capital requirements. Further capital could also be required to cover the Group's pension scheme obligations (see "*Internal Operations and Management – The Group may be required to make further contributions, in addition to those already agreed, to its defined benefit pension schemes for employees if the value of or cashflows from pension fund assets is not sufficient to cover future obligations under the schemes*" below).

Certain of the benefits due to policyholders do not track the performance of the underlying investments held in respect of their policies, in particular some of the Group's annuity policies, protection policies, with-profit policies and a number of the Group's unit-linked policies offer guaranteed benefits which are uncorrelated to investment performance. These policies increase the Group's financial exposure to investment risk because members of the Group are exposed to the mismatch between performance and the benefits it has to offer policyholders. The Group has implemented hedging arrangements which seek to protect it to an extent against declines in equity markets but not all investment exposure is hedged and it may not be possible, feasible or desirable to hedge such exposure in the future. To the extent that these exposures have not been hedged, the Group may have to meet the mismatch between the benefits to be paid under the policies and the performance of the underlying assets.

Relative movements in credit spreads, gilt yields and swap yields may affect the calculated value of the assets and liabilities of the Group and different financial and actual metrics which are applied to the Group (including those in this Prospectus) will respond in different ways. For example, the market value of the Group's holdings in gilts will move in line with changes in gilt yields, whereas the Group's holdings in certain other assets such as swaps, swaptions and other derivatives will move in line with swap yields. For reporting under the Solvency II Directive (2009/138/EC) ("**Solvency II**"), and the calculation of reserving and regulatory capital, the Group's liabilities generally move in line with swap yields. Changes in the relative swap yields versus gilt yields could therefore have adverse impacts on the Group's regulatory capital position and its Own Funds (as defined below), and the impacts may not move in a linear fashion. The Group implements hedging arrangements which seek to partially mitigate some changes in relative yields but not all exposure is hedged and it may not be possible, feasible or desirable to hedge all such exposures in the future. Similarly, movements in credit spreads may also adversely impact on the Group's capital and profit positions. Asset valuations change by reference to the entire change in the credit spread, whereas the liability calculation may not reflect fully or may not reflect at all the movement in credit spread, depending on the type of business and the metric being considered.

The Group holds a portfolio in excess of £5 billion of illiquid credit assets (including equity release mortgages, local authority loans, commercial real estate loans, and infrastructure debt), and the Group's business plan targets further material investments in illiquid credit assets in the future. A significant decline or sustained future declines in UK residential house prices could cause losses on the equity release mortgages portfolio, which is secured on residential property. Future adverse

deviations in the mortality or voluntary repayment experience of lifetime mortgage borrowers could also cause losses on the equity release mortgages portfolio. The performance of the Group's illiquid credit asset portfolio is sensitive to movements in interest rates, credit spreads and credit default experience.

Other EU countries may seek to conduct their own referenda on their continuing membership of the European Union or other issues (for example, Catalan independence). Brexit, other referenda or political instability could adversely affect UK, European or worldwide economic or market conditions and could contribute to instability and volatility in global financial markets, which could act as a drag on the relative valuations of UK equities or other companies making use of the European single market, with a negative impact on insurers, such as the Group whose assets are exposed to UK and other markets. Economic and political instability may also impact on foreign exchange and interest rates, which will also have an impact on the value of an insurer's investment portfolio, or any collateral that it holds. The Group's European business will generate profit in Euros and will accordingly be exposed to any devaluation in the currency.

Any significant declines in equity markets, bond markets, interest rates (including for sovereign debt) or property prices, or significant movements in swap yields relative to gilt yields or credit spreads, and corresponding changes to reserving and regulatory capital requirements, could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group may be adversely affected by changes in interest rates and inflation risks.

The Group's exposure to interest rate and inflation risks relates primarily to the variability of market prices and cashflow of assets relative to liabilities associated with changes in interest and inflation rates.

The Group's obligations to pension schemes and policyholders vary as interest rates fluctuate as they are discounted based on the level of long-term interest rates. As a result, a reduction in long-term interest rates or negative interest rates increases the amount of the Group's liabilities. The Group attempts to match a significant proportion of its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the underlying liabilities. However, to the extent that such asset-to-liability matching is not practicable or fully achieved, there may be differences in the impact of changes in interest rates on assets and liabilities, which could have a material adverse effect on the Group's business, results, financial condition and prospects. Changes to inflation rates could also have an adverse impact on the Group primarily as a result of increased pension scheme obligations or where a Group member holds policies which afford policyholders inflation-linked benefits.

The Group's with-profit funds are exposed to additional interest rate risk as the funds' guaranteed liabilities are valued based on market interest rates, with the funds' investments including fixed-interest investments and derivatives. As a result, declines in interest rates or negative interest rates could materially decrease the amount of distributions from the Group's with-profit funds which are available to policyholders or shareholders, and this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Life Companies are required to hold a risk margin under Solvency II. This risk margin will increase significantly if there is a material fall in long-term interest rates. The Life Companies expect to be able to offset the impact of such a fall through applying to the PRA (or the CBI, in the case of SLIDAC) for a recalculation of the transitional measures on technical provisions. If the PRA (or the CBI, in the case of SLIDAC) does not approve such a recalculation, then the impact of such a fall would be greater.

On 23 July 2014, Old Phoenix entered into the Revolving Credit Agreement, as amended and restated on 21 March 2016, 24 October 2016, 20 February 2017 and 30 March 2017 and as amended on 2 May 2018. Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate principal amount equal to £900 million, which bears a floating rate of interest.

On 23 February 2018, Old Phoenix entered into the Acquisition Facility Agreement, as amended and restated on 18 July 2018. Under the Acquisition Facility Agreement, the lenders made available a sterling term loan facility, for the purposes of the Acquisition, in an aggregate principal amount equal to £600 million, which bears a floating interest rate and which is currently undrawn. Following completion of the Acquisition, the undrawn commitments under the Acquisition Facility Agreement remain available for general corporate purposes.

Movements in interest rates can impact the price of fixed rate debt or the interest cost of variable rate debt (if any). Due to the long-term nature of the liabilities of the Life Companies, sustained declines in long-term interest rates and negative interest rates may also subject the Group to reinvestment risks and increased hedging costs. Declines in credit spreads may also result in lower spread income. During periods of declining interest rates, issuers may prepay or redeem debt securities that the Group owns, which could force the Group to reinvest the proceeds at materially lower rates of return. This could, in the absence of other countervailing changes, cause a material increase in the net loss position of the Group's investment portfolio, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

Defaults in relation to investments and financial investments and by counterparties may adversely affect the Group.

The Group is exposed to counterparty risk. Such counterparty risk may be manifested in deterioration in the actual or perceived creditworthiness of, or default by, issuers of the securities or other financial instruments forming part of the Group's investments. For instance, assets held to meet obligations to policyholders include corporate bonds and other debt securities. Counterparty risk may also include the risk of counterparties failing to meet all or part of their obligations, such as reinsurers failing to meet obligations assumed under reinsurance arrangements, or bulk purchase agreements or derivative counterparties or stock-borrowers failing to pay as required. Counterparty defaults could have a material adverse effect on the Group's business, results, financial condition and prospects. An increase in credit spreads, particularly if it is accompanied by a higher level of issuer defaults, could have a material adverse impact on the Group's financial condition although some of this risk is shared with policyholders.

Furthermore, securities which have been loaned could be redelivered and it may then prove difficult or impractical to return collateral held against those securities in the event that this collateral had been reinvested in assets which have become illiquid.

In the event of a counterparty becoming distressed or insolvent the applicable insolvency regime and/or regulatory resolution regime may apply, potentially resulting in the Group receiving less than a full recovery in respect of amounts due to it. In addition, in the case of bulk purchase agreements (some of which are high value contracts), the Pension Protection Fund, as established under the Pensions Act 2004, may adjust the relevant contract or the liabilities under the contract, potentially resulting in negative outcomes for the Group.

Additionally, the underlying collateral supporting a counterparty's securities-redelivery obligation could be invested by collateral managers in a manner that breaches the terms of their investment mandates, causing the Group to incur losses on its securities-lending transactions, with potential material adverse effects on the Group's business, results, financial condition and prospects.

Any downgrade of the Group's credit rating could increase its borrowing cost and weaken its market position.

Given the existing indebtedness in the Group and its acquisitive nature, the Group is dependent on its ability to access the capital markets and its cost of borrowing in these markets is influenced by the credit rating supplied by Fitch. Any downgrading of the credit rating could increase the Group's borrowing cost and may weaken its position in the market. Changes in the methodology and criteria used by Fitch could result in downgrades that do not reflect changes in general economic conditions or the financial condition of the Group.

Regulatory Risks

The Group operates in a regulated sector and its operations and practices may be affected by changes in law and regulation, changes in interpretation or emphasis with respect to existing law and regulation and/or industry wide changes in approach to law and regulation.

The Group operates in the life and pensions sector in several jurisdictions, which, in each case, are the subject of continued legal and regulatory change. The legal and regulatory environments in which the Group operates may change, meaning that the Group has to change its practices. Such change can come in the form of a change in law or regulation. For example, (i) Solvency II (which became effective on 1 January 2016) increased the capital requirements on the Phoenix Life Companies and (ii) the General Data Protection Regulation (EU) 2016/679 (the "GDPR") (which became effective on 25 May 2018) increased the territorial scope of the existing EU data protection framework and imposed stronger sanctions on those who breach it, amongst other things. Alternatively, a relevant regulator may reinterpret or place new emphasis on an existing piece of law or legislation. For

examples of this see *“The thematic review on the fair treatment of long-standing customers in the life insurance sector may affect the Group’s business”* and *“The thematic review on annuity sales practices may affect the Group’s business”* below.

In the United Kingdom, a number of significant changes to law and regulation are currently being proposed or have relatively recently been implemented. In the pensions sector, the effect of certain new laws and regulations has not yet been fully realised, in part because the new laws and regulations may change customer behaviours. Of particular note are the series of legal, tax and regulatory changes that are described as “pensions freedoms”. One of the Group’s main lines of business is the management of customers’ pension policies and the provision of annuities. Historically, the UK’s tax regime provided favourable tax treatment for individuals who saved using their pension policies, but then limited the manner in which that tax treatment could be preserved except through the purchase of an annuity. In 2014, the government set in train reforms relating to how people are able to access their pension savings, part of the so called “pension freedoms”. On 1 April 2015, wide-ranging reforms of UK pensions legislation came into effect, including the cessation of the requirement for pension benefits to be taken in the form of an annuity and a requirement for customers to receive guidance on their options at the time of retirement. The advent of these freedoms resulted in a reduction in annuity sales. It is also possible that (as has happened since the advent of the reforms) there may continue to be a reduction in customer retention in particular when a customer with a pension policy would previously have been likely to buy an annuity. In addition, the UK government has announced a “pensions dashboard” proposal, which is expected to apply from 2019. This will allow customers to view all of their pension policies (across multiple providers). The Group is monitoring and projecting the impact of these reforms on its business, but the true impact will only become clear once relevant laws and regulations are implemented and, following that, a stable pattern of customer experience has emerged. Although, there is no directly equivalent legislation in Ireland and Germany in relation to “pension freedoms” and the introduction of a “pensions dashboard”, as in the UK, the relevant legal and regulatory landscape is subject to significant and continuous change.

The Group may experience changes in the value of its assets, liabilities and/or capital requirements as a result of the ongoing Global Benchmark Reform mandated by the Financial Stability Board (including the transition away from LIBOR to alternative interest rate benchmarks such as SONIA (the Sterling Over Night Index Average)), and any associated changes in regulatory policy made by the PRA, FCA, EIOPA, and other regulators in the jurisdictions in which the Group operates or has exposure to.

In addition to the already changing regulatory landscape, it is anticipated that Brexit will result in changes to the United Kingdom and European Union’s regulatory system. While the business of the Group primarily is situated in the United Kingdom, some of the changes to the regulatory system may affect the business of the Group (positively or negatively). Changes to law and regulation may also affect the regulation of UK business if the United Kingdom and European Union regulatory systems diverge and may also affect contracts (including derivative contracts) to which a UK business is party. The Group is exposed to the risk of counterparties failing to meet all or part of their obligations, such as derivative counterparties failing to pay as required, which could have a material adverse effect on the Group’s business, results, financial condition and prospects. As a result, it is possible that Brexit may require the Group to take mitigating action, or to change parts of its business.

The Phoenix Life Companies and SLAL make use of their passporting rights to service customers situated in member states of the European Union. Any negative change in barrier-free access between the European Union and the UK (for example, as a result of the European Union and the UK failing to agree terms for Brexit) may also affect the ability of the Group to rely on European Union market freedoms, in particular the free movement of services pursuant to Article 56 of the Treaty on the Functioning of the European Union and thus the operations and ongoing profitability of the Group. In particular, the ability of SLAL to service its German and Irish policies and policyholders may be impaired once the United Kingdom leaves the European Union. To address the risks associated with the anticipated loss of SLAL’s passporting rights when the UK leaves the EU, and to ensure it can continue to service its EU27 policyholders, SLAL intends to transfer all its Euro-denominated business to its Dublin based subsidiary, SLIDAC. This transfer is subject to Court and regulatory approvals. Where such policyholders are situated outside Ireland, SLIDAC will be able to use its passporting rights to administer the transferring policies. This is expected to reduce the extent to which the limitation or cancellation of SLAL’s passporting rights will impact the ability of the Group to continue to operate the aforementioned policies. In effect, after the transfer, the Group will

not be reliant on SLAL's passporting rights; instead it will use SLIDAC's. In addition, a variation to SLIDAC's regulatory permissions is necessary for it to be able to administer certain of the transferring policies. While it is anticipated that the transfer of the policies (and any necessary attendant variation of permissions) in question will occur prior to the United Kingdom leaving the European Union, it is possible that the transfer may be delayed due to the requirement of CBI and PRA approval for a single harmonised Solvency II Internal Model that incorporates Standard Life Assurance and SLAL's ability to operate such policies will be impaired.

The Group's main regulators are the PRA and the FCA in the United Kingdom. Outside the United Kingdom, SLIDAC is authorised and regulated in Ireland by the CBI. The Group also conducts business outside the United Kingdom and Ireland and the law and regulations of a number of other jurisdictions also apply to the Group. These jurisdictions include (but are not limited to) Hong Kong, Germany, Austria, Jersey, the Cayman Islands and the United States. In particular, it is intended that SLIDAC will sell and administer a significant number of products in Germany and Austria via a branch, which will result in SLIDAC having a presence in Germany and Austria. As a result, the Group may be subject to greater regulatory oversight by German and Austrian regulators in respect of its activities in the German and Austrian markets even though the Group does not have an authorised subsidiary in Germany or Austria. Law and regulation (and its interpretation) may change in any of the jurisdictions in which the Group operates or conducts business.

As a result, existing law and regulation (where the economic or other impact has not yet been fully realised), changes in law and regulation, changes in interpretation or emphasis in respect to existing law and regulation, industry wide changes in approach to regulation, and/or any failure by the Group to comply with applicable law and regulation, may individually or together have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is subject to potential intervention by the FCA, the PRA, the CBI, BaFin and other regulators on industry-wide issues and to other specific investigations, reports and reviews.

Members of the Group are regulated by the PRA, the FCA and the CBI. The PRA and FCA each has significant statutory powers in respect of the regulation of the Phoenix Life Companies, SLAL and the other regulated entities in the Group. While regulating the Phoenix Life Companies, SLAL and other regulated entities in the Group, the PRA, the FCA, the CBI and other regulators may make regulatory interventions using such powers, including through investigations, requests for data and analysis, interviews or reviews (including skilled persons reports under section 166 of FSMA). The PRA, the FCA and the CBI have each adopted an approach of intensive supervision in respect of the life and pensions sector. This is expected to continue. As a result, the Directors believe the incidence of regulatory interventions has the potential to increase.

The PRA, the FCA and the CBI may also carry out formal "thematic reviews" which are sector wide reviews or other informal sector wide inquiries in respect of a theme or common issue or a particular type of product. While these are not expressly targeted at only the Group, the Group has participated in, and expects to continue to participate in, such reviews from time to time. For further information on the thematic reviews the Group has recently been involved in, see the section headed "FCA thematic reviews" of Part II "Business Overview of the Group" of this Prospectus.

Regulatory intervention, including of the sort described above, may lead to the FCA, the PRA and/or the CBI (and other relevant regulators or bodies) requiring:

- specific remediation in respect of historic practices (which could include compensating customers, fines or other financial penalties);
- changes to the Group's practices;
- public censure; and/or
- the loss or restriction of regulatory permissions necessary to carry on the Group's business in the same manner as before, as well as changes to the Group's existing practices.

Certain companies in the Group, including the Life Companies and other regulated entities in the Group, are subject to regulation in foreign jurisdictions resulting in potential policyholder claims and regulatory intervention in those jurisdictions. In particular, while no member of the Group is authorised in Germany, SLAL has (and SLIDAC will have following the relevant Part VII transfer) a significant German business. The sale of life and pensions products in Germany is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin").

Such regulatory interventions could have a material adverse effect on the Group's business, results, financial condition and prospects, as well as damaging the Group's reputation.

Individual and groups of customers may refer their disputes with the Group to the Financial Ombudsman Service.

Disputes relating to the sale of financial services products by the Group in the UK are subject to the Financial Ombudsman Service ("FOS") regime. The FOS exists to resolve disputes involving individual or small business policyholder disputes. Applicants may pursue customary legal remedies if decisions are considered unacceptable. In addition to the FOS, certain of the Life Companies and other regulated entities within the Group are subject to non-UK regulation and may fall under the jurisdiction of a non-UK body similar or equivalent to the FOS.

From time to time, decisions taken by the FOS (or its non-UK equivalent) may, if extended to a particular class or grouping of policyholders, have a material adverse effect on the Group's business, results, financial condition and prospects.

Regulatory capital and other requirements may change.

Firms that are authorised to underwrite insurance, like the Phoenix Life Companies, SLIDAC and SLAL, are required to maintain reserves of assets to match their best estimate of their liabilities under the policies they have written. The excess of assets over liabilities is called "Own Funds", with specific rules about what types of asset are eligible and the proportion of Own Funds that each type of eligible asset may represent. Such firms are also required to maintain sufficient Own Funds to meet the solvency capital requirements ("SCR") under the Solvency II regime, under a standardised formula or an Internal Model (as described below). The Group maintains capital at target levels over and above a Group SCR, in accordance with its stated risk appetite. If the Group's excess over SCR is below these target levels, discretionary payments outside of the Group could continue to be made. However, the Board of Directors of New Phoenix would need to consider the circumstances leading to the shortfall, the expected timeline for restoring the Group's solvency capital to the target levels, as well as implications for other key financial metrics.

Since 1 January 2016, the Phoenix Life Companies, SLIDAC and SLAL have been required to carry out regulatory capital calculations under Solvency II, as described in the section headed "*Solvency II*" in Part III ("*Regulatory Overview*") of this Prospectus. The supervision of the Phoenix Life Companies' and SLAL's regulatory capital requirements is carried out by the PRA and the CBI carries out the same function for SLIDAC. Any existing regulations may be amended in the future or new regulations may be implemented. See the section headed "*Regulation applicable to the Group's insurance business*" in Part III ("*Regulatory Overview*") of this Prospectus. In particular, the regulatory capital and/or reserving position applicable to the Phoenix Life Companies, SLAL and SLPF may be modified by four matters which are within the PRA's discretion and which the Phoenix Life Companies, SLAL and SLPF (as applicable) could lose the benefit of: (i) a Solvency II Internal Model; (ii) the Matching Adjustment; (iii) the Volatility Adjustment; and (iv) the application of transitional provisions, as described below.

- *Solvency II Internal Model:* Solvency II requires that a separate "solo" SCR is determined for each authorised insurance company. In addition, Solvency II applies a group SCR, which takes into account the regulatory capital requirements of the Phoenix Life Companies, as well as certain features, strengths and weaknesses of the wider Group. The PRA has approved an agreed methodology and model to calculate the existing Group SCR pursuant to Solvency II (the "Solvency II Internal Model") The PRA has also approved a Solvency II Internal Model for SLAL and SLPF. SLIDAC calculates its SCR in accordance with Standard Formula. The Group intends to work with the PRA to harmonise to a single Solvency II Internal Model in the future, which incorporates Standard Life Assurance within it. This process may take a reasonable length of time and, in the period prior to receipt of PRA approval for a single harmonised Solvency II Internal Model, it is possible that the Group may need to hold additional capital to meet its capital requirements. In particular, following the Part VII transfer of Standard Life Assurance's Irish and German branches into SLIDAC, expected to take place in early 2019, it is possible that the Group may need to hold additional capital during this period (beyond that required at the SLIDAC entity level) or seek to undertake mitigating actions such as the restructuring of the Group's holding in SLIDAC such that it becomes a sister company of SLAL, and/or implement changes to the Solvency II Internal Model (all such actions being subject to regulatory approval). The Group may also be unable to agree changes to a single harmonised Solvency II Internal Model with the PRA in the future, which could

mean maintaining two internal models and/or being required to hold additional capital as applied by the PRA to reflect the risk profile of the Group. This could significantly increase the amount of regulatory capital the Phoenix Life Companies, SLAL, SLPF and/or other members of the Group have to hold.

- *Matching Adjustments:* The Phoenix Life Companies and SLAL apply a “matching adjustment” to certain long-term liabilities that are closely matched by an assigned matching adjustment portfolio of assets of equivalent nature, term and currency (“**Matching Adjustment**”). This Matching Adjustment partially mitigates the sensitivity of the balance sheet to changes in the market prices of assets held in the assigned matching adjustment portfolio, in funds where the Matching Adjustment is approved. The Matching Adjustment is subject to strict criteria and ongoing compliance in relation to maintenance of close matching, asset and liability characteristics and segregation of the management of the assigned matching adjustment portfolios. The Phoenix Life Companies and SLAL have permission from the PRA to apply the Matching Adjustment in respect of certain agreed portfolios of liabilities, thereby reducing the reserves and capital requirements associated with such liabilities. This may change in the future, including as a result of the PRA Consultation Paper 13/18 issued on 2 July 2018, which focuses on whether firms are making appropriate allowance for non-standard risks arising when equity release mortgages are included within their Solvency II matching adjustment portfolios. The proposals in this consultation paper were due to be implemented on 31 December 2018 however the PRA announced on 25 October 2018 that the implementation date will not be before 31 December 2019.
- *Solvency II Volatility Adjustment:* SLAL applies a “**Volatility Adjustment**” to substantially all of its long term liabilities other than unit-linked liabilities and liabilities to which a matching adjustment has already been applied. The purpose of the Volatility Adjustment is to prevent the requirement for market-consistent valuation of assets and liabilities under Solvency II from disincentivising insurers from investing in assets that it would otherwise be appropriate for the insurer to hold, taking into account the nature and duration of their insurance liabilities. The Volatility Adjustment aims to mitigate ‘artificial’ balance sheet volatility caused by short-term market volatility in the value of assets by allowing insurers to reflect movements to those asset prices within the market-consistent valuation of the corresponding liabilities. SLAL has received permission from the PRA to apply the Volatility Adjustment, which reduces the reserving and capital requirements associated with the liabilities. The level of the adjustment is prescribed by EIOPA and may change in future.
- *Transitional Provisions:* Solvency II increased the regulatory capital requirements and reserving requirements on the Phoenix Life Companies and SLAL. However, some of these increases have been partly mitigated by the introduction of transitional provisions, which are designed to ensure a smooth transition from Solvency I (the old regime) to Solvency II (the new regime). The benefit of the transitional provisions will be phased out over a 16-year period from 1 January 2016. There remains some uncertainty over the pace of run-off within that period, in particular in circumstances where the transitional provisions are required to be recalculated due to a future material change in the risk profile of the Phoenix Life Companies and SLAL.

The Directors are not aware of any current matters or circumstances that might reasonably be expected to result in the Phoenix Life Companies or SLAL losing or not obtaining (as applicable) the benefit of the discretionary matters set out above.

An increase in the regulatory capital and/or reserving requirements of an entity or a restriction on the use of capital within the Group or a reduction in the value of the Own Funds that can be used to meet such requirements, may reduce the profits of the Group or trap cash or assets in certain Group companies. There are also circumstances where the Group may choose to move cash or assets from another part of the Group to meet an increased regulatory capital requirement. Consequently, a change in the regulatory capital and/or reserving requirements applied to certain Group companies, and in particular the loss of (or the failure to obtain) certain discretionary reductions in those requirements in respect of the Phoenix Life Companies, SLAL and SLPF, could have a material adverse effect on the Group’s business, results, financial condition and prospects.

The thematic review on the fair treatment of long-standing customers in the life insurance sector may affect the Group’s business.

The Phoenix Life Companies and SLAL charge customers (to the extent that the customer is subject to such charges) “exit charges” upon change of provider and “paid up charges” (in the case of the

Phoenix Life Companies) upon cessation of payment of regular premia. These charges apply when customers switch their pension policies to another provider or realising their pension benefits prior to their specified retirement date (where a customer is over 55 years of age and therefore eligible to realise some of the benefits from their pension pot). On 3 March 2016, the FCA published a thematic review report on the fair treatment of long-standing customers in the life insurance sector. The FCA found a “mixed picture” where most firms reviewed demonstrated good practice in some areas but poor practice in others. A small number of firms were found to be delivering poor customer outcomes across a majority of the areas assessed. In particular, the FCA had concerns about:

- the lack of board and senior management oversight of closed book customers and outcomes;
- whether customers were aware of the effect of exit and paid up charges on their policies and the quality of information provision on the economic effect of exit and paid up charges;
- firms’ behaviour, policies and attitudes towards applying exit charges;
- the impact of exit and paid up charges on customers shopping around and customer choice;
- the absence, within most firms, of a review of products (and related charges) to assess whether customers were getting fair outcomes; and
- where there are product reviews, over-reliance or overemphasis on compliance with contractual terms and conditions even where actual customer detriment is identified.

In December 2016, the FCA published its final guidance on the basis of its thematic review, setting out its expectations on life insurance firms to ensure that their closed-book customers are treated fairly. Firms are expected to identify the outcomes they believe are fair to deliver to their customers and, where poor customer outcomes are identified, take steps to address them. This guidance will apply to the Phoenix Life Companies’ and SLAL’s policies and customers. The FCA has also notified ALAC of its final conclusions regarding the outcome of the review. Following this, ALAC has agreed a number of actions with the FCA to address the findings from the thematic review including enhancements to communications, a programme of product reviews and further work to reduce the volume of “goneaway” customers. Significant progress has been made and a number of items addressed. Work continues to address the outstanding points.

A number of the firms which were the subject of the review were also the subject of additional FCA investigations, to explore whether remedial and/or disciplinary action was necessary or appropriate in respect of exit or paid up charges being applied. ALAC was one of these firms. Additionally, ALAC was one of two firms being investigated for potential contravention of regulatory requirements across a number of other areas assessed in the thematic review. This investigation into wider contraventions of regulatory requirements focused on behaviour from December 2008. The FCA has stated that these investigations were designed to establish the reasons for the practices within firms, whether customers have suffered detriment as a result and how widespread any practices are within these firms.

On 19 September 2018 Old Phoenix was informed by the FCA that it had closed its investigation into ALAC following the thematic review into the fair treatment of long standing customers in the life insurance sector, having found that the conduct of ALAC did not warrant enforcement action. However, the FCA has confirmed that there are a number of issues that despite not warranting enforcement action, they would like to discuss with the firm. It is possible that, as a result of the investigation, ALAC may incur costs associated with the FCA’s findings.

In June 2017, the FCA issued a request for information to assist them with planning the scope of their forthcoming thematic review of the fair treatment of with-profits customers. This information was supplied in August 2017. The FCA are currently undertaking the review and the Group is awaiting the outcomes.

Any of the above could have a material adverse effect on the Group’s business, results, financial condition and prospects.

The thematic review on annuity sales practices may affect the Group’s business.

The Phoenix Life Companies and SLAL sell annuities. Currently, across the sector, a large number of customers who have pension policies with the Group buy an annuity from the firm that holds their pension policies. In other words, customers with pension policies often choose to use their savings to buy an annuity issued by the Group.

The FCA has conducted a number of reviews and studies in respect of the issue of annuity sales. On 11 December 2014, the FCA published the findings of its thematic review into annuity sales practices.

In relation to the annuity sales practices report, the FCA concluded that firms need to improve the way in which they communicate with their customers, particularly during the period when customers are coming up to retirement and making their choices as to their retirement income provision. In particular, the FCA found that:

- consumers did not shop around and/or switch providers when they chose to invest their pension pot in an annuity;
- firms' sales practices curtailed shopping around and product switching;
- the code of conduct on retirement choices, which is produced by the Association of British Insurers, was not being applied consistently (or in some cases, at all); and
- some consumers were buying the wrong type of annuity (e.g., not buying an enhanced annuity when they were eligible for one).

As a result of the above, the FCA concluded that some consumers within the sector might be suffering detriment because they were not receiving potentially higher income.

The FCA asked certain relevant firms to carry out further work and gather more evidence to allow the FCA to reach conclusions on the basis of statistically significant information (rather than anecdotal or small sampling), focusing on whether customers have shopped around and purchased a standard, rather than an enhanced, annuity.

On 14 October 2016, the FCA published a further report on its thematic review of non-advised annuity sales practices (TR16/7). The review found no evidence of industry-wide or systemic failure to provide customers with sufficient information about enhanced annuities through non-advised sales resulting in actual loss. However, the FCA:

- (a) identified concerns in a small number of firms relating to significant communications that took place orally, usually on the telephone. The FCA has asked those firms to review their practices since 2008, appoint skilled persons to oversee the review, and provide redress where necessary; and
- (b) identified other areas of possible concern, including in relation to the recording and maintenance of records of calls.

The FCA encouraged all firms to consider its feedback and take appropriate action to address the points raised, to ensure their communications and sales process provide customers with the information they need when they need it. The FCA has also encouraged any customers who feel they were provided with insufficient information about enhanced annuities at the time they chose their annuity to contact their annuity provider. The Group has reviewed the detail of the FCA feedback and continues to make improvements to customer service in line with the Group's strategies, in particular around transparency of information.

On 26 May 2017, the FCA published a policy statement (PS17/12) containing final rules requiring firms to inform consumers, by providing an information prompt, how much they could gain from "shopping around" and switching provider, before they buy an annuity. Firms were required to comply with these rules by 1 March 2018.

Following the thematic review, on 23 May 2017, the FCA confirmed to ALAC that it would be required to undertake a "past business review" covering all annuities sales over the period from 1 July 2008 to 31 October 2016. ALAC has appointed Grant Thornton and PwC to assist with this exercise, which is now underway. The FCA commissioned a skilled person, Willis Towers Watson, to develop a "redress calculator", which enables affected firms to adopt a consistent approach to calculating redress. Affected firms are required to fund the development of this.

The review may result in a further change in law, regulation and/or regulatory emphasis, changes in the Group's practices and/or prompt future regulatory interventions. In addition, the FCA may require affected firms to carry out further remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose further financial penalties or compulsory customer remediation (depending on circumstances and its findings). It is not currently possible to assess what further actions the FCA may require affected firms to take or the effect such actions, if required, may have on the business of affected firms.

Deutsche Bank has provided PLHL with an indemnity, with a duration of eight years, in respect of such exposures to the extent they arise and apply to ALAC. The maximum amount that can be claimed under the indemnity (when aggregated with claims under the indemnity in respect of the thematic review on the fair treatment of long-standing customers, as discussed further above) is

£175 million and it applies to all regulatory fines and 80 to 90 per cent. of the costs of customer remediation. While this indemnity may mitigate ALAC's costs (and accordingly, the Group's costs), some costs will fall outside the scope of the indemnity and/or may exceed the maximum amount PLHL can claim under the indemnity and/or become irrecoverable should Deutsche Bank become subject to insolvency or any other analogous events, meaning that ALAC (and accordingly, the Group) will ultimately retain liability for them. In addition, ALAC may also be the subject of private censure, public censure, adverse publicity and/or resulting reputational damage, which may in turn impact the Group, the effect of which will not be mitigated by any indemnity.

SLAL was also a participant in that review. At the request of the FCA, SLAL is conducting a review of non-advised annuity sales (with a purchase price above a minimum threshold) to customers eligible to receive an enhanced annuity from 1 July 2008 until 31 May 2016. The purpose of this review is to identify whether these customers received sufficient information about enhanced annuities to make the right decisions about their purchase, and, where appropriate, provide redress to customers who have suffered loss as a result of not having received sufficient information. SLAL has been working with the FCA (and has appointed Grant Thornton and Deloitte) regarding the process for conducting this past business review.

Standard Life Aberdeen reported an increase in the provision for annuity sales practices and related matters of £100 million and a use of such provision of £27 million during the year ended 31 December 2017, resulting in a total provision of £248 million (2016: £175 million) in its 2017 annual accounts as an estimate of the redress payable to SLAL annuity customers, as well as the costs of conducting the review and other related costs and expenses. The provision and timeline are based on assumptions and it will not be until the review is underway and further progressed that these will be confirmed and validated. There is a risk that the underlying assumptions are incorrect, which may result in an overall cost that is higher or lower than the provision. The Standard Life Aberdeen group has not provided for any possible FCA-levied financial penalty relating to the review.

SLAL has in place liability insurance and is seeking up to £100 million (after accounting for any excess) of the financial impact of the provision to be mitigated by this insurance. SLAL is in discussions with its insurers and, as a result, no insurance recovery has been recognised as an asset in the 2017 annual accounts. Standard Life Aberdeen has the economic benefit of this insurance and certain of SLAL's losses may be mitigated through the indemnity described below.

Standard Life Aberdeen has provided Old Phoenix with an indemnity in respect of certain liabilities arising out of the FCA-mandated, and Standard Life Aberdeen's voluntary, review and redress programme in respect of SLAL's historical non-advised sales of pension annuities, and the FCA's ongoing investigation of historical non-advised annuity sales practices. The aggregate liability of Standard Life Aberdeen for the matters covered by the SLAL Deed of Indemnity is capped at £155 million.

While these indemnities may mitigate the costs of SLAL (and, accordingly, the Group's costs), some costs will fall outside the scope of the indemnity and/or may exceed the maximum amount that Old Phoenix can claim under the indemnities and/or become irrecoverable should Standard Life Aberdeen become subject to insolvency or any other analogous events, meaning that SLAL (and, accordingly, the Group) will ultimately retain liability for them.

Any or all of these may affect the business and so could have a material adverse effect on the Group's business, results, financial condition and prospects.

Internal Operations and Management

Changes in accounting standards and assumptions may lead to increases in the level of provisioning or additional provisions being made in respect of a range of actual, contingent and/or potential liabilities including, but not limited to, tax, and changes in the determination of fair value could have a material adverse effect on the estimated fair value amounts of financial instruments.

A provision is recognised when the Group has present legal or constructive obligations as a result of a past event and it is probable that an outflow of resources will be required to settle these obligations. Where the Group has present legal or constructive obligations, but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability. Provisions held by the Group, including those relating to tax, may be subject to estimates and may prove inadequate or inaccurate resulting in a material liability. Liabilities may also arise where no provision has been made. In particular, there is a time lag between acquisitions, disposals and other corporate transactions undertaken by the Group

and the review of its tax treatment by HM Revenue & Customs (“HMRC”). While significant transactions are discussed with HMRC on an ongoing basis, in some cases formal confirmation of HMRC’s position cannot be obtained until the relevant tax returns are submitted, which can lead to uncertainty. If a liability, including tax, were to arise in respect of which there is inadequate or no provision, this could have a material adverse effect on the Group’s business, results, financial condition and prospects.

In addition, as at 30 June 2018, the Group has derivative assets of £2,120 million and derivative liabilities of £1,242 million. As at 31 December 2017, Standard Life Assurance had derivative assets of £3,026 million and derivative liabilities of £768 million. Determination of fair value is made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cashflows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions could have a material adverse effect on the estimated fair value amounts of financial instruments, which could affect the Group’s business, results, financial condition and prospects.

The Holding Companies are dependent upon distributions from their subsidiaries to cover operating expenses, debt interest and repayments, pension scheme contributions and dividend payments. In times of severe market turbulence, the Group may not in the longer term have sufficient capital or liquid assets to make sufficient distributions to the Holding Companies, or to meet its payment obligations, or they may suffer a loss in value.

The Group’s insurance operations are conducted through subsidiaries. The Holding Companies ultimately rely on distributions and other payments from their subsidiaries, including in particular the Phoenix Life Companies and SLAL, to meet the funding requirements of Group companies, as the Holding Companies do not generate a cash surplus from their operations and other activities. The Holding Companies’ principal sources of funds are dividends from subsidiaries, inter-company loans from subsidiaries, repayment of inter-company loans that have been made by the Holding Companies to subsidiaries and any amounts that may be raised through the issuance of equity or debt instruments or bank financing. As a result, deterioration in the liquidity and solvency position of the Life Companies or other members of the Group could, in addition to its impact on the liquidity or solvency position of the individual Life Companies, have in the longer term an adverse impact on the Group’s funding or liquidity, which could have a material adverse effect on the Group’s financial condition and prospects.

Old Phoenix has ongoing principal repayment and interest payment obligations in respect of the 2022 Notes, the 2025 Notes, the 2027 Notes, the 2029 Notes, the Senior Bonds, the RT1 Notes, and for any amounts drawn under the Revolving Credit Agreement and the Acquisition Facility Agreement (which are currently undrawn), each of which is more fully described in paragraph 13 (“*Material Contracts*”) of Part IX (“*Additional Information – Material Contracts – Revolving Credit Agreement*”) of this Prospectus, which obligations are expected to be funded by existing cash resources, the release of capital, profits and liquidity from the Group’s operating units or through refinancing. It is intended that New Phoenix will be substituted for Old Phoenix as principal debtor in each of these arrangements other than the Senior Bonds with effect from the Scheme Effective Date. The Holding Companies also have ongoing commitments to make contributions to the Group’s pension schemes in accordance with the agreed contribution schedules and to meet their general operating expenses. The availability and amounts of cashflows from subsidiaries, in particular the Life Companies, may be impacted during periods of severe market turbulence by the need to maintain appropriate levels of regulatory capital in the Group. Although the Holding Companies maintain liquidity buffers to reduce the reliance on emerging cashflows in any particular year, in the event that cashflows from the Group’s subsidiaries are limited as a consequence of periods of severe market turbulence, this may in the longer term impair the Group’s ability to service these obligations, which would have a material adverse effect on the Group’s business, results, financial condition and prospects.

Certain members of the Group are restricted by applicable regulatory and other requirements in their ability to pay dividends. Dividends may not be declared and paid according to the Group’s dividend policy and the Group’s dividend policy may change in the future.

Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things (and in each case, in respect of the Group): applicable regulatory, insurance, foreign exchange and tax laws, rules and regulations that limit the payment of dividends or require approval for their payment; the financial position and the availability of cash and distributable reserves; there being sufficient excess above certain regulatory capital requirements; Board-approved target capital amounts; working capital requirements; asset and cash liquidity;

gearing levels; the covenants within their finance and senior debt arrangements; the potential impact on the maintenance of their investment grade ratings; finance costs; general economic conditions; and other factors the relevant directors deem significant from time to time. Accordingly, unforeseen adverse circumstances may restrict the ability of New Phoenix to adhere to its dividend policy and there can be no assurance that New Phoenix will pay dividends in the future. It is also possible that the dividend policy may change in the future as a consequence of further acquisitions.

In certain circumstances, such as if a Group company was unable to meet applicable regulatory capital requirements or significant threats to policyholder protection were identified, the PRA or the CBI could intervene in the interests of policyholder security, for example, by imposing restrictions on the fungibility or movement of capital between members of the Group. Moreover, New Phoenix may elect to reduce or forgo dividend payments as a means of maintaining or enhancing its capital position.

Unlike the position of Old Phoenix under the Cayman Companies Law, initial dividends of New Phoenix will depend on the cancellation of the share premium account to create distributable reserves. As part of this process, it is proposed that New Phoenix will undergo a reduction of capital in order to increase its distributable reserves. Such a reduction of capital is subject to the discretion and prior approval of the English High Court. For further information, see the risk factor “*Risks Relating to the Scheme and the New Phoenix Shares – New Phoenix’s ability to pay dividends in the future depends, among other things, on the Group’s financial performance and capital requirements and the New Phoenix Reduction of Capital*” below.

Changes in actuarial assumptions driven by experience and estimates may lead to changes in the level of reserving and regulatory capital required to be maintained.

The Group has liabilities under bulk purchase agreements, annuities and other policies that are sensitive to future mortality and longevity rates. In particular, bulk purchase agreements and annuities are subject to the risk that annuity holders or pension scheme members (as applicable) live longer, or longevity rates increase, compared to what was projected at the time their policies were issued, with the result that the issuing Life Company must continue paying out to the annuitants or pension scheme members (as applicable) for longer than anticipated and, therefore, longer than was reflected in the price of the annuity or bulk purchase agreement (as applicable). There may also be increases in the cost of meeting guarantees on policies with a right to convert their policy value into an annuity at a fixed rate and the contributions required to be paid under the Group’s defined benefit pension schemes may also increase. Conversely, increased mortality, or higher mortality rates, may increase the number of death claims on term-assurance and protection products.

The Life Companies monitor their actual liability experience against the actuarial assumptions they use and apply the outcome of such monitoring to refine their long-term assumptions. Based on these assumptions, the Life Companies make decisions aimed at ensuring an appropriate build-up of assets and liabilities relative to one another. These decisions include the allocation of investments among fixed-income, equity, property and other asset classes, the setting of any applicable variable policyholder bonus rates (some of which are guaranteed) and the setting of surrender terms. However, because of the underlying risks inherent in actuarial assumptions, it is not possible to determine precisely the amounts that will ultimately be paid to meet policyholder liabilities. Actual liabilities may vary from estimates, particularly when those liabilities do not occur until well into the future. The Life Companies evaluate their liabilities allowing for changes in the assumptions used to establish their liabilities, as well as for the actual claims experience. It is also possible that the longevity assumptions used by SLAL will be changed to align with those used by the Phoenix Life Companies. Any changes in assumptions may lead to changes in the level of capital that is required to be maintained. In the event that the Group’s reserving and/or regulatory capital requirements are significantly increased, the amount of cash or other assets available for other business purposes, for distribution to Shareholders or to meet the Group’s financing commitments, may decline.

To the extent that actual mortality, longevity and morbidity rates or other insurance risk experience are less favourable than the underlying assumptions about such rates or experience and it is necessary to increase reserves for policyholder liabilities as a consequence, the amount of additional capital required (and therefore the amount of capital that can be released from the Life Companies in order to service and pay down debt or to finance distributions to their shareholders) and the ability of the Group to manage the Life Companies in an efficient manner may all be materially adversely affected. In particular, there is considerable uncertainty over the rate at which mortality rates will continue to

improve in the future. Over time, the Group could incur significant losses if mortality rates improve faster than has been assumed.

In addition, the Group makes assumptions about the rates at which policyholders will surrender or otherwise terminate their policies prior to their maturity date. There is a risk that, due to the Acquisition, the Group will see an increase in the number of surrenders or terminations of Standard Life Assurance policies resulting in a reduction in future profits. It is also possible that more general macro-economic conditions and interest rate changes may affect surrender and persistency rates. For products with guarantees at maturity, the Group is exposed to the risk that fewer policyholders will terminate their policies prior to their maturity date than assumed, since this will increase the volume of guarantees that are required to be met at maturity. Conversely, for policies with no guarantees, the anticipated future profits obtained from those policies may be curtailed if more policyholders terminate their policies prior to their maturity date than assumed. Surrender rates may also be affected by changes in law and/or regulation.

If the assumptions underlying calculations of reserves are shown to be incorrect (e.g., if policyholders do not die at the rate assumed in actuarial calculations or if the volume of guarantees that are required to be met at maturity is greater than assumed), the Group may have to increase the amount of its reserves or the amount of risk reinsured. The Group also has obligations towards pension schemes that are sensitive to longevity experience rates. If members live longer than expected, additional capital may need to be held to cover increased pension scheme obligations. Any of these factors could have a material adverse impact on the Group's business, results, financial condition and prospects.

The Group needs to reduce the expenses of managing long-term business in line with the run-off profile of its funds. The inability to adjust these costs could have an adverse effect on the Group.

The Phoenix Life Companies and components of the business of SLAL, are long-term run-off policy portfolios and should become smaller over time consistent with the management of a heritage business. In order to protect with-profit policyholder benefits and Shareholder returns, it will be necessary to reduce the costs of managing the Group's long-term business at least in line with the run-off profile, which the Group partly does through the use of outsourcing arrangements. The Group is exposed to the risk that it may be unable to reduce costs proportionately or to make changes to achieve an appropriate balance of fixed and variable costs. This exposure could arise, for example, from deficient management, contractual restrictions, significant changes in the regulatory environment, material sector-specific inflationary pressures or an unexpected increase in policy lapses. The current expense assumptions for policy charges are based on anticipated governance costs and the run-off profile of the Group's funds. An inability to adjust these costs could therefore have a material adverse effect on the Group's business, results, prospects and financial condition. In addition to managing policy costs, the Group is exposed to losses, particularly on historical long-term business as a result of the failure or poor execution of significant operational processes.

The Group's risk management policies and procedures may not be effective and may leave the Group exposed to unidentified or unexpected risks.

The Group's policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective. In addition, these practices are expected to be expanded to cover Standard Life Assurance. As a result, the Group faces the risk of losses, including losses resulting from human error, the payment of incorrect amounts to policyholders due to incorrect administration, market movements and fraud. The Group's risk management methods rely on a combination of technical and human controls and supervision that can be subject to error and failure. Some of the Group's methods of managing risk are based on internally developed controls, models and observed historical market behaviour, and also involve reliance on industry standard practices. These methods may not adequately prevent future losses, particularly if such losses relate to extreme or prolonged market movements, which may be significantly greater than the historical measures indicate. These methods also may not adequately prevent losses due to technical errors if the Group's testing and quality control practices are not effective in preventing technical software or hardware failures.

Ineffective risk management policies and procedures may have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group is vulnerable to adverse market perception arising as a result of reputational damage, especially as it operates in a highly regulated industry.

The Group must display a high level of integrity and have the trust and the confidence of its customers and its advisers. Any mismanagement, fraud or failure to satisfy fiduciary responsibilities, or any negative publicity resulting from the Group's activities, the activities of a third party to whom the Group has licensed its brands to or from or has outsourced any services, or any accusation by a third party in relation to the Group's activities (in each case, whether well founded or not) that is associated with the Group or the industry generally (such as those that arose in respect of mortgage endowments, split-capital investment trusts or payment protection insurance), could have a material adverse effect on the Group's results, financial condition and prospects, including:

- reducing public confidence in the Group including shareholder willingness to subscribe for new equity;
- decreasing its ability to retain current policyholders;
- adversely affecting the willingness of counterparties to sell closed-book companies or portfolios to the Group;
- increasing the likelihood that the FCA and PRA or non-UK regulators will not approve acquisitions or insurance business transfers necessary to effect intra-Group consolidations of closed-book companies or portfolios or will subject the Group to closer scrutiny than would otherwise be the case;
- increasing costs of borrowing, including in debt capital markets transactions;
- adversely affecting the Group's ability to obtain reinsurance or to obtain reasonable pricing on reinsurance; and
- decreasing customers' willingness to invest in or acquire particular products.

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years. It is not always possible to deter or prevent employee misconduct and the precautions the Group takes to prevent and detect this activity may not be effective in all cases. The Group therefore runs the risk that employee misconduct could occur, with possible adverse effects on the Group as set out above.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

Increases in liabilities relating to product guarantees may adversely affect the Group.

In the 1970s and 1980s, when interest rates were higher than they currently are or have been in recent years, UK life insurance companies (including the Phoenix Life Companies and certain of the Acquisition Life Companies) sold pension contracts that contained certain guarantees or options, including guaranteed annuity options that allowed the policyholder to elect to take the lump sum payable upon the maturity of the pension and apply the funds to purchase an annuity at a minimum guaranteed rate. During the last decade, long-term interest rates have declined. As a result, the Group may have to meet the cost of the mismatch between the performance of the underlying assets and the guaranteed annuity which they are obliged to provide to relevant policyholders.

Similarly, some of the products sold in Germany by SLAL contain terms which guarantee certain of the relevant customer benefits. For example, the German with-profits products contain guaranteed annuity terms and roll-up terms. This is particularly relevant where the Group's liabilities under the products are unhedged or cannot be provided for using pre-existing assets like the inherited with-profit estate.

The Phoenix Life Companies and certain of the Acquisition Life Companies have existing liabilities relating to guarantees and options contained in policies, which are increased by adverse movements in interest rates, increasing life expectancy and the proportion of customers exercising their options. The Group has purchased derivatives that provide some hedge protection against movements in interest rates but not all such interest rate risk is hedged and it may not be possible, feasible or desirable to hedge such risks in the future. The Group is also exposed to counterparty risk in respect of such financial instruments. The most significant factors affecting the cost of these liabilities relating to guarantees and options relative to the provisions made are the number of customers electing to exercise their option to take the more favourable annuity rates, the relative values of any hedge derivatives that may be maintained from time to time, interest rates and the longevity rates of annuity holders.

If the existing mismatch between the performance of the underlying assets and the guaranteed annuity benefits increases, the Group's business, results, financial condition and prospects could be materially adversely affected.

The Group is exposed to risks arising from new business.

The Group is primarily focused on the efficient management of in-force policies and has historically written a limited number of new policies (broadly as increments to existing policies and annuities for current policyholders when their policies mature). Following the completion of the AXA Transaction pursuant to the sale and purchase agreement dated 27 May 2016 between Old Phoenix, PLHL and AXA UK (the "AXA SPA"), the Group also writes a limited set of directly marketed protection policies, including Guaranteed Over 50s policies (life insurance policies available to people over 50 years of age, which pay out upon the death of the life assured). Whilst the value of this new business is currently relatively small in proportion to the value of the rest of the Group, there are risks associated with the distribution of life insurance products and the sale of these types of products. In particular, there is a dependency on Standard Life Aberdeen distributing SLAL products and services, details of which are defined in the Client Service and Proposition Agreement.

In addition to products associated with the AXA Transaction, the Group contains companies (SLIDAC and SLAL) that manufacture workplace pensions, self-invested personal pensions ("SIPP"s), drawdown products, onshore bonds and offshore bonds and also continue to conduct new business in Ireland and Germany. The risks associated with new business include underwriting risk, uncompetitive pricing, operational risk from processing new business, conduct risk, the risk of increased FCA (and other regulatory) supervision for example in respect of marketing activities and regulatory capital requirements. If the Group is unable to successfully meet the challenges of these new and/or increased risks, this could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group may encounter new risks as it participates in the bulk annuity market.

The Group is now marketing bulk annuity policies to the trustees of defined benefit pension schemes and completed its first bulk purchase annuity transaction with the Trustee of the Marks and Spencer Pension Scheme in March 2018. There is a risk that bulk annuity business could generate losses, in particular if longevity expectations are different to those assumed in the pricing of the contracts or if the Group fails to generate sufficient investment returns on the investments supporting the Group's liabilities under such arrangements. To the extent the Group reinsures longevity risk arising from bulk annuity policies, this will increase the Group's exposure to reinsurer credit risk with respect to its ability to recover amounts due from reinsurers under such arrangements.

The Group's success will depend upon its ability to attract, motivate and retain key personnel.

The calibre and performance of the Group's senior management and other key employees are critical to the success of the Group. The continued success of the Group will depend on its ability to attract, motivate and retain highly skilled management and other personnel, including lawyers, actuaries, portfolio and liability managers, analysts, IT professionals and executive officers. Competition for qualified, motivated and skilled personnel in the life insurance industry remains significant. Moreover, in order to retain certain key personnel, the Group may be required to increase compensation to such individuals, resulting in additional expenses.

If the Group is unable to attract, motivate and retain key personnel, its business, results, financial condition and prospects could be materially adversely affected.

The Group may be required to make further contributions, in addition to those already agreed, to its defined benefit pension schemes for employees if the value of or cashflows from pension fund assets is not sufficient to cover future obligations under the schemes.

The Group operates several different pension schemes. Of these, the three main pension schemes with defined benefit sections are: the scheme covering the past and present employees of the Group prior to the acquisition of the Resolution Group (the "Pearl Scheme"); the scheme covering the past and present employees of the Resolution Group and the employees of the former SunLife Embassy Business (the "PGL Pension Scheme"); and the scheme relating to the former employees of Abbey Life (the "Abbey Life Pension Scheme"). Each of those schemes has both defined benefit and defined contribution sections. The defined benefit sections of all three schemes are closed to new members and future accrual and contain no active members. For further information, see the sections headed

“*The Pearl Scheme*”, “*The PGL Pension Scheme*” and “*The Abbey Life Pension Scheme*” in Part II (“*Business Overview of the Group*”) of this Prospectus.

The pension schemes’ trustees are required to undertake triennial valuations of the schemes and agree statutory funding plans with the Group, although the trustees are free to call for a further valuation on an earlier date if they see fit. Any future decline in the value of scheme assets, changes in mortality and/or morbidity rates, future changes in interest rates, changes in inflation rates or changes in the current investment strategies of the pension schemes could increase or contribute to the pension schemes’ funding deficits and require the Group to make additional funding contributions in excess of those currently expected. As is the case for all formerly contracted-out defined benefit pension schemes in the UK, the liabilities of the schemes, and so the funding level is also likely to be impacted by the outcome of the recent High Court judgement requiring equality in the provision of guaranteed minimum benefits. The Directors do not believe there is a material risk of additional deficit repair contributions being required within the next 12 months.

The most recent triennial valuation for the PGL Pension Scheme as at 30 June 2015 was completed in June 2016. This showed a surplus of £164 million on the agreed technical provisions basis as at 30 June 2015. As at 30 June 2018, no further contributions are scheduled to be paid.

The most recent triennial valuation for the Pearl Scheme as at 30 June 2015 was completed in September 2016. This showed a deficit of £300 million on the agreed technical provisions basis as at 30 June 2015. The trustees of the Pearl Scheme and Pearl Group Holdings (No. 2) Limited (“**PGH2**”) entered into a pensions funding agreement on 27 November 2012 (the “**2012 Pensions Agreement**”) under which the trustees agreed the technical provisions basis to be used for each triennial valuation and agreed the contributions payable to the scheme. Under this agreement, the terms of which were adjusted as part of the 2015 valuation discussions, PGH2 is required to pay contributions of £40 million per annum until 2021. The key terms of the 2012 Pensions Agreement are summarised in paragraph 12.6 (“*The Pearl Scheme Agreements*”) of Part IX (“*Additional Information – Material Contracts – The Pearl Scheme Arrangement*”) of this Prospectus.

The most recent triennial valuation for the Abbey Life Pension Scheme as at 31 March 2015 showed a deficit of £107 million on the agreed technical provisions basis. The triennial valuation as at 31 March 2018 is ongoing and is expected to be finalised by the end of 2018. The trustees of the Abbey Life Pension Scheme and Pearl Life Holdings Limited (“**PeLHL**”) entered into an agreement on 29 June 2017 under which PeLHL will pay contributions of £400,000 per month between July 2017 and June 2026. PeLHL is also required to pay an additional £4 million per annum into a charged escrow account (the “**2016 Charged Account**”). These amounts of £400,000 per month and £4 million per annum are not expected to change following finalisation of the triennial valuation as at 31 March 2018. A separate charged account was set up as part of a funding agreement entered into in June 2013 (the “**2013 Charged Account**”). The 2013 Charged Account and the 2016 Charged Account contained a combined £43.8 million as at 30 June 2018. If the scheme shows a deficit on a defined technical provisions basis as at 31 March 2021, PeLHL must pay to the scheme the lower of the deficit and the value of the assets in the 2013 Charged Account. If the scheme shows a deficit on a defined technical provisions basis as at 31 March 2027, PeLHL must pay to the scheme the lower of the deficit and the value of the assets in the 2016 Charged Account.

The Pensions Regulator has statutory powers to demand contributions from companies connected or associated with an employer in a defined benefit pension scheme (such as other entities within a group), including powers to issue Financial Support Directions or Contribution Notices. The powers may be exercised against any entity which is “connected” or “associated” with the company which participates in the scheme. Changes to the employer covenant supporting any of the Pearl Scheme, the PGL Pension Scheme and/or Abbey Life Pension Scheme could therefore fall within the scope of the Pensions Regulator’s powers.

In March 2018, the Department for Work and Pensions issued a White Paper, “Protecting Defined Benefit Pension Schemes”, which includes proposals to extend the Pensions Regulator’s powers, including to issue punitive fines on targets of a Contribution Notice, to take enforcement action in relation to scheme funding and to include additional requirements on employers undertaking certain corporate activities to notify the Pensions Regulator and consult with pension scheme trustees. Such changes are expected to be laid before Parliament in the 2019-2020 session, but some powers could have retrospective effect from 19 March 2018. The White Paper also includes proposals for a new statutory requirement to comply with some aspects of the Pensions Regulator’s guidance on scheme

funding, which could affect the valuation of assets and liabilities of the schemes at their next triennial valuations.

The Pensions Regulator also has statutory powers to intervene in pension scheme funding if the employers and trustees fail to reach agreement or if it is not satisfied that the statutory funding plans will eliminate the funding deficit in a timely manner.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

Third Parties and other counterparties

The Group relies predominantly on third party asset management firms outside the Group to manage its assets (in particular Standard Life Aberdeen). Periods of underperformance of the asset management firms appointed by the Group could lead to disproportionate redemptions or impact our ability to attract business in the funds of the Group, and the performance of such firms (and therefore the performance of its investments) may be adversely affected by mismanagement of client assets or liabilities and the loss of key investment managers.

The Group relies predominantly on outside third party asset management firms to manage its assets (in particular Standard Life Aberdeen). Members of the Group enter into investment management agreements when they appoint third party asset management firms to manage their assets. Such investment management agreements typically contain provisions relating to performance conditions, the breach of which can permit the early withdrawal of assets from third party asset managers. The Group only enters into third party asset management relationships with firms which the relevant directors believe have the know-how, expertise and business models appropriate for the provision of asset management services to the Group. The Group aims to maintain effective systems and controls for third party asset management firms in compliance with the Group's ongoing obligations. However, there can be no assurance that such provisions would be successful in seeking to avoid or reduce the potential effects of underperformance by third party asset management firms.

If the investment performance of the third party asset management firms appointed by the Group represents underperformance relative to other asset management firms, the Group's policyholders may seek to redeem their policies. In addition, the Group derives a significant portion of its income from its share of the appreciation of investments held in shareholder, non-profit and with-profit funds. Therefore, where lower returns on those assets occur, this reduces the level of income derived by the Group. Any of these factors could have a material adverse effect on the Group's business, results, financial condition and prospects.

The performance of the third party asset management firms appointed by the Group are also subject to risks associated with the process of managing client assets and providing asset and liability management services, such as the risk of failure to manage the investment process or execute trading activities properly. Such failure could lead to poor investment decisions, incorrect risk assessments, poor asset allocation, inappropriate investments being bought or sold and incorrectly monitoring exposures. A failure by asset management firms to effectively manage the Group's assets, interest rate and liquidity risks could have a material adverse effect on the Group's business, results, financial condition and prospects.

If the Group experiences difficulties arising from outsourcing relationships, its ability to conduct business may be compromised.

Certain Group companies outsource almost all of their key customer service, policy administration, accounts collection, human resource payroll and administration functions under formal outsourcing arrangements. The Group only enters into outsourcing relationships with firms which the relevant directors believe have the know-how, expertise and business models that put such services at the core of their offerings. The Group aims to maintain effective systems and controls for outsource providers in compliance with the Group's ongoing obligations. However, there can be no assurance that such systems and controls will be completely successful in seeking to avoid, or reduce the potential effects of, underperformance. In particular, while the outsourcing relationships are carefully monitored, underperformance may also result in breaches of applicable law and regulation, which could result in regulatory intervention. There is also a risk that the providers will not be able to keep up with the pace of legal and/or regulatory change, in which case the Group's operations may become non-compliant.

If the Group does not effectively develop, implement and monitor its outsourcing strategy, or outsourcing relationships (including any related contingency plans) do not perform as anticipated or the Group experiences problems with a transition of outsourcing arrangements, the Group may experience poor investment returns, operational difficulties, increased costs, reputational damage and a loss of business that may have a material adverse effect on the Group's business, results, financial condition and prospects. Previous consolidation of the outsourcing industry has led to an increased exposure for the Group to fewer third party policy administration suppliers lessening the number of supply options. In addition, the expected or unexpected decline or insolvency of one or more of the Group's third party service providers leading to a reduced ability, or an inability, to provide relevant services could have a material adverse effect on the Group's ability to sustain its ongoing operations, which could have a material adverse effect on the Group's business, and require the use of effective contingency options to manage the impact on the Group's results, financial condition and prospects.

If the Group is unable to maintain the availability of its systems and safeguard the security of its data, including customer and employee data, due to accidental loss, cyber-crime, the occurrence of disasters or other unanticipated events affecting the Group or its service providers, its ability to conduct business may be compromised, which may have an adverse effect on the Group.

The Group uses computer systems to store, retrieve, evaluate and utilise policyholder, employee and company data and information. The Group's computer, information technology and telecommunications systems, in turn, interface with and rely upon third party systems, including those of third party outsourced service providers. The Group's business is highly dependent on its ability, and the ability of certain third parties, to access these systems to perform necessary business functions, including, without limitation, processing premium payments, making changes to existing policies, filing and paying claims, administering annuity products, providing customer support and managing the Group's investment portfolios. Furthermore, the systems and data complexity as a result of the SLAL acquisition has significantly increased the complexity and volume of systems inside the Group, and has therefore increased the likelihood of systems failures or outages which could compromise the Group's ability to perform these functions in a timely manner and could harm its ability to conduct business and hurt its relationships with its business partners and customers. In the event of a disaster, such as a natural catastrophe, an industrial accident, a blackout, a computer virus, a terrorist attack or war, the Group's systems may be inaccessible to its employees, customers or business partners for an extended period of time. The Group's systems could also be subject to physical and electronic break-ins, cyber-crime and subject to similar disruptions from unauthorised tampering. In addition, the Group is subject to the accidental loss of data by its employees or outsourced service providers, which could expose the Group to potential liabilities and could negatively impact its relationships with its business partners and customers. The factors described above may impede or interrupt the Group's business operations or lead to unauthorised disclosure or loss of data or data corruption, including customer data, which could lead to potential liabilities and damage the Group's reputation. Furthermore, because of the long-term nature of much of the Group's business, accurate records have to be kept for long periods of time.

Any of the above could have a material adverse effect on the Group's business, results, financial condition and prospects.

The Group may be adversely affected by third party reinsurers' unwillingness or inability to meet its obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement or portfolio transfers. In addition, the unavailability, adverse pricing and/or inadequacy of reinsurance arrangements may adversely affect the Group.

The insurers within the Group seek, through reinsurance with third parties, to transfer risk to reinsurers (and, in particular, in relation to the Life Companies, mortality, longevity and morbidity risk) that can cause unfavourable outcomes to its business. As a result, the Group has substantial exposure to reinsurers through reinsurance (or retrocession) arrangements in relation to the Life Companies. Under these arrangements, reinsurers assume all or a portion of the costs, losses and expenses associated with the reinsured (or retroceded) policies' claims and reported and unreported losses in exchange for a premium, or as part of a sale arrangement. However, the Life Companies generally remain liable as the direct insurer (or reinsurer) on all risks reinsured (or retroceded). Consequently, reinsurance arrangements do not eliminate the Group companies' obligation to pay claims. The Group companies are subject to reinsurer credit risk with respect to their ability to recover amounts due from reinsurers. Even where the reinsurer has an obligation to put up collateral

in support of its operations, there can be no certainty that such collateral will satisfy the full amount of the Group's liabilities.

While the Group regularly evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from reinsurer defaults and insolvencies, reinsurers may become financially unsound or choose to dispute their contractual obligations when they become due. Reinsurers may also seek to "cut off" the obligations they owe under the reinsurance arrangements by schemes of arrangement. A scheme of arrangement allows an insurer or reinsurer to achieve finality for its exposure to certain policies by giving creditors a fair valuation of ultimate liabilities (i.e., settling all known claims balances and incurred but not reported balances). A scheme of arrangement may limit the benefit of reinsurance protections and ultimately the amount available to pay out subsequent claims.

In addition, market conditions beyond the Group's control determine the availability and cost of the reinsurance that the Group is able to purchase in the event that the existing reinsurance arrangements prove to be insufficient. Historically, reinsurance pricing has changed significantly from time to time. No assurances can be given that reinsurance will remain continuously available to the Group to the same extent and on the same terms as are currently available or which were available at the time that the current arrangements were established. If the Group were unable to maintain its current level of reinsurance or purchase new reinsurance protection in amounts that the Group considers sufficient and at prices that it considers acceptable, the Group would have to either accept an increase in its net liability exposure or develop other alternatives to reinsurance.

The availability of reinsurance to UK insurers may also depend on the precise terms of the UK's Brexit arrangements.

Third party reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts, or potential variations and reductions in the nature and scope of cover through schemes of arrangement and the unavailability, adverse pricing or inadequacy of reinsurance arrangements could have a material adverse effect on the Group's business, results, financial condition and prospects.

The withdrawal of assets from investment management agreements with Standard Life Aberdeen companies may expose the Group to purchase price adjustments and other costs or claims.

In July 2014, the Group completed the divestment of Ignis Asset Management ("Ignis"). The divestment agreement contains certain warranties and indemnities in favour of Standard Life Investments (Holdings) Limited ("Standard Life Investments"). In addition, in the divestment agreement, Old Phoenix agreed with Standard Life Investments that it will guarantee the payment obligations of Impala Holdings Limited ("Impala") under that agreement, including warranties and indemnities given by Impala to Standard Life Investments. The extent to which the Group will be required in the future to incur costs under any of these warranties, agreements or indemnities is not predictable and, if the Group should incur such costs, these costs may have an adverse effect on the Group's business, results, financial condition and prospects.

As a result of the completion of the Acquisition, the purchase price adjustment mechanism which applied upon the divestment of Ignis has been modified such that it has: (i) been extended to apply for a ten-year period from the completion of the Acquisition; (ii) been expanded to apply to withdrawals of certain additional Group assets managed by Standard Life Aberdeen; and (iii) a different agreed run-off profile to the initial Ignis purchase price adjustment. In addition, the notional fees which would have been paid in respect of withdrawn assets were determined by reference to the highest management fee paid for such assets in the three years preceding the withdrawal (instead of a pre-determined fee profile). As with the initial Ignis purchase price adjustment, where the mandate for new assets acquired by the Group is awarded to a Standard Life Aberdeen subsidiary, any purchase price adjustments due in a year under the revised purchase price agreement shall be reduced by the value of the fees paid to a Standard Life Aberdeen subsidiary in that year. Where a purchase price adjustment is due, adjustments will be made to the consideration paid by Old Phoenix in respect of the Acquisition.

The purchase price adjustment arising from the Acquisition could result in the Group incurring a cost which would need to be funded from its internal cash resources from time to time. Any adjustments to the purchase price paid in respect of the Acquisition or any increased regulatory capital requirements in relation to the purchase price adjustment mechanism may reduce Old Phoenix's cash resources and/or have an adverse effect on its financial condition and/or a material adverse effect on the Group's business, results, financial condition and prospects.

Legal and arbitration proceedings could cause the Group to incur significant expenses, which could have an adverse effect on the Group.

From time to time, the Group is party to various legal and arbitration proceedings, in respect of which monetary damages and/or compensation are sometimes sought.

On 5 June 2015, PA (GI) Limited (“PA (GI)”) was subject to a judgment in the Chancery Division of the Companies Court. The judgment directed that PA (GI) is liable to the claimants for mis-selling complaints and claims relating to a book of creditor insurance business that PA (GI) underwrote until 2006. As a consequence, PA (GI) is liable for complaint handling and redress with regard to these complaints. Prior to 30 June 2018, PA (GI) has paid a total of £30 million in respect of such complaints and claims, including associated costs of administering the claims, and has recognised an accounting provision as at that date for further expenses of £29 million.

The FCA has introduced a deadline for creditor insurance claims of August 2019. The FCA has also commenced a publicity campaign, the purpose of which is to ensure persons with a right of claim are aware of their rights prior to the deadline. Until that deadline has passed, the Group is unable to confirm its maximum exposure in respect of this matter. The campaign is likely to increase the number of complaints for which PA (GI) may have to pay redress. Such an increase could result in the total additional liability of the Group in respect of these complaints and claims being in excess of the £29 million for which provision has been made in Old Phoenix’s financial statements as at 30 June 2018.

As at 30 June 2018, reimbursements of £37 million have been recognised by PA (GI) in respect of recoveries due or received from third parties in connection with the Group’s exposure to these complaints. This represents recoveries due from third parties under contractual arrangements. Recoveries of £19 million were received as at 30 June 2018.

The Group’s management cannot predict with certainty the outcome of pending legal and arbitration proceedings or potential future legal and arbitration proceedings, and the Group may incur substantial expense in pursuing or defending these proceedings. Potential liabilities may not be covered by insurance, the Group’s insurers may dispute coverage or may be unable to meet their obligations, or the amount of the Group’s insurance coverage may be inadequate. Moreover, even if claims brought against the Group are unsuccessful or without merit, the Group would have to defend itself against such claims. The defence of any such actions may be time consuming and costly, may distract the attention of management and potentially result in reputational damage. As a result, the Group may incur significant expenses and may be unable to effectively operate its business. Accounting provisions recognised by the Group in its financial statements may prove to be insufficient. Any of the above and any adverse outcomes and reputational damage arising out of such litigation could have a material adverse effect on the Group’s business, results, financial condition and prospects.

Indebtedness

The Group could be materially adversely affected by its indebtedness.

The total principal amount outstanding under the 2022 Notes, the 2025 Notes, the 2027 Notes, the Senior Bonds, the RT1 Notes, the PLL Tier 2 Bonds and the Revolving Credit Agreement as at 30 June 2018 was £2,085 million (with the principal of the 2027 Notes included at the swapped rate of £385 million). The 2029 Notes were issued on 24 September 2018 and the swapped rate principal amount of the 2029 Notes is £445 million.

The Group’s indebtedness and restrictions on the Group under the terms of its bonds, notes, Revolving Credit Agreement and Acquisition Facility Agreement could have a material adverse effect on the Group, including:

- requiring the Group to dedicate a substantial portion of its cashflow to payments on its debt, thus reducing funds available for distribution to Shareholders;
- restricting the Group from pursuing potential acquisition opportunities or preventing the Group from being able to obtain regulatory approval for a potential acquisition opportunity, which could impair the Group’s ability to execute its acquisition strategy;
- exposing the Group to changes in interest rates, which can impact the price of fixed rate debt or the interest cost of variable rate debt (if any);
- placing the Group at a competitive disadvantage compared to its competitors that have lower levels of indebtedness;

- the Group losing its investment grade rating;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and industry; and
- limiting, among other things, the Group's ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

The Group may need to refinance the remaining outstanding principal amount of its bonds, notes and credit facilities (if applicable) either on terms which could potentially be less favourable than the existing terms or under unfavourable market conditions.

On the other hand, the Group's leverage has a positive effect on the Group's value through the beneficial impact of the tax deductibility of interest and so any significant reduction in its indebtedness and associated interest costs may have an adverse impact on the Group's value as a consequence of higher tax payments than currently projected by the Group. There can be no assurance that the Group will, in the future, continue to benefit from tax deductions for its interest costs to the same extent.

The level of the Group's indebtedness and financing structure could therefore have a material adverse effect on the Group's business, results, financial condition and prospects.

The finance facilities and debt instruments that the Group has entered into include covenants that may restrict the Group from taking certain business actions and/or implementing its business strategies.

The agreements that govern the Group's finance facilities and debt instruments contain certain restrictions limiting its flexibility in operating its business. Such restrictions limit the Group's ability to:

- create liens;
- borrow money;
- sell or otherwise dispose of assets; and
- engage in mergers or consolidation.

These restrictions could in the longer term hinder the Group's ability to implement its business strategies. The Group is also subject to other financial and non-financial restrictions that may limit its ability to pay dividends. In addition, a breach of the terms of the Group's finance facilities or debt instruments could cause a default under the terms of those finance facilities or debt instruments, causing some or all of the debt under those financing arrangements to become due prior to its scheduled maturity date.

Taxation

Changes in taxation law may adversely impact the Group.

UK and overseas taxation law includes rules governing company taxes, business taxes, personal taxes, capital taxes, value added taxes and other indirect taxes. The Group's management cannot predict the impact of future changes in UK and overseas tax law on its business. From time to time, changes in the interpretation of existing UK and overseas tax laws, amendments to existing tax rates, changes in the practice of tax authorities, or the introduction of new tax legislation in the UK or overseas may adversely impact the Group's business, results, financial condition and prospects.

There are specific rules governing the taxation of policyholders. The Group's management cannot predict accurately the impact of future changes in tax law on the taxation of life and pension policies in the hands of policyholders. Amendments to existing legislation (particularly if there is a withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may impact upon the decisions of policyholders, and could have a material adverse effect on the Group's business, results, financial condition and prospects.

On 29 October 2018, the UK Government announced that it intended to replace current UK tax legislation relating to the tax treatment of bank and insurance own funds instruments with a regime relating to the tax treatment of hybrid capital instruments more generally. If enacted, this change is expected to take effect from 1 January 2019 (subject to certain grandfathering provisions) with draft legislation due to be published during 2018. On 31 October 2018, the PRA published a consultation paper focused on the treatment of restricted tier 1 own funds instruments issued by insurers and insurance groups. The consultation paper proposes that any expected tax charge which may be suffered upon a write down or conversion of a restricted tier 1 instrument should be taken into

account in calculating an insurer's Own Funds cover for SCR. The consultation closes on 2 January 2019. The impact of the UK Government's announcement and of the PRA consultation for the Group is not yet fully known; however, it is possible that the proposals, if implemented in their current forms, could have an adverse effect on the Group's business, results, financial condition and prospects.

The effect of future changes in tax legislation on specific products may have an adverse effect on the Group and may lead to policyholders attempting to seek redress where they allege that a product fails to meet their reasonable expectations.

The design of long-term insurance and annuity products is predicated on tax legislation applicable at that time. However, future changes in tax legislation or in interpretation of the legislation may, when applied to these products, have a material adverse effect on the financial condition of the relevant Group companies in which the business was written and therefore have a material negative impact on policyholder and the Group's returns.

The design of long-term products takes into account, among other things, risks, benefits, charges, expenses, investment returns (including bonuses) and taxation. Policyholders may seek legal redress where a product fails to meet their reasonable expectations. An adverse outcome of such legal redress and reputational damage arising out of such legal redress could have a material adverse effect on the Group's business, results, financial condition and prospects.

Changes to the current VAT rules may result in VAT being chargeable on certain outsourcing agreements of the Group.

Group companies currently do not pay significant amounts of VAT in respect of services they receive under their outsourced services agreements for policy administration. If the amount of VAT payable were to increase then this would increase the Group's costs to the extent that the relevant agreements did not contain adequate protection against VAT being charged or increased. VAT charged on goods and services is largely irrecoverable for financial services groups such as the Group.

Services supplied under the outsourced services agreements are largely exempt from VAT under the UK's insurance intermediaries' exemption. The Court of Justice of the European Union (the "CJEU") has considered the scope of the insurance intermediaries' exemption in a number of cases, most recently in March 2016, and ruled that certain types of outsourced insurance services were subject to VAT. The UK's interpretation of the insurance intermediaries' exemption is out of step with these judgments. However, the UK government has historically been supportive of a wider exemption. It remains to be seen how the impact from Brexit, during transition and thereafter, will affect this view and the applicability of such CJEU decisions. If any such changes are effected, this may lead to the conclusion that certain services under the Group's outsourced services agreements for policy administration would be treated as subject to VAT. Although certain of the outsourced services agreements have a measure of protection against such changes, since VAT is largely irrecoverable by the Group, such treatment could have a material adverse effect on the Group's business, results, financial condition and prospects.

RISKS RELATING TO THE SCHEME AND THE NEW PHOENIX SHARES

The Scheme Effective Date is subject to certain conditions which may not be satisfied.

The occurrence of the Scheme Effective Date is subject to the following conditions, which may not be satisfied:

- (a) the Scheme being approved by a majority in number, representing 75 per cent. in value, of the holders of Old Phoenix Shares who are on the register of members at the Voting Record Time or, if the Court Meeting is adjourned, on the register of members 48 hours before the time and date set for the adjourned Court Meeting, and who are present and voting, in person or by proxy (including as instructed, or represented, by Old Phoenix DI Holders), at the Court Meeting;
- (b) resolutions of the Old Phoenix Shareholders (as set out in the notice convening the Scheme General Meeting in Part VII in the Scheme Circular) to approve certain matters including:
 - (i) the Scheme;
 - (ii) the Old Phoenix Reduction of Capital;

- (iii) the increase in the share capital of Old Phoenix to the amount existing prior to the Old Phoenix Reduction of Capital by the creation of Old Phoenix New Ordinary Shares to be issued to New Phoenix in accordance with the Scheme;
 - (iv) the allotment of such Old Phoenix New Ordinary Shares by the Directors pursuant to the Scheme;
 - (v) the amendment of the Old Phoenix Articles to facilitate the Scheme; and
 - (vi) as a confirmatory resolution, the New Phoenix Reduction of Capital having been passed at the Scheme General Meeting.
- (c) the PRA and FCA, as applicable, having given notice in accordance with either section 189(4)(a) or section 189(7) FSMA that they approve, whether conditionally or unconditionally, New Phoenix and any other person increasing or acquiring control (within the meaning of sections 181 and 182 FSMA) of the Regulated Group Entities pursuant to the Scheme, or in the absence of such notice, the PRA and FCA, as applicable, being treated under section 189(6) of FSMA as having approved the increase or acquisition of control over the Regulated Group Entities by New Phoenix and any other relevant person;
 - (d) the PRA having given notice in accordance with Regulation 48 of the Financial Service and Markets (The Solvency II Regulations) 2015 (implementing Article 112 of the Solvency II Directive (2009/138/EC)) that it approves, whether conditionally or unconditionally, the extension of the internal model to New Phoenix, or in the absence of such notice, six months having passed from the receipt of the complete application by the PRA;
 - (e) the CBI having given notice in accordance with Regulation 70(1)(c)(ii) of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended) that it does not oppose, whether conditionally or unconditionally, New Phoenix and any other person increasing or acquiring a qualifying holding (within the meaning of Regulation 60 of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended)) in SLIDAC pursuant to the Scheme, or in the absence of such notice, the CBI being treated under Regulation 70(1)(c)(i) of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended) as having not opposed the increase or acquisition of a qualifying holding in SLIDAC by New Phoenix and any other relevant person;
 - (f) the Scheme having been sanctioned (with or without modification) by the Cayman Court at the Court Hearing;
 - (g) the Old Phoenix Reduction of Capital having been confirmed by the Cayman Court at the Court Hearing;
 - (h) the court order sanctioning the Scheme and confirming the Old Phoenix Capital Reduction having been duly delivered to, and registered by (as applicable), the Cayman Islands Registrar of Companies; and
 - (i) permission having been granted by the UKLA to admit the New Phoenix Shares to the premium segment of the Official List and by the LSE to admit the New Phoenix Shares to trading on the LSE's main market for listed securities.

There is no existing market for the New Phoenix Shares and an active trading market for the New Phoenix Shares may not develop or be sustained.

Prior to Admission, there has been no public trading market for the New Phoenix Shares. Although New Phoenix has applied to the UKLA for admission to the premium listing segment of the Official List and has applied to the LSE for admission to trading on its main market for listed securities, New Phoenix can give no assurance that an active trading market for the New Phoenix Shares will develop or, if developed, could be sustained following the occurrence of the Scheme Effective Date. If an active trading market is not developed or maintained, the liquidity and trading price of the New Phoenix Shares could be adversely affected.

New Phoenix Shares may be subject to market price volatility and the market price of the New Phoenix Shares may decline disproportionately in response to developments that are unrelated to New Phoenix's operating performance.

The market price of the New Phoenix Shares may be volatile and subject to wide fluctuations. The market price of the New Phoenix Shares may fluctuate as a result of a variety of factors including, but not limited to, those referred to in these Risk Factors, as well as period to period variations in

operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions, regulatory changes and broader market volatility and movements. Any or all of these factors could result in material fluctuations in the price of New Phoenix Shares, which could lead to investors getting back less than they invested or a total loss of their investment.

New Phoenix Shareholders in the United States and other jurisdictions outside of the United Kingdom may not be able to participate in future equity offerings.

The New Phoenix Articles provide for pre-emption rights to be granted to New Phoenix Shareholders in New Phoenix, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict New Phoenix's ability to allow participation by New Phoenix Shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the New Phoenix Shares and any other securities that are offered and sold are registered under the US Securities Act, or the New Phoenix Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. New Phoenix cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other New Phoenix Shareholders to exercise their pre-emption rights or, if available, that New Phoenix will utilise any such exemption.

The rights afforded to New Phoenix Shareholders are governed by English law. Not all rights available to shareholders under US law will be available to holders of the New Phoenix Shares.

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical US companies. The rights of holders of the New Phoenix Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances in which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only New Phoenix may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

The Company is not, and does not intend to become, regulated in the United States as an investment company under the US Investment Company Act. As a result, transfer restrictions for Shareholders in the United States or that are US persons (as defined in Regulation S) have been imposed and may make it difficult to resell the New Phoenix Shares or may have an adverse impact on the market price of the New Phoenix Shares generally.

The Company has not been, does not intend to be, and would most likely be unable to become, registered in the United States as an investment company under the US Investment Company Act and is relying on the exemption provided by Section 3(c)(7) thereof. The US Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to be registered, none of these protections or restrictions is or will be applicable to the Company. As a result of the Section 3(c)(7) exemption relied on, there are additional restrictions on the resale of New Phoenix Shares by Shareholders who are in the United States or who are US persons (as defined in Regulation S) and on the resale of New Phoenix Shares by any Shareholders to any person who is in the United States or is a US person. These restrictions will make it more difficult to resell the New Phoenix Shares, other than in "offshore transactions" within the meaning of Regulation S, and this could have an adverse effect on the market value of the New Phoenix Shares generally. There can be no assurance that US persons will be able to locate acceptable purchasers or obtain the required certifications to effect a sale.

New Phoenix's ability to pay dividends in the future depends, among other things, on the Group's financial performance and capital requirements and the New Phoenix Reduction of Capital.

There can be no guarantee that the Group's historic performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its sales, profit and cash flow may significantly underperform market expectations. If the Group's cash flow

underperforms market expectations, then its capacity to pay a dividend will suffer. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions on the payment of dividends in the Group's financing arrangements, the Group's financial position, New Phoenix's distributable reserves, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors that the Directors deem significant from time to time.

The purpose of the New Phoenix Reduction of Capital is to create distributable reserves in the accounts of New Phoenix to support the payment of future dividends and share repurchases by New Phoenix in the future as well as payments on the RT1 Notes. The New Phoenix Reduction of Capital is conditional upon certain matters which are to take place after the date of this Prospectus, including an order of the English Court confirming the New Phoenix Reduction of Capital. If the conditions to the New Phoenix Reduction of Capital are not fulfilled and the New Phoenix Reduction of Capital cannot be carried out, New Phoenix may be unable to create sufficient distributable reserves to adhere to its dividend policy and to pay dividends in the future.

The issuance of additional New Phoenix Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. New Phoenix may, for these and other purposes, issue additional equity or convertible equity securities. As a result, New Phoenix Shareholders may suffer dilution in their percentage ownership of New Phoenix, or the market price of the New Phoenix Shares may be adversely affected.

Overseas shareholders may be subject to exchange rate risk.

The New Phoenix Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in New Phoenix Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the New Phoenix Shares or any dividends in foreign currency terms.

New Phoenix is a holding company with no business operations of its own and depends on its subsidiaries for cash, including in order to pay dividends.

New Phoenix is a group holding company with no independent operations and is dependent on earnings and distributions of funds from its operating subsidiaries for cash, including in order to pay dividends to New Phoenix Shareholders.

As a matter of English law, New Phoenix can pay dividends only to the extent that it has sufficient distributable reserves available, which depends upon New Phoenix receiving cash from its operating subsidiaries in a manner which creates distributable reserves. New Phoenix's ability to pay dividends to New Phoenix Shareholders therefore depends on its future Group profitability, the ability to distribute profits or pay dividends from its operating subsidiaries up the Group structure to New Phoenix, general economic conditions and other factors that the Directors deem significant from time to time. The Group's distributable reserves can be affected by reductions in profitability, impairment of assets and severe market turbulence. For further information on the New Phoenix Reduction of Capital, see "*New Phoenix Reduction of Capital*" in Part I "*The Scheme and Related Proposals*".

For further information on the risk to the Group in relation to the payment of dividends, see "*Risk Factors – Risks Relating to the Group – Internal Operations and Management – Certain members of the Group are restricted by applicable regulatory and other requirements in their ability to pay dividends. Dividends may not be declared and paid according to the Group's dividend policy and the Group's dividend policy may change in the future*" above.

IMPORTANT INFORMATION

Cautionary note regarding forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s business, results of operations, financial position, prospects, dividends, growth, strategies and the asset management business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, its financial position and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- the Group failing to realise the expected benefits of the Acquisition, including anticipated synergies;
- management of New Phoenix being distracted or overstretched by the process of transitioning Standard Life Assurance and managing the Group;
- risks stemming from the economy and the performance of financial markets generally;
- changes in the legal and regulatory environment in which the Group operates;
- the FCA, the PRA or other regulators intervening in the Group’s business on industry-wide issues or conducting thematic reviews;
- restrictions on the ability to pay dividends, or a failure to pay dividends according to the Group’s dividend policy;
- changes in regulatory capital requirements;
- changes in accounting standards or in actuarial assumptions;
- risk management policies and procedures being ineffective;
- further contributions, in addition to those already agreed, being required to be made to the Group’s defined benefit pension schemes;
- third party asset management firms that manage the Group’s assets underperforming or difficulties arising from the Group’s outsourcing relationships;
- the Group failing to maintain the availability of its systems and to safeguard the security of its data;
- third party reinsurers being unwilling or unable to meet their obligations under reinsurance contracts;
- legal and arbitration proceedings;
- the level of the Group’s indebtedness;
- changes in taxation law, including future changes in the tax legislation affecting specific products offered by the Group and changes to the VAT rules; and
- other factors discussed in the section of this Prospectus headed “*Risk Factors*”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Group’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions

relating to the Group's business, results of operations, financial condition, prospects, dividends, growth, strategies and the asset management business. Investors should specifically consider the factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Subject to the requirements of the Listing Rules, the Prospectus Rules, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 (the "**Market Abuse Regulation**") and the Disclosure Guidance and Transparency Rules produced by the FCA and forming part of the book and rules and guidance maintained by the FCA (the "**FCA Handbook**"), New Phoenix undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in New Phoenix's expectations or to reflect events or circumstances after the date of this Prospectus.

Presentation of financial information

Capitalisation and indebtedness information for the Group and Standard Life Assurance in this Prospectus and other financial information, unless otherwise stated, has been extracted without material adjustment from (i) Old Phoenix's Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015 and the unaudited half-yearly interim results for the six months ended 30 June 2018 which are incorporated by reference as described in Part X ("*Documents Incorporated by Reference*") of this Prospectus; and (ii) the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015, which are incorporated by reference as described in Part IX ("*Additional Information Documents Available for Inspection*") of this Prospectus, respectively. Where information has been extracted from the audited consolidated financial statements of the Group or the combined historical financial information of Standard Life Assurance, as the case may be, the information is audited unless otherwise stated.

Unless otherwise indicated, financial information for the Group and Standard Life Assurance in this Prospectus and the information incorporated by reference into this Prospectus is presented in pounds sterling and has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") ("**IASB IFRS**").

Standard Life Assurance will be consolidated into New Phoenix's IFRS financial statements in the year ending 31 December 2018. A fair value exercise in respect of Standard Life Assurance's assets and liabilities will be conducted, resulting in Standard Life Assurance's assets and liabilities being included at fair value on the date of the Acquisition in the Group's statement of financial position. Intangible assets will be expected to arise from the Acquisition and may include goodwill, acquired value of in-force business, and other intangibles.

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Financial information

New Phoenix was recently incorporated and as at the date of this Prospectus has no historical operations of its own. Therefore, this Prospectus does not present any stand alone, unconsolidated financial information for New Phoenix.

Presentation of certain key performance indicators and targets

Certain key performance indicators and targets referred to in this Prospectus are unaudited non-GAAP measures that are used by the Group, including those described below:

- **Solvency II Own Funds:** Solvency II Own Funds are the aggregate of "basic Own Funds" (assets an insurer has on its balance sheet) and "ancillary Own Funds" (off-balance sheet resources that are loss absorbent, for example, unpaid share capital). All such assets are subject to eligibility criteria and weighting, as determined by reference to articles 93 to 95 of Solvency II as well as to articles 69 to 73, 76, 77, 79 and 82 of Commission Delegated Regulation (EU) 2015/35, as interpreted by the European Insurance and Occupational Pension Authority's ("**EIOPA**") "Guidelines on Own Funds" (BoS-14/168 EN). References to the Own Funds of a particular

entity are references to the Own Funds held by an entity, whereas references to the Group's Own Funds, or the Group's Own Funds, are references to the Own Funds within the scope of the Solvency II group.

- **Solvency Capital Requirement (“SCR”)**: This is the standard Own Funds level that a UK life insurer is required to maintain by the PRA. A separate calculation also applies to Solvency II groups. SCR is determined by reference to a basic standard formula set out in articles 103-111 of Solvency II, however, a life insurer may agree an amendment to the standard formula to create a bespoke calculation which more accurately reflects the risks applicable to that life insurer, that amendment is achieved by way of an Internal Model (“*Standard Formula*”). Own funds held to meet the SCR requirement (and any additional amendment or add-on approved by the PRA) are also referred to as “regulatory capital” and any reference to an increase or decrease in a regulatory capital requirement is a reference to an increase or decrease in the amount of regulatory capital an entity has to hold. The amount by which an SCR requirement is exceeded by Own Funds is referred to as the “Solvency II Surplus”.
- **Solvency II Shareholder Capital Coverage Ratio (“Shareholder Capital Coverage Ratio”)**: This is the ratio of Solvency II Own Funds to SCR, excluding Solvency II Own Funds and SCR of unsupported with-profit funds and the PGL Pension Scheme. Unsupported with-profit funds and the PGL Pension Scheme refer to those funds whose Solvency II Own Funds exceed their SCR. Where a with-profit fund or Group pension scheme has insufficient Solvency II Own Funds to cover its SCR, its Solvency II Own Funds and SCR are included within the Shareholder Capital Coverage Ratio calculation.
- **Cashflows from the Acquisition 2018 to 2022**: These are equal to the net cashflows expected to be remitted by Standard Life Assurance to the Holding Companies, aggregated for the years 2018 to 2022.
- **Cashflows from the Acquisition for 2023 onwards**: These are equal to the net cashflows expected to be remitted by Standard Life Assurance to the Holding Companies, aggregated for the years from 2023 onwards.
- **Assets under management**: These are assets managed by the Group and held: (i) in respect of actual or anticipated liabilities to policyholders under a policy; or (ii) on behalf of policyholders under the terms of a policy.
- **Holding Companies cash**: This represents the cash and cash equivalents held in the Holding Companies and available to be used to meet future corporate expenses, pension scheme funding requirements, debt servicing and repayments, and the payment of shareholder dividends.

Currencies

In this Prospectus and the information incorporated by reference into this Prospectus: (i) references to “£”, “pounds sterling” or “GBP” are to the lawful currency of the United Kingdom; (ii) references to “USD”, “US dollars”, “US\$”, “\$US”, “US\$” or “cents” are to the lawful currency of the United States; and (iii) references to “Euro”, “euro” or “€” are to the euro, the lawful currency of the member states of the EU that adopted the Euro in Stage Three of the Treaty establishing the Economic and Monetary Union on 1 January 1999.

No profit forecast

No statement in this Prospectus is intended as a profit forecast and no statement in this Prospectus should be interpreted to mean that earnings per New Phoenix Share for the current or future financial years would necessarily match or exceed the historical published earnings per Old Phoenix Share.

Notice to investors in the United States of America

The New Phoenix Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. In addition, the Company has not been and will not be registered under the US Investment Company Act. There will be no public offer of the New Phoenix Shares in the United States. New Phoenix Shares may not

therefore be offered to certain US shareholders of Old Phoenix unless New Phoenix believes that there is an exemption from, or if the transaction is not subject to, the registration requirements of the US Securities Act. The New Phoenix Shares issued pursuant to the Scheme are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof based on the Cayman Court’s sanctioning of the Scheme. Old Phoenix Shareholders who will be affiliates of New Phoenix after the Scheme Effective Date will be subject to certain US transfer restrictions relating to the New Phoenix Shares received pursuant to the Scheme.

Overseas territories other than the Excluded Territories

Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the UK (other than the Excluded Territories) should refer to paragraph 9 of Part II (Explanatory Statement) of the Scheme Circular.

Volcker Rule

Section 619 of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010 (the “Volcker Rule”) prevents “banking entities” as defined under the Volcker Rule (which would include certain non-U.S. affiliates of U.S. banking entities) from, among other things, acquiring or retaining any equity, partnership, or other ownership interest in, or in sponsoring, any “covered fund” as defined in the Volcker Rule.

New Phoenix may be treated as a “covered fund” under the Volcker Rule. If New Phoenix is treated as a “covered fund” under the Volcker Rule, then in the absence of an exemption or regulatory relief, the provisions of the Volcker Rule and its related regulatory provisions may limit the ability of “banking entities” to hold an “ownership interest” in New Phoenix or enter financial transactions with New Phoenix.

Each prospective investor in the New Phoenix Shares is required to independently consider the potential impact of the Volcker Rule in respect of any investment in the New Phoenix Shares. To the extent that investment by banking entities in the New Phoenix Shares is prohibited or restricted by the Volcker Rule, this may impair the marketability and liquidity of the New Phoenix Shares.

Currency exchange rate information

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. The functional currency of New Phoenix is pounds sterling, as is the reporting currency of the Group. Transactions not already measured in pounds sterling have been translated into pounds sterling in accordance with the relevant provisions of International Accounting Standard 21. On consolidation, income statements of subsidiaries for which pounds sterling are not the functional currency are translated into pounds sterling, the presentation currency for New Phoenix, at average rates of exchange. Balance sheet items are translated into pounds sterling at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into pounds sterling at the rate indicated, at any other rate or at all.

Indicative exchange rates of the pound sterling against the euro⁽¹⁾

Period	Period-end	Average	High	Low
2015	1.3571	1.3753	1.4103	1.3532
2016	1.1731	1.2242	1.3654	1.0967
2017	1.1260	1.1416	1.1967	1.0790
2018	1.1275	1.1316	1.1582	1.1009

Note:

(1) Source: Bloomberg Historical Exchange Rate Chart.

As at 5:00 p.m. on 31 October 2018 (being the Latest Practicable Date), the exchange rate of the pound sterling against the euro was £1.00 : €1.1275.

In addition to the convenience translations (the basis of which is described above), the basis of translation of foreign currency transactions and amounts contained in the audited and unaudited financial information included in this Prospectus is described therein and may be different to the convenience translations.

Third party information

New Phoenix confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as New Phoenix is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of such information has been identified.

Service of process and enforcement of civil liabilities

New Phoenix is a public limited company incorporated under English law. The majority of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a significant portion of New Phoenix's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States on the Directors or to enforce against them in the US courts. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and New Phoenix's executive officers. The majority of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and New Phoenix's executive officers within the Overseas Shareholder's country of residence. In addition, it may not be possible to enforce against the Directors and New Phoenix's executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or New Phoenix's executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or New Phoenix's executive officers in any original action based solely on the foreign securities laws brought against New Phoenix or the Directors in a court of competent jurisdiction in England or other countries.

SHARE CAPITAL AND SCHEME STATISTICS

Scheme statistics

Number of Old Phoenix Shares in issue as at 31 October 2018 (being the Latest Practicable Date).....	721,170,388
Number of New Phoenix Shares to be issued pursuant to the Scheme.....	721,170,386 ⁽¹⁾
Number of New Phoenix Shares in issue immediately following the occurrence of the Scheme Effective Date.....	721,170,388 ⁽¹⁾

Notes:

- (1) On the assumption that no Old Phoenix New Ordinary Shares are issued between 31 October 2018 (being the Latest Practicable Date) and the Scheme Effective Date.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected timetable of principal events

Event	Expected time/date ⁽¹⁾
Publication of this Prospectus and the Scheme Circular	2 November 2018
Latest time for lodging blue Forms of Instruction for the Court Meeting (for use by Old Phoenix DI Holders)	1:00 p.m. on 23 November 2018
Latest time for lodging white Forms of Instruction for the Scheme General Meeting (for use by Old Phoenix DI Holders)	1:00 p.m. on 23 November 2018
Voting Record Time for Old Phoenix DI Holders	6:00 p.m. on 23 November 2018
Latest time for lodging blue Forms of Proxy for the Court Meeting (for use by Old Phoenix Shareholders)	1:00 p.m. on 26 November 2018
Latest time for lodging white Forms of Proxy for the Scheme General Meeting (for use by Old Phoenix Shareholders)	1:00 p.m. on 26 November 2018
Voting Record Time for Old Phoenix Shareholders	6:00 p.m. on 26 November 2018
Court Meeting	1:00 p.m. on 28 November 2018
Scheme General Meeting	1:15 p.m. on 28 November 2018
<i>The following dates are subject to change:</i>	
Cayman Islands Court Hearing to sanction the Scheme and to confirm the Old Phoenix Reduction of Capital	5 December 2018
Last day of dealings in, and for registration of transfers of Old Phoenix Depositary Interests	12 December 2018
Depositary Interest facility terminated and Old Phoenix DI Holders entered on the Register	6:30 p.m. on 12 December 2018
Scheme Record Time	8:00 p.m. on 12 December 2018
Scheme Effective Date	8:15 p.m. on 12 December 2018
Cancellation of listing of Old Phoenix Shares, New Phoenix Shares admitted to the Official List, and dealings in New Phoenix Shares commence on the London Stock Exchange	8:00 a.m. on 13 December 2018
Crediting of New Phoenix Shares in uncertificated form to CREST accounts	As soon as possible after 8:00 a.m. on 13 December 2018
English Court Hearing to sanction the New Phoenix Reduction of Capital	18 December 2018
New Phoenix Reduction of Capital becomes effective	18 December 2018
Despatch of New Phoenix Share certificates for New Phoenix Shares in certificated form	No later than 24 December 2018

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

Note:

(1) All dates and times are (unless otherwise stated) the relevant time and date in London, United Kingdom. The dates and times given are indicative only and will depend, amongst other things, on the date and time at which the court order is delivered to the Cayman Islands Registrar of Companies and the date upon which the Court sanctions the Scheme. Old Phoenix or New Phoenix (as applicable) will give notice of any change by issuing an announcement through a Regulatory Information Service.

NEW PHOENIX DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors

A list of the members of New Phoenix's Board of Directors is set forth in the table below.

Name	Current position at Phoenix
Nicholas Lyons.....	Chairman and Nomination Committee Chairman
Clive Bannister	Group Chief Executive Officer
James McConville	Group Finance Director and Group Director, Scotland
Alastair Barbour	Senior Independent Non-Executive Director and Audit Committee Chairman
Campbell Fleming	Non-Executive Director
Karen Green.....	Independent Non-Executive Director
Wendy Mayall.....	Independent Non-Executive Director
Barry O'Dwyer.....	Non-Executive Director
John Pollock.....	Independent Non-Executive Director and Risk Committee Chairman
Belinda Richards	Independent Non-Executive Director
Nicholas Shott.....	Independent Non-Executive Director
Kory Sorenson	Independent Non-Executive Director and Remuneration Committee Chairman

The business address of each of the Directors is Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU.

Group Company Secretary:	Gerald Watson
Registered office and principal place of business:	Juxon House 100 St Paul's Churchyard London EC4M 8BU United Kingdom
Sponsor:	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
Auditors:	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Reporting accountants:	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Legal advisers as to English law:	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
Legal advisers as to Cayman Islands law: .	Walkers 190 Elgin Avenue George Town Grand Cayman KY1-9001 Cayman Islands

New Phoenix Registrar: Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

Old Phoenix Depositary and Receiving Agent: Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

PART I—THE SCHEME AND RELATED PROPOSALS

1. INTRODUCTION

On 25 August 2016 Old Phoenix announced its intention to move its headquarters to the United Kingdom. As part of this move, the Group proposes to put in place a new United Kingdom-incorporated and tax resident holding company for the Group. It is intended that this new corporate structure will be implemented by means of the Scheme, being a scheme of arrangement pursuant to section 86 of the Cayman Companies Law involving a reduction of capital pursuant to sections 14 to 16 of the Cayman Companies Law.

If the Scheme is approved and becomes effective, New Phoenix will become the new holding company of the Group. The existing holding company of the Group, Old Phoenix is expected to be renamed PGH (Cayman) shortly after the Scheme Effective Date.

It is also proposed that, subject to the Scheme becoming effective, New Phoenix's share premium account be cancelled and the reserve arising upon the reduction be re-characterised as a distributable reserve to support the payment of further dividends (and any potential share repurchases) by New Phoenix in the future as well as payments on the RT1 Notes.

It is expected that, if the conditions to the Scheme (as described in the below paragraph entitled "*Principal Features of the Scheme – Conditions to implementation of the Scheme*") have been satisfied, the Scheme will become effective on 12 December 2018 and trading of the New Phoenix Shares will begin at 8.00 a.m. on 13 December 2018.

2. BACKGROUND TO AND REASONS FOR THE SCHEME AND RELATED PROPOSALS

The current Group holding company structure was formed at the time of the Group's restructuring in 2009. Under the current structure, Old Phoenix is a Cayman Islands-incorporated company which, with effect from 31 January 2018, is tax resident in the United Kingdom (having previously been tax resident in Jersey). This structure is complex for the Group's shareholders, debt investors and regulators and imposes additional burdens on the Group's internal governance processes. On 25 August 2016 Old Phoenix announced that, as part of an ongoing group simplification process, it intended to put in place a new holding company registered in England & Wales for the Group. This Scheme is now the final step in the Group's onshoring journey which has delivered a streamlined and cost-efficient internal governance structure and will result in a clearer structure for the Group's shareholders, debt investors and regulators.

The Proposals are not expected to have any adverse impact on Old Phoenix Shareholders or Old Phoenix DI Holders as a whole. New Phoenix will have the same Board and management as Old Phoenix has on the Scheme Effective Date, and New Phoenix will continue to support the UK Corporate Governance Code, retaining the Group's commitment to strong and robust governance structures (for further details on this, see the paragraph 5.4 entitled "*Corporate Governance Code*" in Part IX "*Additional Information*" of this Prospectus).

New Phoenix and its group will have the same business and operations after the Scheme Effective Date as Old Phoenix and its group had before the Scheme Effective Date. The Proposals will not result in any changes in the day-to-day operations of the business of the Group or its strategy.

3. PRINCIPAL FEATURES OF THE SCHEME

3.1 *Structure of the Scheme*

The principal steps in relation to the Scheme are as follows:

(a) *Cancellation of Old Phoenix Depositary Interests*

If the Scheme is sanctioned by the Cayman Court, the Old Phoenix Depositary will terminate the facility in respect of the Old Phoenix Depositary Interests in accordance with the terms of the trust deed shortly prior to the Scheme Record Time, as a result of which the Old Phoenix Depositary Interests will be cancelled and each Old Phoenix DI Holder will be entered on the register of members as holding the same number of Old Phoenix Shares as they held Old Phoenix Depositary Interests immediately before the Old Phoenix Depositary Interests were cancelled. Anyone holding Old Phoenix Depositary Interests shortly prior to the Scheme Record Time will therefore participate in the Scheme as an Old Phoenix Shareholder by holding Old Phoenix Shares directly on the register of members as at the Scheme Record Time.

(b) Cancellation of Scheme Shares

Pursuant to the Scheme, all Old Phoenix Shares will be cancelled on the Scheme Effective Date. In consideration for the cancellation, Old Phoenix Shareholders at the Scheme Record Time (expected to be 8:00 p.m. on 12 December 2018) will receive in exchange for their Old Phoenix Shares, New Phoenix Shares on the following basis:

for each Old Phoenix Share cancelled: one New Phoenix Share

save that one fewer New Phoenix Share shall be allotted and issued to each of the holders of the New Phoenix Subscriber Shares who are also Old Phoenix Shareholders, to reflect the shareholding in New Phoenix they acquired upon its incorporation.

The rights attaching to the New Phoenix Shares will be substantially the same as those attaching to the Old Phoenix Shares. A summary of the rights attaching to the New Phoenix Shares is set out at paragraph 4.1 of Part IX (“*Additional Information*”) and a summary of the differences between the rights attaching to Old Phoenix Shares and New Phoenix Shares is set out in paragraph 9 of Part IV of the Scheme Circular.

(c) Establishing New Phoenix as the holding company of the Group

Following the cancellation of the Old Phoenix Shares, the share capital of Old Phoenix will be increased to its former amount by the issue of the Old Phoenix New Ordinary Shares to New Phoenix. The credit arising in the accounts of Old Phoenix as a result of the Old Phoenix Reduction of Capital will be applied in paying up in full, at par, the Old Phoenix New Ordinary Shares. As a result of the issue of the Old Phoenix New Ordinary Shares, New Phoenix will become the holding company of Old Phoenix and the Group.

The Scheme requires the approval of Old Phoenix Shareholders at the Court Meeting and the Scheme General Meeting. If the Scheme is approved by the requisite majority at the Court Meeting, and certain resolutions relating the Scheme are approved by the requisite majority at the Scheme General Meeting, an application will be made to the Cayman Court to sanction the Scheme at the Court Hearing. If the Scheme is sanctioned at the Court Hearing and the other conditions to the Scheme have been satisfied, the Scheme Effective Date is expected to occur on 12 December 2018, and dealings in New Phoenix Shares are expected to commence, at 8.00 a.m. (London time) on 13 December 2018. If the Scheme has not become effective by 29 March 2019 (or such later date as Old Phoenix and New Phoenix may agree and the Cayman Court may allow), it will lapse, in which event there will not be a new holding company of Old Phoenix and Old Phoenix Shareholders will remain shareholders of Old Phoenix and the existing Old Phoenix Depositary Interests will continue to be listed on the Official List.

3.2 Court Meeting and Scheme General Meeting

To become effective under the Cayman Companies Law, the Scheme will require approval by the requisite majority of Old Phoenix Shareholders under the Cayman Companies Law at the Court Meeting.

The Court Meeting has been convened for 1:00 p.m. on 28 November 2018 pursuant to an order of the Cayman Court granted on 31 October 2018. At the Court Meeting, or any adjournment thereof, the Old Phoenix Shareholders will (including as instructed by, or represented by, Old Phoenix DI Holders) consider and, if thought fit, approve the Scheme.

The Scheme must be approved by a majority in number of those holders of Old Phoenix Shares present and voting, either in person or by proxy (including as instructed by, or represented by, Old Phoenix DI Holders), representing 75 per cent. in value or more of all Old Phoenix Shares held by such Old Phoenix Shareholders present and voting at the Court Meeting. To be entitled to vote such holders of Old Phoenix Shares and Old Phoenix DI Holders must be recorded on the register of members at the Voting Record Time. For this purpose, (i) each holder of Old Phoenix Shares who holds Old Phoenix Shares on the register of members (and not by way of Old Phoenix Depositary Interests) at the applicable time shall be counted as one Old Phoenix Shareholder voting for or against the Scheme (as applicable) and (ii) the Old Phoenix Depositary will be treated as casting one vote for each Old Phoenix DI Holder who instructs the Old Phoenix Depositary to vote for the Scheme and one vote for each Old Phoenix DI Holder that instructs the Old Phoenix Depositary to vote against the Scheme, and the Old Phoenix Depositary itself, as opposed to the voting Old Phoenix DI Holders, shall not be counted as a shareholder of Old Phoenix for the purpose of the calculation of the majority in number test and instead will be treated as a multi-headed shareholder

casting votes in respect of each Old Phoenix DI Holder that instructs it to vote, or which it has authorised to vote on its behalf.

In accordance with the Cayman Islands Companies Law, the “majority in number” requirement, as described above, will therefore be met if the total number of holders of Old Phoenix Shares (calculated as described above) voting “for” the Scheme exceeds the total number of holders of Old Phoenix Shares (also calculated as described above) voting “against” the Scheme at the Court Meeting.

In accordance with the Cayman Islands Companies Law, the “75 per cent. in value” requirement, as described above, will be met if the total value of the Old Phoenix Shares (including those represented by Old Phoenix Depository Interests) being voted in favour of the Scheme is at least 75 per cent. or more of the total value of the Old Phoenix Shares (also including those represented by Old Phoenix Depository Interests) voted for or against the Scheme at the Court Meeting.

Voting at the Court Meeting will be by way of poll and not on a show of hands.

The result of the vote will be posted on the Group’s website at <http://www.thephoenixgroup.com/investor-relations/agm-and-egm/> and announced through a Regulatory Information Service.

The Scheme General Meeting has been convened for 1:15 p.m. on 28 November 2018 (or as soon thereafter as the Court Meeting has been concluded or adjourned). At the Scheme General Meeting or at any adjournment thereof, Old Phoenix Shareholders will consider and, if thought fit, pass certain resolutions in connection with the Scheme, including to approve the Old Phoenix Reduction of Capital and recapitalisation, certain amendments to Old Phoenix’s articles of association, and (as advisory resolutions) the proposals in relation to the New Phoenix Share Plans and the New Phoenix Reduction of Capital.

The notices convening the Court Meeting and Scheme General Meeting and the resolutions to be approved at each of them can be found in Parts VI and VII of the Scheme Circular, which also contains all necessary information for Old Phoenix Shareholders and Old Phoenix DI Holders on how to vote, or instruct the Old Phoenix Depository to vote, as applicable. All Old Phoenix Shareholders and Old Phoenix DI Holders should read the Scheme Circular in its entirety.

3.3 Conditions to implementation of the Scheme

The implementation of the Scheme is conditional on the following having occurred:

- (a) the Scheme being approved by a majority in number, representing 75 per cent. in value or more, of the holders of Old Phoenix Shares who are on the register of members at the Voting Record Time and who are present and voting, in person or by proxy (including as instructed, or represented, by Old Phoenix DI Holders), at the Court Meeting;
- (b) resolutions of the Old Phoenix Shareholders (as set out in the notice convening the Scheme General Meeting in Part VII in the Scheme Circular) to approve certain matters, including:
 - (i) the Scheme;
 - (ii) the Old Phoenix Reduction of Capital;
 - (iii) the increase in the share capital of Old Phoenix to the amount existing prior to the Old Phoenix Reduction of Capital by the creation of Old Phoenix New Ordinary Shares to be issued to New Phoenix in accordance with the Scheme;
 - (iv) the allotment of such Old Phoenix New Ordinary Shares by the Directors pursuant to the Scheme;
 - (v) the amendment of the Old Phoenix Articles to facilitate the Scheme; and
 - (vi) as a confirmatory resolution, the New Phoenix Reduction of Capital having been passed at the Scheme General Meeting
- (c) the PRA and FCA, as applicable, having given notice in accordance with either section 189(4)(a) or section 189(7) FSMA that they approve, whether conditionally or unconditionally, New Phoenix and any other person increasing or acquiring control (within the meaning of sections 181 and 182 FSMA) of the Regulated Group Entities pursuant to the Scheme, or in the absence of such notice, the PRA and FCA, as applicable, being treated under section 189(6) of FSMA as having approved the increase or acquisition of control over the Regulated Group Entities by New Phoenix and any other relevant person;

- (d) the PRA having given notice in accordance with Regulation 48 of the Financial Service and Markets (The Solvency II Regulations) 2015 (implementing Article 112 of the Solvency 2 Directive (2009/138/EC)) that it approves, whether conditionally or unconditionally, the extension of the internal model to New Phoenix, or in the absence of such notice, six months having passed from the receipt of the complete application by the PRA;
- (e) the CBI having given notice in accordance with Regulation 70(1)(c)(ii) of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended) that it does not oppose, whether conditionally or unconditionally, New Phoenix and any other person increasing or acquiring a qualifying holding (within the meaning of Regulation 60 of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended)) in SLIDAC pursuant to the Scheme, or in the absence of such notice, the CBI being treated under Regulation 70(1)(c)(i) of the European Union (Insurance and Reinsurance) Regulations 2015 (as amended) as having not opposed the increase or acquisition of a qualifying holding in SLIDAC by New Phoenix and any other relevant person;
- (f) the Scheme having been sanctioned (with or without modification) by the Cayman Court at the Court Hearing;
- (g) the Old Phoenix Reduction of Capital having been confirmed by the Cayman Court at the Court Hearing;
- (h) the court order sanctioning the Scheme and confirming the Old Phoenix Capital Reduction having been duly delivered to, and registered by (as applicable), the Cayman Islands Registrar of Companies; and
- (i) permission having been granted by the UKLA to admit the New Phoenix Shares to the premium segment of the Official List and by the LSE to admit the New Phoenix Shares to trading on the LSE's main market for listed securities.

Old Phoenix will not take the necessary steps to implement the Scheme unless the above conditions have been satisfied or waived (to the extent permitted by law) and, at the relevant time, the Board of Old Phoenix considers that it continues to be in Old Phoenix's and the Old Phoenix Shareholders' best interests that the Scheme should be implemented.

The Court Hearing to sanction the Scheme is expected to be held at the Law Courts, George Town, Grand Cayman on 5 December 2018. Old Phoenix Shareholders and Old Phoenix DI Holders will have the right to attend the Court Hearing and to appear in person or be represented by counsel to support or oppose the sanction of the Scheme and in connection with the Old Phoenix Reduction of Capital.

The Scheme contains a provision for Old Phoenix and New Phoenix jointly to consent, on behalf of all persons concerned, to any modification of, or addition to, the Scheme, or to any condition that the Cayman Court may think fit to approve or impose. The Cayman Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Old Phoenix Shareholders or Old Phoenix DI Holders unless Old Phoenix Shareholders and Old Phoenix DI Holders were informed of any such modification, addition or condition. It will be a matter for the Cayman Court to decide, in its discretion, whether or not the consent of Old Phoenix Shareholders and Old Phoenix DI Holders should be sought at a further meeting. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Old Phoenix directors, is of such a nature or importance as to require the consent of the Old Phoenix Shareholders and Old Phoenix DI Holders at a further meeting, the Old Phoenix directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

If the Scheme is sanctioned at the Court Hearing and the other conditions to the implementation of the Scheme (as set out above) have been satisfied, the Scheme is expected to become effective on 12 December 2018, and dealings in New Phoenix Shares are expected to commence, at 8.00 a.m. on 13 December 2018.

If the Scheme becomes effective, it will be binding on all Old Phoenix Shareholders (including those who previously held Old Phoenix Depositary Interests immediately prior to the Scheme Record Time), including those who do not vote to approve the Scheme and those who vote against the Scheme at the Court Meeting.

If the Scheme has not become effective by 29 March 2019 (or such later date as Old Phoenix and New Phoenix may agree and the Cayman Court may allow), it will lapse, in which event the

Proposals will not result in a new holding company of Old Phoenix and Old Phoenix Shareholders will remain shareholders of Old Phoenix, Old Phoenix DI Holders will remain Old Phoenix DI Holders of Old Phoenix, and the existing Old Phoenix Depositary Interests will continue to be listed on the Official List.

3.4 Effect of the Scheme

If the Scheme is approved, the Old Phoenix Depositary will cancel all Old Phoenix Depositary Interests shortly before the Scheme Record Time, and each Old Phoenix DI Holder will be recorded on the register of members as holding the same number of Old Phoenix Shares as they held Old Phoenix Depositary Interests immediately before those Old Phoenix Depositary Interests were cancelled. All holders of Old Phoenix Depositary Interests immediately prior to the Scheme Record Time will therefore participate in the Scheme as a holder of Scheme Shares holding Old Phoenix Shares directly on the register of members at the Scheme Record Time in the same way as any other Old Phoenix Shareholder.

Pursuant to the Scheme, all holders of Scheme Shares will have their Old Phoenix Shares replaced by New Phoenix Shares on a one-for-one basis. New Phoenix Shares will be denominated in sterling. Old Phoenix Shareholders' proportionate entitlement to participate in Old Phoenix's capital and income will not be affected by reason of the implementation of the Scheme or the New Phoenix Reduction of Capital. Old Phoenix Shareholders and Old Phoenix DI Holders will not receive any amount in cash pursuant to the terms of the Scheme (other than in the circumstances referred to in Clause 3.2 of the Scheme and described under the heading "*Infringement of laws*", below).

The rights attaching to the New Phoenix Shares are described in paragraph 4 of Part IX ("*Additional Information – Articles of Association*").

New Phoenix is a newly incorporated company which has not traded since its incorporation and, prior to the Scheme becoming effective, will not own any assets or have any liabilities. As a result of the Scheme, New Phoenix will become the new holding company of the Group and its assets, liabilities and earnings on a consolidated basis will be those of the Group.

Old Phoenix will make announcements to Old Phoenix Shareholders and Old Phoenix DI Holders from time to time in relation to the progress of the Scheme, including upon the Scheme becoming effective.

3.5 Settlement

Subject to the Scheme becoming effective, the issue of any New Phoenix Shares to which any Scheme Shareholder is entitled under the Scheme will be effected in the manner set out below.

(a) Scheme Shares formerly represented by Old Phoenix Depositary Interests

Where at the Scheme Record Time, a Scheme Shareholder holds Scheme Shares but immediately prior to the cancellation of Old Phoenix Depositary Interests, was an Old Phoenix DI Holder, that Scheme Shareholder will receive as soon as reasonably practicable after the Scheme Effective Date and, in any event, no later than 14 days after the Scheme Effective Date, the New Phoenix Shares to which they are entitled through CREST by Computershare, on behalf of New Phoenix, procuring that Euroclear is instructed to credit the appropriate CREST account with such Scheme Shareholder's entitlement to New Phoenix Shares at the commencement of dealings in New Phoenix Shares.

The provision by New Phoenix of such instructions to Euroclear shall be a complete discharge of the obligations of New Phoenix under the Scheme in relation to the credit of entitlement to New Phoenix Shares made through CREST. Settlement of the credit of entitlement to New Phoenix Shares will be made through CREST on the Scheme Effective Date, or as soon as practicable thereafter, but in any case within 14 days after the Scheme Effective Date, in accordance with CREST arrangements.

With effect from the cancellation of the Old Phoenix Depositary Interests, each holding of Old Phoenix Depositary Interests credited to any stock account in CREST will be disabled and all Old Phoenix Depositary Interests will be removed from CREST in due course thereafter.

New Phoenix reserves the right to distribute certificated New Phoenix Shares to any former holders of Old Phoenix Depositary Interests in the same manner and on the same terms as certificated New Phoenix Shares are distributed to Scheme Shareholders holding Scheme Shares in certificated form as set out in the paragraph below, if for any reason outside its control it is not able to effect settlement through CREST.

(b) Scheme Shares held in certificated form

Where at the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form (and did not hold such shares in the form of Old Phoenix Depositary Interests immediately prior to the cancellation of the Old Phoenix Depositary Interests), settlement of such Scheme Shareholder's entitlement to New Phoenix Shares on and following the Scheme Effective Date will be made as follows.

The relevant Scheme Shareholder will be issued New Phoenix Shares in certificated form. Definitive certificates for the New Phoenix Shares will be despatched by pre-paid post as soon as reasonably practicable after the Scheme Effective Date but, in any event, not later than 14 days after the Scheme Effective Date to the address appearing on the register of members (or in the case of joint holders, at the address of that joint holder whose name stands first in the register of members of such joint holdings) or in accordance with any special instructions regarding communications received at the registered office of Old Phoenix before the Scheme Record Time, and such certificates shall be sent at the risk of the person entitled thereto and the Group shall not be responsible for any loss or delay in the transmission of certificates sent in this way.

Temporary documents of title will not be issued pending the despatch by post of the new definitive share certificates. Persons wishing to register transfers of New Phoenix Shares prior to the issue of the new share certificates can do so by forwarding a completed transfer form to the New Phoenix Registrar for certification and registration.

With effect from and including the Scheme Effective Date, each certificate representing a holding of Scheme Shares will be cancelled and share certificates for such shares will cease to be valid. Upon receipt of share certificates for New Phoenix Shares, Old Phoenix Shareholders must destroy any share certificates held by them for Old Phoenix Shares and, at the request of Old Phoenix confirm that such certificates have been destroyed by such Scheme Shareholders.

3.6 *Infringement of laws*

If, in respect of any Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom or the Cayman Islands, New Phoenix is advised that the allotment and issue of New Phoenix Shares pursuant to Clause 2.1 of the Scheme would infringe the laws of any jurisdiction outside the United Kingdom or Cayman Islands or would require New Phoenix to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of New Phoenix, it would be unable to comply or which it regards as unduly onerous, then New Phoenix may in its sole discretion either:

- (a) determine that such New Phoenix Shares shall be sold, in which event the New Phoenix Shares shall be issued to such Scheme Shareholder and New Phoenix shall appoint a person to act pursuant to Clause 3.2(a) of the Scheme and such person shall be authorised on behalf of such Scheme Shareholder to procure that any shares in respect of which New Phoenix has made such a determination shall, as soon as practicable following the Scheme Record Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any amount in respect of VAT payable thereon) shall be paid to such Scheme Shareholder by sending a cheque (or, if applicable, by making a payment through CREST) to such Scheme Shareholder in accordance with the provisions of Clause 4 of the Scheme. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Scheme Shareholder to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of fraud, none of Old Phoenix, New Phoenix or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of any such sale; or
- (b) determine that no such New Phoenix Shares shall be allotted and issued to such Scheme Shareholder under Clause 2.1 of the Scheme but instead such shares shall be allotted and issued to a nominee appointed by New Phoenix as trustee for such Scheme Shareholder, on terms that they shall, as soon as practicable following the issuance of such New Phoenix Shares, be sold on behalf of such Scheme Shareholder at the best price which can reasonably be obtained at the

time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any amount in respect of VAT payable thereon) shall be paid to such Scheme Shareholder by sending a cheque (or, if applicable, by making a payment through CREST) to such Scheme Shareholder in accordance with the provisions of Clause 4 of the Scheme. In the absence of fraud, none of Old Phoenix, New Phoenix or any broker or agent of either of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

All cheques shall be made payable to the Scheme Shareholder or, in the case of joint holders to that one of the joint holders whose name stands first in the register in respect of the joint holding, in respect of the Scheme Shares concerned in sterling drawn on a United Kingdom clearing bank and the encashment of any such cheque shall be a complete discharge to New Phoenix for the monies represented thereby. On or after the day being six months after the posting of any cheques pursuant to the Scheme, New Phoenix shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed. Any monies represented thereby shall be placed in an account in New Phoenix's name (which need not be separate from New Phoenix's own account) with a licensed bank in the United Kingdom selected by New Phoenix until the expiration of one year from the Scheme Effective Date. Such payment shall not constitute New Phoenix a trustee in respect of such monies. Any interest that may accrue on the monies deposited shall belong to New Phoenix absolutely. New Phoenix shall, prior to the expiration of one year from the Scheme Effective Date, make payments out of such account of the sums payable pursuant to the Scheme to persons who satisfy New Phoenix (in New Phoenix's absolute discretion) that they are respectively entitled thereto, and that the cheques referred to in this Scheme of which they are payees have not been cashed. In the absence of bad faith or wilful default, a certificate of New Phoenix to the effect that any particular person is so entitled or not so entitled shall be conclusive and binding upon all persons claiming an interest in the relevant monies. On the expiration of one year from the Scheme Effective Date, New Phoenix shall be released from any further obligation to make any payments under this Scheme and the balance (if any) of the monies standing to the credit of New Phoenix pursuant to Clause 4.7 of the Scheme shall vest absolutely in New Phoenix.

3.7 Listing, dealings and delisting of Old Phoenix Shares

Application will be made to the UK Listing Authority for New Phoenix to be admitted to the premium segment of the Official List and to the London Stock Exchange's main market.

Old Phoenix intends to seek the cancellation of listing of the Old Phoenix Shares on the Official List and of trading on the London Stock Exchange's main market for listed securities with effect from the Scheme Effective Date. Immediately thereafter the London Stock Exchange and the UK Listing Authority will be requested respectively to cancel trading in Old Phoenix Shares on the London Stock Exchange's market for listed securities and the listing of the Old Phoenix Shares from the Official List. The last day of dealings in Old Phoenix Shares on the London Stock Exchange is expected to be the Scheme Record Date and no transfers will be registered after 6.30 p.m. (London time) on that date. On the Scheme Effective Date, Old Phoenix will become a wholly-owned subsidiary of New Phoenix and share certificates in respect of Scheme Shares will cease to be valid. Upon receipt of share certificates for New Phoenix Shares, Old Phoenix Shareholders must destroy any share certificates held by them for Old Phoenix Shares and, if Old Phoenix requests you do so, confirm to Old Phoenix that such certificates have been destroyed. In addition, on the Scheme Record Date, and prior to the Scheme Record Time, entitlements to Old Phoenix Depositary Interests held within CREST will be cancelled.

3.8 Impact on Share Plans

In accordance with the terms of Old Phoenix Share Plans, it is intended that on the Scheme Effective Date participants in those plans will be granted, in exchange for the cancellation of their outstanding awards under Old Phoenix Share Plans, equivalent awards over New Phoenix Shares on, and subject to, the rules of the respective Old Phoenix Share Plans ("**Replacement Awards**") which will have substantially the same value as the Old Phoenix Shares which were subject to the original awards under their respective Old Phoenix Share Plans prior to the Scheme Effective Date. The terms of the Old Phoenix Share Plans which will govern these Replacement Awards are set out in section 10.1 of Part IX ("*Additional Information – Employee Incentive Plans*") of this Prospectus).

It is intended that New Phoenix will adopt the New Phoenix Share Plans (including the New Phoenix LTIP, the New Phoenix Sharesave Scheme, the New Phoenix SIP and the New Phoenix DBSS, the terms of which will be substantively the same as those of the respective Old Phoenix Share Plans,

save for minor updates to reflect changes in regulatory, governance and market practices; and the New Phoenix Irish SIP and the New Phoenix Irish Sharesave Scheme (the plans being subject to approval by the Irish Revenue Commissioners). Advisory approvals relating to the adoption of the New Phoenix Share Plans are being sought from Old Phoenix Shareholders (including as instructed by, or represented by, Old Phoenix DI Holders) as the ordinary resolutions to be proposed at the Scheme General Meeting.

3.9 Impact on Indebtedness

It is intended that, on the occurrence of the Scheme Effective Date, New Phoenix will be substituted as the principal debtor in respect of Old Phoenix's 2022 Notes, 2025 Notes, 2027 Notes, 2029 Notes and RT1 Notes (together, the "**Outstanding Subordinated Debt Securities**") (the "**Debt Substitution**") in accordance with their respective terms. Under the terms of the Debt Substitution:

- (a) the terms and conditions of the Outstanding Subordinated Debt Securities will be amended to reflect the substitution of New Phoenix in place of Old Phoenix as issuer and sole obligor under the Outstanding Subordinated Debt Securities and also to make certain consequential amendments in order to effect the Debt Substitution;
- (b) there will not be a public offering of the Outstanding Subordinated Debt Securities and no new securities will be issued or admitted to trading in connection with the Debt Substitution; and
- (c) no additional disclosure regarding New Phoenix will be made available in respect of the Debt Substitution.

Old Phoenix will remain as issuer of the Senior Bonds following the Scheme Effective Date. The Group may consider moving the Senior Bonds from Old Phoenix to New Phoenix.

New Phoenix will accede to, and become a borrower and a guarantor under, each of the Revolving Credit Agreement and the Acquisition Facility Agreement on or after the Scheme Effective Date, in each case in accordance with its existing terms. Following such date (and subject to the terms of the Revolving Credit Agreement and the Acquisition Facility Agreement), Old Phoenix may subsequently elect to resign as borrower and guarantor from each of the Revolving Credit Agreement and the Acquisition Facility Agreement.

3.10 New Phoenix Reduction of Capital

The Board intends for New Phoenix to adopt a dividend policy equivalent to the current Old Phoenix policy, which reflects the Board's view that, given the long-term run-off nature of the Group's business, it is prudent to maintain a stable, sustainable dividend. The purpose of the New Phoenix Reduction of Capital is to create distributable reserves in the accounts of New Phoenix to support the payment of future dividends (and any potential share repurchases) by New Phoenix as well as payments on the RT1 Notes.

Pursuant to the New Phoenix Reduction of Capital, it is proposed that New Phoenix's share premium account be cancelled and the reserve arising be re-characterised as a distributable reserve that will be available to New Phoenix to be distributed as dividends or applied towards any other lawful purpose.

The shareholder resolution required for New Phoenix to implement the New Phoenix Reduction of Capital was passed by the holders of the New Phoenix Subscriber Shares on 15 October 2018.

The New Phoenix Reduction of Capital is conditional upon:

- (a) an order of the English Court confirming the New Phoenix Reduction of Capital; and
- (b) registration of the order of the English Court confirming the New Phoenix Reduction of Capital with the English Registrar of Companies.

The amount of the distributable reserves to be created by the New Phoenix Reduction of Capital will depend upon the price at which New Phoenix Shares are issued by New Phoenix pursuant to the Scheme. Such New Phoenix Shares will be issued at a price equal to the actual closing price of Old Phoenix Depositary Interests on the last day of dealings in Old Phoenix Depositary Interests (expected to be 12 December 2018).

As an example, based on the closing price of an Old Phoenix Share of 6.025 pence on 31 October 2018 and assuming (for the purposes of this indicative calculation) that no Old Phoenix Shares are issued after that date, the New Phoenix Reduction of Capital would create a distributable reserve of approximately £4.3 billion and leave New Phoenix with paid up share capital of approximately £72.1 million.

Subject to the conditions described above being fulfilled, the New Phoenix Reduction of Capital is expected to become effective on 18 December 2018.

The Directors expect that New Phoenix will have capital authorities in place after the Scheme Effective Date which are equivalent to those adopted by Old Phoenix at its General Meeting on 25 June 2018, provided that, to the extent any such authorities have been exercised by Old Phoenix as at the Scheme Effective Date, they will be treated by New Phoenix as having been exercised to the same extent (subject to appropriate adjustments to reflect the different currency in which the respective nominal values are denominated), to ensure that New Phoenix remains effectively subject to an equivalent level of authorities to that approved in respect of Old Phoenix.

PART II—BUSINESS OVERVIEW OF THE GROUP

Business overview

The Group is the largest specialist consolidator of heritage life assurance funds in Europe. Its main focus is on closed life fund consolidation, specialising in the acquisition and management of closed life insurance and pension funds.

Prior to completion of the Acquisition, the Group had three operating life insurance companies which held policyholder assets: PLL, PLAL, and ALAC (together the “**Phoenix Life Companies**”). Prior to completion of the Acquisition, the Group had two principal management service companies, PGS and PGMS, which aim to provide all administrative services required by the Phoenix Life Companies (or manage the provision of such services through outsourcing arrangements), including policy administration, information technology, finance and facility management services. Following completion of the Acquisition, the Group has one further principal management service company, SLAESL.

Following completion of the Acquisition, the Group has more than 10.4 million policyholders, £240 billion of assets under management and Solvency II Own Funds of £7.8 billion (on a shareholder capital basis). These figures are on a proforma basis as at 31 December 2017, and have been calculated using the combined reported figures of the Group and Standard Life Assurance. Following completion of the Acquisition, the Group has six operating life insurance companies which hold policyholders assets: PLL, PLAL, ALAC, SLAL, SLPF and SLIDAC. For further details on the business of Standard Life Assurance, see the section headed “*Business overview of Standard Life Assurance*” below.

History

Old Phoenix, previously named Liberty International Acquisition Company, then Liberty Acquisition Holdings (International) Company and then Pearl Group, was incorporated on 2 January 2008 under the laws of the Cayman Islands as an exempted company with limited liability, under registration number 202172. Old Phoenix was originally formed as a non-operating special purpose acquisition company by Berggruen Acquisition Holdings II Ltd and Marlin Equities IV, LLC to acquire one or more operating businesses with principal activities outside North America.

Units of Old Phoenix, comprising both the Shares and the warrants in respect of the Shares (“**Public Warrants**”), were initially admitted for trading on Euronext Amsterdam on 6 February 2008. However, the Shares and Public Warrants began to trade separately on 14 March 2008, following which the units ceased to exist as separate securities and were no longer listed.

On 29 June 2009, Old Phoenix announced that it had agreed to acquire PGH2 and its subsidiaries (the “**Pearl Group Acquisition**”). PGH2 was established in April 2005 in connection with the £1.1 billion acquisition of HHG plc’s closed life companies by, amongst others, TDR Capital Nominees Limited and certain principals of Sun Capital Partners, and was further expanded in connection with the £5 billion acquisition of Resolution plc in May 2008 and the simultaneous sale of certain assets and companies held by Resolution plc to The Royal London Mutual Insurance Society Limited for £1.3 billion. The Pearl Group Acquisition completed on 2 September 2009 when Old Phoenix changed its name to Pearl Group.

The Old Phoenix Shares were admitted to the Official List of the FCA and to trading on the LSE on 17 November 2009. On 5 July 2010, Old Phoenix achieved a premium listing of the Old Phoenix Shares on the LSE and admitted the Public Warrants to the Official List of the FCA and to trading on the LSE on 5 July 2010. The Group achieved inclusion in the FTSE 250 index on 20 September 2010. The Old Phoenix Shares and Public Warrants were delisted from Euronext Amsterdam on 17 November 2010.

On 25 March 2014, the Group agreed to dispose of the entire issued share capital of Ignis Asset Management to Standard Life Investments, in return for total consideration of £390 million which was paid in cash upon completion of the divestment. Ignis Asset Management was the Group’s asset management business, providing asset management and asset and liability management services to the Phoenix Life Companies as well as to a third party client base of retail, wholesale and institutional investors in the UK and overseas. Completion of the divestment occurred on 1 July 2014. A payment of £6 million was made to Standard Life Investments on 24 September 2014 in relation to certain post-closing balance sheet adjustments. Old Phoenix and Standard Life Investments also reached

agreement on a long-term strategic asset management alliance. The proceeds of the divestment were used to prepay £250 million of certain of the Group's debt facilities.

On 23 July 2014, Old Phoenix entered into the Revolving Credit Agreement, as amended and/or restated from time to time. Under the Revolving Credit Agreement, the lenders made available a multicurrency revolving loan facility in an aggregate principal amount equal to £900 million.

On 3 September 2014, the Public Warrants expired and were delisted from the London Stock Exchange.

On 29 June 2015, the Group entered into an agreement to divest Scottish Mutual International Limited ("**Scottish Mutual International**") (which had 3,000 remaining policyholders) for £14 million. This divestment was completed on 2 December 2015.

On 6 August 2015, Old Phoenix announced that each of PLL and PLAL had been assigned the Insurer Financial Strength Rating of "A" with a stable outlook by Fitch Ratings Ltd. The outlook was revised to positive on 27 May 2016.

On 9 November 2015, Old Phoenix entered into an agreement with RGA International Reinsurance Company Limited ("**RGA International**"), an external reinsurer, effective from 1 November 2015, to reinsure substantively all of the PLAL annuity liabilities previously ceded to Opal Reinsurance Limited, a subsidiary undertaking of Old Phoenix. The Group paid a reinsurance premium of £1,346 million to RGA International.

On 1 November 2016, the Group acquired the SunLife Embassy Business from AXA UK for £373 million in cash. The acquisition added £12 billion of assets under management and over 910,000 policyholders to the Group and is expected to generate cashflows of approximately £300 million in aggregate between 2016 and 2020 and approximately £200 million in aggregate from 2021 onwards.

On 30 December 2016, the Group acquired ALAC, Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited from Deutsche Holdings No. 4 Ltd., a wholly-owned subsidiary of Deutsche Bank for £933 million in cash. Proceeds from a rights issue of 144,727,282 new shares at 508 pence per new share, which closed on 25 October 2016, were applied towards the consideration paid for the acquisition.

The acquisition added £10 billion assets under management and 735,000 policyholders. It is expected to generate approximately £0.5 billion of aggregate cashflows between 2016 and 2020 and approximately £1.1 billion in aggregate from 2021 onwards.

On 25 July 2017, the Group announced that the Insurer Financial Strength Rating of PLL and PLAL had been upgraded to "A+" with a stable outlook.

Recent developments

On 23 February 2018, Old Phoenix entered into the Backstop Revolving Credit Agreement. Under the Backstop Revolving Credit Agreement, the lenders made available a multicurrency revolving loan facility on a customary certain funds basis in an aggregate principal amount equal to £900 million, which bears a floating rate of interest and which was only intended to be utilised if the Revolving Credit Agreement had been cancelled.

On 23 February 2018, Old Phoenix also entered into the Acquisition Facility Agreement. Under the Acquisition Facility Agreement, the lenders made available a sterling term loan facility on a customary certain funds basis in an aggregate principal amount equal to £600 million, which bears a floating interest rate and which is currently undrawn. On 23 February 2018, Fitch Ratings Ltd. affirmed PLL's and PLAL's ratings, following Old Phoenix's announcement of the Acquisition.

On 26 April 2018, Old Phoenix issued the RT1 Notes, the proceeds from which were used to fund a portion of the cash consideration for the Acquisition.

On 2 May 2018, the Revolving Credit Agreement was amended to (among other matters) permit the Acquisition and provide for the unsecured revolving credit facility made available under the Revolving Credit Agreement to be available on a customary certain funds basis in connection with the Acquisition. As a result of the amendments to the Revolving Credit Agreement becoming effective on 2 May 2018, the commitments under the Backstop Revolving Credit Agreement were cancelled on 2 May 2018.

On 18 July 2018, the Acquisition Facility Agreement was amended and restated to (among other matters) provide that, in addition to the term loan facility under the Acquisition Facility Agreement being made available on a customary certain funds basis in connection with the Acquisition, the term

loan facility would also be available for utilisation on a customary (but not certain funds) basis for general corporate purposes until 30 June 2019.

On 20 July 2018, Old Phoenix issued a notice calling the Lender Warrants for redemption. All unexercised Lender Warrants were cancelled on 23 August 2018. See paragraph 3.7 entitled “*Redemption of New Phoenix Lender Warrants*” in Part IX (“*Additional Information*”) for further information on the Lender Warrants and the redemption process.

On 31 August 2018, Old Phoenix completed the acquisition of SLAL (which included Vebnet (Holdings) Limited and excluded certain subsidiaries of SLAL following a pre-completion restructuring) from Standard Life Aberdeen, in consideration for which Standard Life Aberdeen took an approximately 19.98 per cent. stake in the Group and Old Phoenix paid a total cash consideration of £1,971 million pursuant to the Share Purchase Agreement (excluding a dividend of £312 million paid by SLAL to Standard Life prior to completion). Further information about the acquired business is set out in the section titled “*Business overview of Standard Life Assurance*” below.

On 24 September 2018, Old Phoenix issued the 2029 Notes, part of the proceeds from which were used to repay the Revolving Credit Agreement, which had been drawn to fund the cash consideration for the Acquisition.

On 25 October 2018 Standard Life Aberdeen redeemed £500,000,000 6.75 per cent. fixed rate perpetual reset guaranteed bonds and £300,000,000 6.546 per cent. mutual assurance capital securities, both of which had been guaranteed by SLAL.

Competitive strengths of the Group

The Directors believe that the Group’s competitive strengths are as follows:

As the Group is focused on the efficient management of in-force policies, the Group has high visibility of its cashflows over the long-term due to the predictable nature of the Group’s funds.

The Group’s closed life funds provide predictable fund maturity and liability profiles, generating long-term cashflows supporting payment of pension obligations, distributions to Shareholders and payment of outstanding debt obligations. The Group will continue to be focused on the efficient management of in-force policies and, even when taking into account the effect of the Acquisition in terms of the potential organic future growth from the Client Service and Proposition Agreement, the Group does not need to allocate significant capital to support the writing of new policies. Instead, the largest part of the costs of the Group’s closed life funds are recurring expenses. Further information on how the Group focuses on efficient management of in-force policies, see paragraph “*Strategy of the Group*” below.

The Group’s cashflows are largely generated from the interest earned on capital, policyholder charges and participation in investment returns. Although the impact of the Group’s participation in investment returns is not predictable, investment risks are mainly borne by policyholders in accordance with the terms of the relevant policies. In addition, as the Phoenix Life Companies’ policies run off, excess capital supporting these liabilities can be released from the Phoenix Life Companies to their shareholders, the Holding Companies. The predictable stream of profits from the run-off of the closed life funds provides some certainty of tax relief on debt interest. In 2017 and as at 30 June 2018, £653 million and £349 million, respectively, of cash was distributed from the Phoenix Life Companies to the Holding Companies.

The Group is the largest specialist consolidator of heritage life assurance funds in Europe, with a simplified and scalable business model, allowing it to benefit from economies of scale, diversification benefits and the ability to save costs both internally and through outsourcing arrangements.

With 10.4 million policyholders post completion of the Acquisition (based on figures as at 31 December 2017), the Group is the largest specialist consolidator of heritage life assurance funds in Europe by total number of policyholders. The Group has a track record and an expertise in creating value through integration of acquisitions and financial management, including through realising synergies from acquisitions and focusing on improving outcomes for policyholders of closed life funds. The Directors believe that these factors position the Group as a leading consolidator of closed life funds, resulting in a significant value creation opportunity.

The Directors believe that the Group’s business model provides additional value and scalability, by using outsourced service providers to match its cost base to the run-off profile of the policies held

within the Group's closed life funds, as the charges of outsourced service providers are generally based on a variable, per policy cost structure.

The Group seeks to manage the level of costs and required capital by combining life funds, allowing for greater diversification of risks.

There is significant opportunity to create value and accelerate cashflows through the continued implementation of management actions.

The Group follows an approach and infrastructure for the efficient and effective structuring, integration and management of closed life funds and the investments they hold through a range of management actions. By applying a consistent framework across the Group, the Directors believe that an efficient operating model will reduce risk, complexity and cost; deliver long-term stability of customer service through efficient cooperation with the Group's outsourcing partners; increase Solvency II Own Funds; and release capital to shareholders. An example of management actions involves the consolidation of a disparate collection of actuarial valuation models onto a single platform, the actuarial systems transformation programme, with the aim of reducing operational risk (and associated capital) of actuarial modelling, improving the quality and frequency of capital monitoring and improving cost efficiency through the simplification and standardisation of actuarial processes. The actuarial systems transformation programme is an essential part of managing the Group's life businesses under the Solvency II regime.

The Directors believe that there are opportunities to further increase value and cashflows to the Holding Companies through additional management actions. Further actions that can create value include the reduction of operational risk and investment in illiquid asset classes such as equity release mortgages.

The Group actively manages its assets and liabilities to help protect and enhance policyholder and shareholder returns.

The Group aims to manage its assets and liabilities to ensure a prudent approach to risk and to give it the ability to use capital efficiently whilst having more control over management of investment and market risk for both policyholders and shareholders. This includes the matching of asset and liability cashflows to reduce capital requirements. In particular, the release of capital through the elimination of unrewarded risk can enable the achievement of higher risk adjusted returns.

Strategy of the Group

The Group is the largest specialist consolidator of heritage life assurance funds in Europe. Its main focus is on closed life fund consolidation, specialising in the acquisition and management of closed life insurance and pension funds.

The Group seeks to use its expertise to deliver value for shareholders and improve returns for policyholders and customers, whilst continuing to be recognised as the leading solutions provider for the safe, innovative and profitable decommissioning of closed life funds in the UK. To enable this, the Group's strategy is to:

- (i) act as a consolidator of life and pensions books, predominantly those that are closed to new business;
- (ii) deploy its specialist skills in operational efficiency, the use of partnerships and outsourcing to reduce costs and improve financial results; and
- (iii) apply its expertise in capital management, regulation and other key areas to achieve better outcomes for policyholders and shareholders.

The Group's areas of strategic focus are:

- ***Closed book consolidation:*** The Group's principal focus has historically been to be a consolidator of life and pensions books which are predominantly closed to new business. The Directors believe that such books of business are best managed within a specialist scale platform and that existing and anticipated market dynamics will generate a further supply of potentially attractive acquisition targets in the future. These dynamics include the impact of the evolving regulatory framework for financial services companies, such as the implementation of Solvency II and Basel III regulations. In addition, the Directors believe that the opportunity is expected to be supported by ongoing capital pressure within the sector, the trend of life insurers recycling and refocusing capital from mature to growth businesses, the decline in new with-profit business, changing customer demands and regulatory change driving consolidation. The Directors believe

that this opportunity is also supported by the migration of customers to alternative products, creating legacy products and their infrastructure which face cost challenges as the policies run off over time. The management of these books requires specialist skills, particularly in regulation, operational efficiency, capital management, governance and liability customised asset management. To maintain its competitive advantage and create value, the Group develops specialist expertise to identify, pursue and execute suitable opportunities in this space. Given the opportunities and its experience, the Group remains predominantly focused on the UK. However, the Directors also note that there are product and market dynamic similarities with certain continental European life markets, which remain comparatively fragmented, having not gone through a sustained period of life consolidation as has been seen in the UK over the past several years. This may allow for a number of consolidation opportunities both within the UK and European markets in the coming years. The Group's operating model is specifically designed for ongoing closed life fund consolidation and the Group is well placed to generate value from further acquisitions. As such, the Group continues to actively explore further acquisition opportunities in the closed life sector, which is estimated to be a £540 billion opportunity across the UK, Germany and Ireland. Having completed its first bulk purchase annuity transaction with the Trustee of the Marks and Spencer Pension Scheme, the Group is also active in the bulk purchase annuity market which is estimated to be a £550 billion opportunity over the next 15 years. In the normal course of business, the Group may enter into further acquisitions or execute additional bulk purchase annuity transactions in the short term that meet its acquisition criteria, but which are not expected to require the Group to enter into further funding arrangements.

- ***Disciplined approach to M&A:*** The Group seeks to make acquisitions consistent with its strategic focus and which are aligned to its acquisition criteria, namely: (i) have a closed life focus; (ii) are value accretive; (iii) support the dividend policy; and (iv) maintain the investment grade rating.
- ***Capital management and management actions:*** The effective management of the Group's risks and the efficient allocation of capital against them is critical in allowing the Group to achieve its strategic and operational objectives. The Group's Solvency II Internal Model has been approved by the PRA as part of the Solvency II regime. In addition, the Group seeks to implement certain management actions to enhance its capital position and cashflows, such as fund mergers, strategic asset allocation and de-risking. As the Group grows through acquisitions, the opportunities for capital management and management actions tend to increase.
- ***Realise the benefits of scale:*** Acquisitions are important to the Group's model not only to offset the natural decline of a business largely closed to new business, but also to grow the business and create additional value from scale advantages. Increased scale provides the Group with a number of key differentiating features including the ability to drive operational efficiencies and achieve diversification benefits, as well as ultimately enabling further acquisitions. To take advantage of acquisition opportunities, the Group has created a scalable operating model and adopts a disciplined pricing model which is supported by the Group's Solvency II Internal Model.
- ***Operational efficiency:*** The Group routinely applies management actions to increase operational efficiency through the standardisation and streamlining of key processes, which will in turn reduce costs, improve performance and enhance value. By applying a consistent framework across the Group, the Directors believe that management actions reduce risk, complexity and cost; deliver long-term stability of customer service through efficient cooperation with the Group's outsourcing partners; increase Solvency II Own Funds; and release capital to shareholders. As a result of management actions, the Group seeks to eliminate unnecessary cost from its business model. In part this is achieved through outsourcing certain administrative tasks to selected third parties. When the Group acquires new books of business, this scalable outsourced model supports the delivery of cost savings. At the same time, the Group seeks to ensure that the quality of service provided to its customers is not adversely impacted by such operational optimisation.
- ***Financing structure:*** The Group intends to manage leverage at a level consistent with maintaining an investment grade rating for New Phoenix and the Group's senior and subordinated shareholder debt. Debt will be issued at a range of maturities to achieve a balanced maturity profile. Hybrid debt issuance, using the full spectrum of Solvency II-compliant instruments, will be supportive of the Group's robust capital position.

- **Improving customer outcomes:** The Group aims to improve customer experiences through its focus on its chosen market, high levels of governance and extensive experience. The Group has three key areas of focus in relation to its customers, namely:
 - *Value:* the Group aims to optimise customer outcomes;
 - *Service:* treating customers fairly, with empathy as well as respect, and all in a timely fashion; and
 - *Security:* ensuring customer investments are secure in a well-managed company.

By focusing on these areas proactively and responsibly, the Directors believe that the Group can create value in the long-term in a highly regulated sector.
- **Regulatory experience:** The Group's main regulators in the UK are the PRA and the FCA. The Group is aligned with the aims of both regulators, in seeking both to protect customers and their lifetime savings, and to manage its business with a prudent perspective on financial metrics including capital. The Group is also regulated in Ireland by the CBI and, where it conducts business outside the UK and Ireland, the laws and regulations of a number of other jurisdictions also apply to the Group.
- By focusing on these areas proactively and responsibly, the Directors believe that the Group can create value in the long-term in a highly regulated sector.

Structure of the Group

Current structure

Prior to completion of the Acquisition, the Group operated one business segment: life insurance business (including its management services operations), which is referred to as “**Phoenix Life**”. The Group's UK-based Group functions provide support and coordination for the delivery of the Group's strategic initiatives.

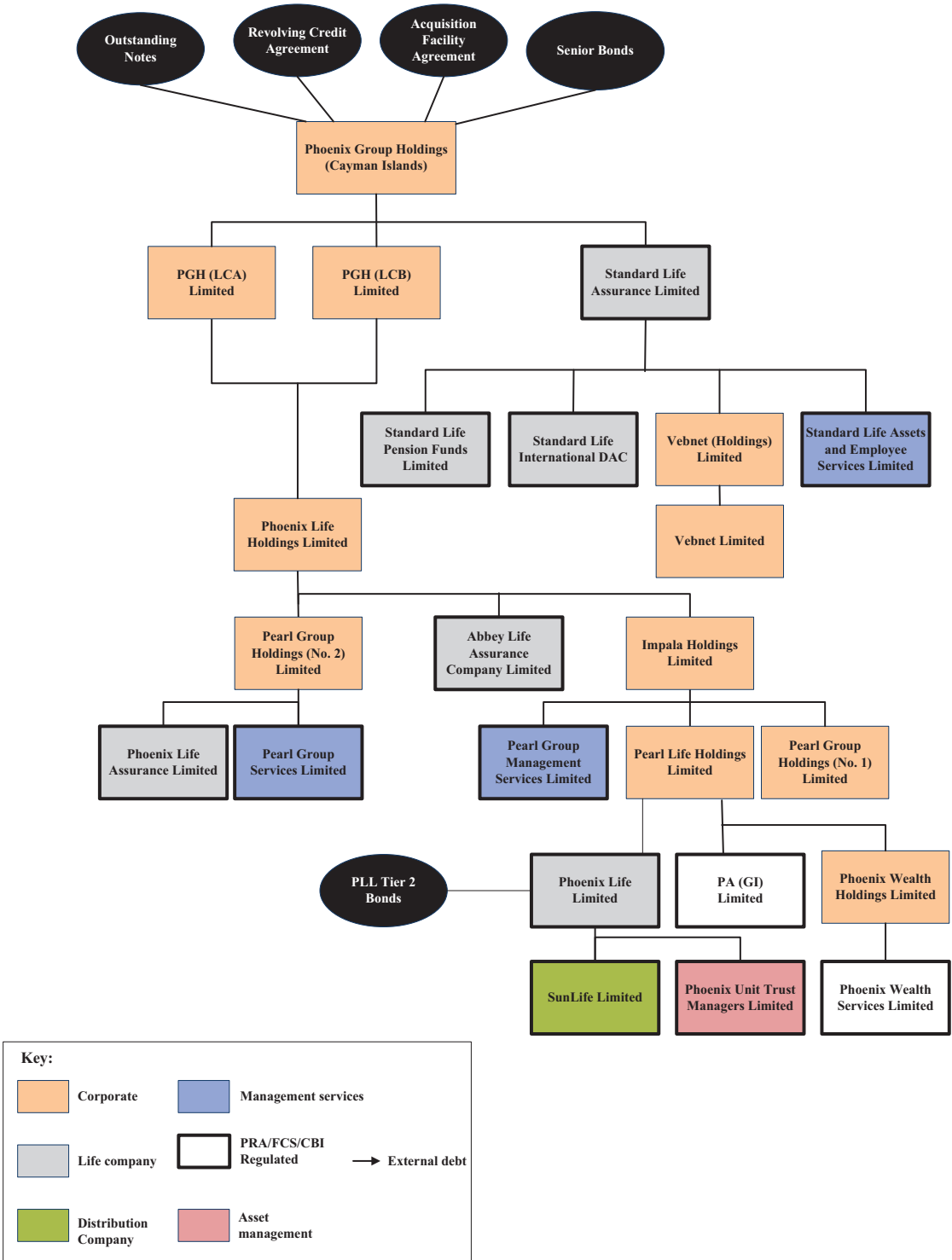
The holding company structure between Old Phoenix and the Phoenix Life Companies includes several holding companies which were established in relation to the acquisitions of the original Pearl life companies and their affiliates in 2005 and the Resolution Group in 2008. SLPF and SLIDAC are wholly owned subsidiaries of SLAL.

Prior to Old Phoenix becoming UK tax resident in January 2018, PLHL was the ultimate EEA insurance holding company for group capital purposes and the calculation under the European Union Insurance Group's Directive (“**IGD**”) and the PLHL (Group) Individual Capital Assessment (“**ICA**”) were therefore historically prepared at that level. From 1 January 2016 to 30 June 2017, following implementation of Solvency II, Solvency II SCR reporting was performed at the PLHL level, as the highest EEA insurance holding company within the Group. Old Phoenix was exempt from SCR reporting obligations as a result of a waiver received from the PRA that permitted Group supervision to take place at the level of Old Phoenix via “other methods”. This waiver expired on 30 June 2017.

From 1 July 2017, regulatory supervision, including SCR reporting, was performed at both the Old Phoenix and PLHL levels. This “dual reporting” continued until 31 January 2018 when the Old Phoenix's head office was moved to the UK from Jersey and the PRA agreed to treat Old Phoenix as the ultimate EEA insurance holding company of the Group until the insertion of a new UK holding company. During this period, the Group's SCR reporting has been at the Old Phoenix level only. Accordingly, from 1 July 2017, the PLHL Solvency II Surplus has not been reported.

As part of the ongoing simplification of the Group structure, the Scheme and related Proposals, as described in Part I (“*The Scheme and Related Proposals*”), will put New Phoenix in place as the holding company for the Group from the Scheme Effective Date. New Phoenix will be both ultimate EEA and ultimate insurance holding company and therefore all Solvency II requirements will apply at this level from the Scheme Effective Date. See also “*Risk Factors – Risks Relating to the Group – Regulatory Risks – Regulatory capital and other requirements may change*” in this Prospectus.

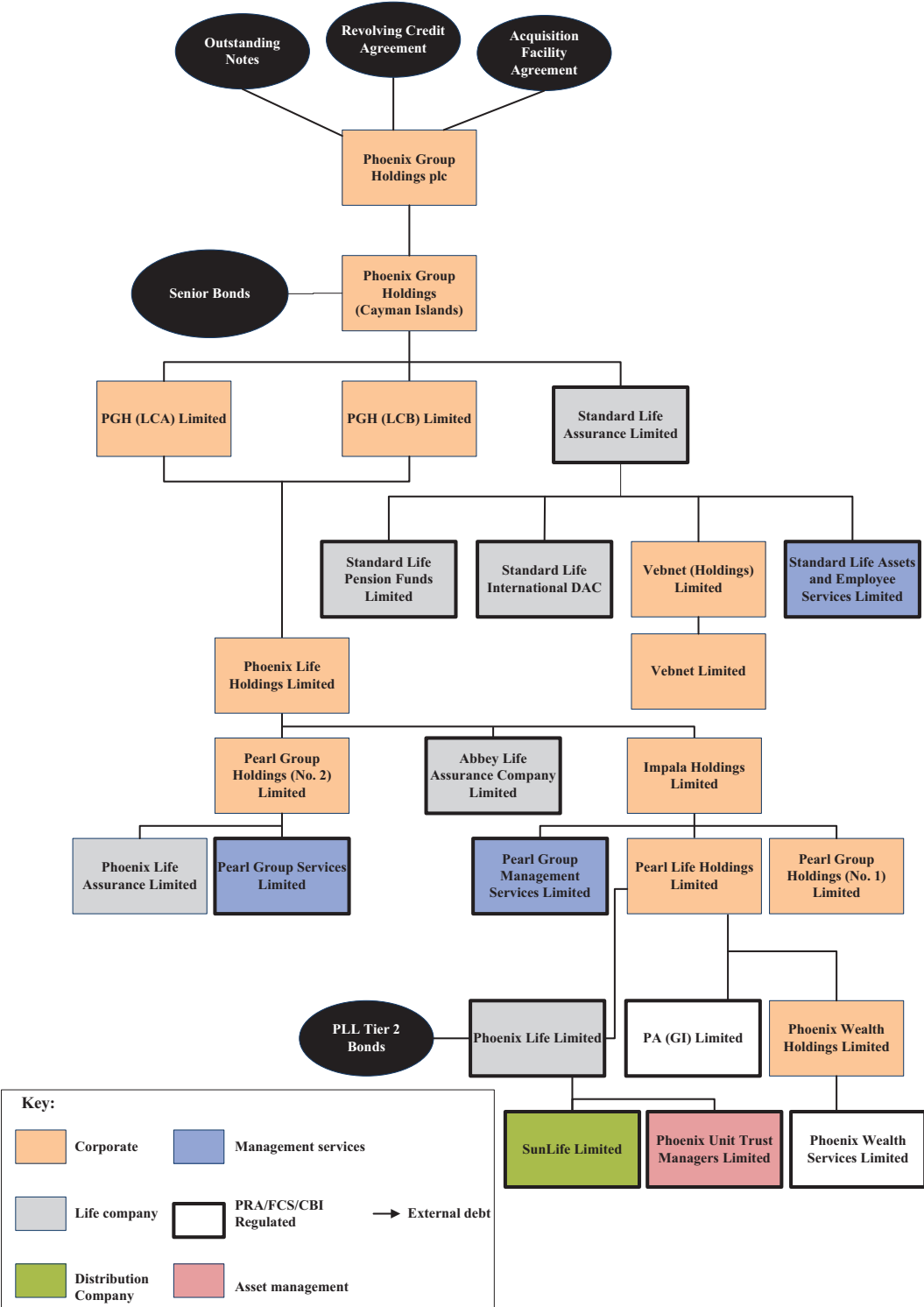
The following chart gives an overview of the legal structure of the Group and its principal companies as at the date of this Prospectus.



Notes:
 (1) For the purposes of the structure chart above, the term “Outstanding Notes” means the 2022 Notes, the 2025 Notes, the 2027 Notes, the 2029 Notes and the RT1 Notes.

Structure of the Group post Completion of the Scheme

The following chart gives an overview of the legal structure of the Group and its principal companies as it will be immediately following the Scheme Effective Date and Admission.



Notes:

(1) For the purposes of the structure chart above, the term ‘Outstanding Notes’ means the 2022 Notes, the 2025 Notes, the 2027 Notes, the 2029 Notes and the RT1 Notes.

Insurance business

The Phoenix Life Companies are regulated entities that hold the Group's policyholder assets. The Phoenix Life Companies are regulated by both the FCA, PRA and/or CBI. Historically, the Group has sought to reduce the number of its individual life companies through insurance business transfers to optimise capital allocation and economies of scale, the most recent being the insurance business transfer of all of the business of AWL to PLL in 2017. It is intended, subject to the approval of the High Court, that the business of ALAC will be transferred to PLL by way of a Part VII Scheme at the end of 2018.

Although the Phoenix Life Companies are closed life fund companies and do not generally write new business, they do accept additional policyholder contributions on in-force policies and allow certain policies, such as pension savings plans, to be reinvested at maturity into annuities written by a Phoenix Life Company. Writing annuities offers the Group a further opportunity to increase its value through profit margins and incremental investment returns.

Following completion of the AXA Transaction, the Group writes a limited set of directly marketed protection policies, including guaranteed over 50s policies (life insurance policies available to people over 50 years of age, which pay out upon the death of the life assured). SunLife Limited provides the distribution channel for SunLife business. It receives commissions and incurs costs on behalf of SunLife in relation to the distribution of third party products and is party to distribution contracts with SunLife corporate partners. This insurance provides diversification benefits for the Group because trends towards increased life expectancy will increase liabilities under the annuities written by the Phoenix Life Companies while delaying the payment of liabilities under these life insurance policies.

Reinsurance business

Overview

The Phoenix Life Companies reinsure certain liabilities both to other companies in the Group and to third party reinsurers as part of their ongoing risk and capital management policies, as well as to benefit from operational synergies.

Internal reinsurance

PLAL reinsures a significant block of unit-linked business to PLL. The business of ALAC has been reinsured into PLL.

The various life funds within PLL and PLAL themselves hold a significant amount of intra-fund arrangements, mostly to achieve financial and operational synergies.

External reinsurance

The Group's external reinsurance arrangements are spread across a number of reinsurers. These reinsurance arrangements cover a range of policy risks, including annuity, mortality and morbidity, long-term disability, critical illness and some investment risk.

Management services

Each of the Phoenix Life Companies is responsible to its policyholders for the administration of its policy portfolio and the provision of policyholder services, such as the collection of premiums, the provision of policyholder statements, the settlement of claims, the provision of website services and information, and the provision of policyholder information and other related support through contact service centres.

In order to allow the Phoenix Life Companies to benefit from economies of scale, the efficient use of outsourcing partnerships and relationships and an innovative integrated technology infrastructure, the service companies, PGMS, PGS and SLAESL, provide, and/or manage the provision of, policyholder services for Phoenix Life Companies under various management service agreements. PGMS and PGS are similar in the way they operate and are managed as a single unit. SLAESL is new to the Group and acquired as part of the Acquisition. It operates in a similar way to PGMS and PGS, however, over time, it will be more closely aligned to their management services agreements. By using management service companies, the Phoenix Life Companies benefit from increased price certainty and a transfer of some operational risks to the management service companies.

If the number of policies held by the Group gradually declines over time, the fixed cost base of the Group's operations as a proportion of policies may increase. The Group's management service

companies manage this risk by using scale and buying power and by putting in place long-term arrangements for third party policy administration. By paying a fixed price per policy to the outsourced service providers, the Group seeks to minimise the fixed cost element of its operations and allows for positive scalability following acquisitions.

Specialist roles such as finance, actuarial and risk management are retained in-house, ensuring the Group retains full control over the core capabilities necessary to manage and integrate open and closed life funds. The Phoenix Life Companies continue to retain ultimate responsibility to their policyholders; they actively manage service provision and aim to achieve improvement in the quality of services delivered to policyholders.

The Directors believe that consolidating policyholder and administration services within Phoenix Group's management service companies delivers long-term stability for policyholders and also enables the Phoenix Life Companies to share the costs of the provision of these services and other corporate overheads. By using this method and the skills the Group has developed over time, the Group benefits from efficiency savings, reductions in operational risks and the release of risk capital.

In addition, the Group also has a management service company incorporated in Ireland, Pearl Group Management Services (Ireland) Limited, which provides administration services to Scottish Mutual International (a former Group company) under a management services agreement and a transitional services agreement.

Solvency Capital Requirement

In accordance with EIOPA and PRA requirements, since 1 January 2016 the Group has undertaken a Solvency II capital adequacy assessment at the level of the highest EEA insurance group holding company, which is Old Phoenix until the Scheme Effective Date, after which time it will be New Phoenix.

The Solvency II capital adequacy assessment involves a valuation in line with Solvency II principles of the Group's Own Funds and a risk-based assessment using an internal model of the Group's SCR.

The Group Solvency II Surplus position Old Phoenix as at 30 June 2018 and 31 December 2017 (estimated) and as at 31 December 2016 (*pro forma*), is set out below.

	30 June 2018	31 December	31 December
	(£bn)	2017 (£bn)	2016 (£bn)⁽⁴⁾⁽⁵⁾
Own Funds ⁽¹⁾	7.0	6.6	6.0
Solvency Capital Requirement ⁽²⁾	4.7	4.8	4.9
Solvency II Surplus (estimated)⁽³⁾	2.3	1.8	1.1

Notes:

- (1) Own Funds includes the net assets of the life and holding companies calculated under Solvency II rules, pension scheme surpluses calculated on an IAS19 basis not exceeding the holding companies' contribution to the Group SCR and qualifying subordinated liabilities. It is stated net of restrictions for assets which are non-transferrable and fungible between Group companies within a period of nine months.
- (2) Solvency regulatory capital requirements relate to the risks and obligations to which the Group is exposed.
- (3) Equates to a regulatory coverage ratio of 149 per cent. as at 30 June 2018 (31 December 2017: 138 per cent., 31 December 2016: 122 per cent. *pro forma*) and a Shareholder Capital Coverage Ratio of 180 per cent. as at 30 June 2018 (31 December 2017: 164 per cent., 31 December 2016: 139 per cent. *pro forma*)
- (4) The estimated Solvency II positions as at 31 December 2016 included the adverse impact of an assumed recalculation of transitional measures on technical provisions. A mandatory recalculation of transitional measures on technical provisions was required as at 31 December 2017 and is reflected in the Group Solvency II Surplus position as at that date.
- (5) The position as at 31 December 2016 included *pro forma* adjustments to illustrate the impacts of the issuance in January 2017 of the £300 million Solvency II qualifying Tier 3 notes (the 2022 Notes) and the receipt of the PRA's approval in March 2017 to include the acquired AXA business within the Group's Solvency II Internal Model. Had these adjustments not been made, the estimated surplus as at 31 December 2016 would be £0.4 billion lower.

These figures exclude surpluses arising in the Group's with-profit funds and Group pension schemes of £0.6 billion as at 30 June 2018 and 31 December 2017 and £0.4 billion as at 31 December 2016. In the calculation of the Group Solvency II Surplus, the SCR of the with-profit funds and Group pension schemes is included, but the related Own Funds are recognised only to a maximum of the SCR amount. Surpluses that arise in with-profit funds and Group pension schemes, whilst not included in the Group Solvency II Surplus, are available to absorb economic shocks. This means that the headline surplus is highly resilient to economic stresses.

As part of the Group's internal risk management processes, the regulatory capital requirements are tested against a number of financial scenarios. The results of that stress testing are provided below and demonstrate the resilience of the Group Solvency II Surplus:

	Group Solvency II Surplus as at 30 June 2018 (£ billion)
Base: 30 June 2018	2.3
Following a 20 per cent. fall in equity markets	2.3
Following a 15 per cent. fall in property values	2.2
Following a 60 basis points interest rates rise ⁽¹⁾	2.3
Following a 80 basis points interest rates fall ⁽¹⁾	2.3
Following credit spread widening ⁽²⁾	2.2
Following 6 per cent. decrease in annuitant mortality rates ⁽³⁾	2.0
Following 10 per cent. increase in assurance mortality rates.....	2.2
Following a 10 per cent. change in lapse rates ⁽⁴⁾	2.2

Notes:

- (1) Assumes recalculation of Transitional Measures on Technical Provisions (subject to PRA approval).
- (2) Credit stress equivalent to approximately 150 basis points widening in spreads across ratings, 10% of which is due to defaults/downgrades.
- (3) Equivalent of six months' increase in longevity applied to the annuity portfolio.
- (4) Assumes most onerous impact of a 10 per cent. increase/decrease in lapse rates across different product groups.

Excluding the SCR of £1.8 billion and Own Funds of £2.7 billion relating to the unsupported with-profit funds and the PGL Pension Scheme, the Solvency II Shareholder Capital Coverage Ratio is 180 per cent. as at 30 June 2018 (2017: 164 per cent.).

The sensitivity of the Group's Solvency II Surplus for a number of financial scenarios is provided below based on the unaudited *pro forma* position as at 31 December 2017, adjusted to reflect the Acquisition:

	Group Solvency II Surplus as at 31 December 2017 (£ billion)
Base: 31 December 2017.....	2.5
Following a 80 basis points interest rates fall ⁽¹⁾	2.4
Following credit spread widening ⁽²⁾	2.3
Following 6 per cent. decrease in annuitant mortality rates ⁽³⁾	2.0
Following a 10 per cent. change in lapse rates ⁽⁴⁾	2.2

Notes:

- (1) Assumes recalculation of transitionals (subject to PRA approval).
- (2) Credit stress equivalent to approximately 100 basis points widening in spreads for A-rated bonds of 15-year term (other bonds stressed proportionately), based on average historical default rates.
- (3) For the Phoenix annuity portfolio, this is equivalent to six months' increase in longevity.
- (4) Assumes most onerous impact of a 10 per cent. increase/decrease in lapse rates across different product groups. For the acquired businesses, assumes a 10 per cent. increase in lapse rates for funds exposed to increased lapses.

Minimum Capital Requirement

The minimum capital requirement ("MCR") is intended to be the minimum amount of capital an insurer is required to hold pursuant to Solvency II below which policyholders and beneficiaries would become exposed to an unacceptable level of risk if an insurer was allowed to continue its operations.

MCR is calculated according to a formula prescribed by the Solvency II regime and is subject to a floor of 25 per cent. of the SCR or €3.7 million, whichever is higher, and a cap of 45 per cent. of the SCR. The MCR formula is based on factors applied to technical provisions and capital at risk. Old Phoenix's estimated MCR at 30 June 2018 was £1.1 billion, representing the sum of the Group's underlying insurance companies' MCRs. The eligible own funds to cover the MCR is £6.2 billion

leaving an excess of eligible Own Funds over MCR of £5.1 billion, which translates to a MCR coverage ratio of 563 per cent.

The eligible Own Funds to cover the MCR is subject to quantitative limits as shown below:

- the eligible amounts of Tier 1 items should be at least 80 per cent. of the MCR; and
- the eligible amounts of Tier 2 items shall not exceed 20 per cent. of the MCR.

	30 June 2018 (estimated) (£bn)	31 December 2017 (£bn)	31 December 2016 (pro forma) (£bn)
Eligible Own Funds to MCR			
Tier 1.....	6.0	5.0	5.0
Tier 2.....	0.2	0.2	0.2
Total eligible Own Funds to cover MCR.....	6.2	5.2	5.2

Were the Acquisition to have taken place as at 31 December 2017, Old Phoenix's estimated MCR would have increased by £1.3 billion and the total eligible Own Funds to cover MCR would have increased by £3.5 billion.

Outsourcing relationships

The Group's outsourced service providers are specialist providers of life and pensions administration services, asset management and fund administration services, with the know-how, expertise and business models that put asset management and administration at the core of their service offerings. The services provided by outsourced service providers include policy administration, human resources, financial administration, asset management and fund administration services.

The most significant outsourcing relationships for policy administration services are with Diligenta and Capita Life and Pensions, and for asset management services are with Standard Life Aberdeen plc and Janus Henderson Investors. In addition, there are a number of other key outsourcing partners.

As closed life funds run-off, fees generated from the management of policies generally decrease over time. Therefore, the Group continues to benefit from these outsourcing arrangements, which align in part to its costs with the policy run-off profile of its book. The use of outsourced service providers in our heritage business enables the Group to better shift its cost base from a largely fixed cost base to a more variable per-policy basis. The Group's outsourced service providers are also able to offer their services at a competitive price per policy due to their larger economies of scale and infrastructure investments.

Group functions

The Group operates centralised functions that provide Group wide and corporate level services and manage corporate activity. The Group level operations include Group Finance, Treasury, Group Tax, Group Actuarial, Group Risk, Legal Services, HR, Corporate Communications, Strategy and Corporate Development, Investor Relations, Company Secretariat, Group Internal Audit, Customer and Operations.

Risk management

Risk management lies at the heart of what the Group does and is a source of value creation, making it a key component of the Group's strategic agenda. The Board seeks to ensure that the Group identifies and manages all risks accordingly, either to create additional value for its stakeholders or to mitigate any potentially adverse effects to the Group. For information on the risk management of Standard Life Assurance, see "*Risk management of Standard Life Assurance*" below.

Risk culture

The Group seeks to embed a culture that is forward-looking and competent in its assessment and management of risk, a culture where everyone in the Group is aligned in their goals to deliver better risk-based decisions.

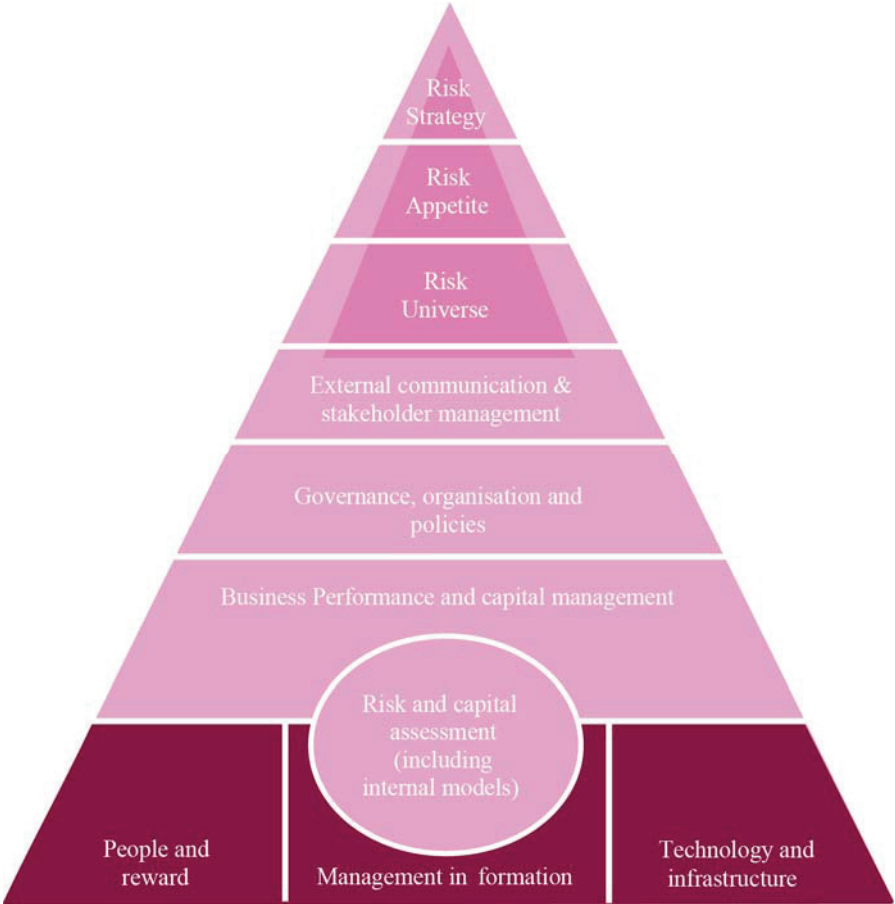
To support this goal, the Group defined a risk culture statement which sets out the Group’s aspirations for Risk management:

- “The Group has a balanced risk culture, supportive of commercial risk taking coupled with strong execution in line with its risk appetite.
- At its core are the Group’s values and behaviours, clarity of accountability and a healthy tension between the first and second lines of defence.
- Collectively this means people understand the Group’s approach to risk, take personal responsibility to manage risk in everything they do and encourage others to follow their example.”

On an annual basis Group Risk conducts a risk culture survey, the results of which enable the Group to assess and measure its risk culture over time as well as being able to tailor training programmes to ensure the continued engagement and development of the Group’s employees.

The Group’s Risk Management Framework

The Group’s Risk Management Framework (“RMF”) embeds proactive and effective risk management across the Group. It seeks to ensure that all risks are identified and managed effectively and that the Group is appropriately rewarded for the risks it takes.



Further details on the ten components of the RMF are provided below, with its effective operation underpinned by the Group’s risk culture. For information on the risk management of Standard Life Assurance, see “*Risk management of Standard Life Assurance*” below.

During the year, adoption of the RMF to the Abbey Life business has strengthened oversight and management of the legacy issues. The Group Risk function played a key role in the successful application to bring AXA Wealth and Abbey Life into the Group’s Internal Model. The function has also led contingency planning activities in the event of an adverse outcome from Brexit. The key risk management skillsets and processes across the business support the Group in targeting transactions in the bulk annuity market.

1. Risk Strategy

The Group's risk strategy provides an overarching view of how risk management is incorporated consistently across all levels of the business, from decision-making to strategy implementation.

It assists the business in achieving its strategic objectives by supporting a more stable, well managed business with improved customer and shareholder outcomes.

This is achieved not by risk avoidance, but through the identification and management of an acceptable level of risk (its 'risk appetite') and by ensuring that the Group is appropriately rewarded for the risks it takes.

To ensure that all risks are managed effectively the Group is committed to:

- embedding a risk aware culture;
- maintaining a strong system of internal controls;
- enhancing and protecting customer and shareholder value by continuous and proactive risk management;
- maintaining an efficient capital structure; and
- ensuring that risk management is embedded into day-to-day management and decision-making processes.

2. Risk Appetite

The Group's risk appetite is the level of risk the Group is willing to accept in pursuit of its strategic objectives. The statements below encapsulate our risk appetite for policyholder security and conduct, earnings volatility, liquidity and our control environment:

- *Capital:* The Group and each Phoenix Life Company will hold sufficient capital to meet regulatory requirements in a number of asset and liability stress scenarios.
- *Cashflow:* The Group will seek to ensure that it has sufficient cash flow to meet its financial obligations and will continue to do this in a volatile business environment.
- *Shareholder Value:* The Group will take action to protect its shareholder value.
- *Regulation:* The Group and each Phoenix Life Company will, at all times, operate a strong control environment to ensure compliance with all internal policies and applicable laws and regulations, in a commercially effective manner.
- *Conduct:* Phoenix has no tolerance for deliberate acts of misconduct or omissions that result in poor customer outcomes, reputational damage and/or pose a risk to the FCA's statutory objectives.

The risk appetite and control framework supports the Group in operating within the boundaries of these statements by limiting the volatility of key parameters under adverse scenarios. Risk appetite limits are chosen which specify the maximum acceptable likelihood for breaching the agreed limits. Assessment against these limits is undertaken through extensive scenario and reverse stress testing.

3. Risk Universe

A key element of effective risk management is ensuring that the business has a complete understanding of the risks it faces. These risks are defined in the Group's risk universe.

The risk universe allows the Group to deploy a common risk language, allowing for meaningful comparisons to be made across the business.

There are three levels of risk universe categories. The highest risk universe category is Level 1 and includes:

- strategic risk;
- customer risk;
- financial soundness risk;
- market risk;
- credit risk;
- insurance risk; and
- operational risk.

Embedded within these categories, and customer risk in particular, are the conduct risks faced by the Group and its customers. These risks are separately monitored and reported on across the organisation to ensure that conduct risk receives appropriate emphasis and oversight.

The Group has developed a risk appetite statement (approved by the board of Old Phoenix) to manage conduct risk. The appetite statement is supported by the assessment of all conduct related risks faced by the Group on a quarterly basis. This regular assessment and reporting enables us to be forward-looking and proactive in the management of conduct risk.

4. External Communication and Stakeholder Management

The Group has a number of internal and external stakeholders, each of whom has an active interest in the Group's performance, including how risks are managed. Significant effort is made to ensure that our stakeholders have appropriate, timely and accurate information to support them in forming views of the Group.

5. Governance, Organisation & Policies

Governance

Overall responsibility for approving, establishing and embedding the RMF rests with the Board. The Board recognises the critical importance of having an efficient and effective RMF and appropriate oversight of its operation. There is a clear organisational structure in place with documented, delegated authorities and responsibilities from the Board to the PLHL Board, the Phoenix Life Company Boards and the executive committee of PLHL that provides day-to-day direction (the "**Executive Committee**").

The RMF is underpinned by the operation of a three lines of defence model with clearly defined roles and responsibilities for statutory boards and their committees, management oversight committees, Group Risk and Group Internal Audit.

First line: Management

Management of risk is delegated from the Board to the Group Chief Executive Officer, Executive Committee members and through to business managers. A series of business unit management oversight committees operate within the Group. They are responsible for implementation of the RMF, ensuring the risks associated with the business activities are identified, assessed, controlled, monitored and reported.

Second line: Risk Oversight

Risk oversight is provided by the Group Risk function and the Board Risk Committee. The Board Risk Committee comprises four independent non-executive directors and is supported by the Group Chief Risk Officer. Phoenix Life and Standard Life Assurance Limited Board Risk Committees are in place to provide focus on risk matters at Phoenix Life and Standard Life Assurance Limited respectively.

Third line: Independent Assurance

Independent verification of the adequacy and effectiveness of the internal controls and risk management is provided by the Group Internal Audit function, which is supported by the audit committee of the Board (the "**Audit Committee**").

Organisation

The Group Chief Risk Officer manages the Group Risk function and has responsibility for the implementation and oversight of the Group's RMF. The Group Risk function has responsibility for oversight over financial, operational and regulatory risk. The PRA/FCA relationship team manages the relationship and interactions with our primary regulators and reports to the Group Chief Risk Officer.

Policies

The Group policy framework comprises a set of policies that supports the delivery of the Group's strategy by establishing operating principles and expectations for managing the key risks to our business. The policy set contains the minimum control standards to which each business unit must adhere to and against which they report compliance. The policies define:

- the individual risks the policy is intended to manage;

- the degree of risk the Group is willing to accept, which is set out in the policy risk appetite statements;
- the minimum controls required in order to manage the risk to an acceptable level; and
- the frequency of the control's operation.

Each policy is the responsibility of a member of the Executive Committee who is charged with overseeing compliance throughout the Group.

6. *Business Performance and Capital Management*

The annual operating plan is assessed to ensure that the Group operates within its stated risk appetite. Business performance is routinely monitored with consolidated reporting against performance targets.

The Group operates a capital management policy where capital is allocated across risks where capital is held as a mitigant and the amount of risk capital required is reviewed regularly.

7. *Risk and Capital Assessment*

The Group operates a standardised assessment framework for the identification and assessment of the risks to which it may be exposed and how much capital should be held in relation to those exposures. This framework establishes a basis, not only for the approach to risk assessment, management and reporting but also for determining and embedding capital management at all levels of the Group in line with Solvency II requirements.

Risk assessment activity is a continuous process and is performed on the basis of identifying and managing the significant risks to the achievement of the Group's objectives.

Stress and scenario tests are used extensively to support the assessment of risk and provide analysis of their financial impact.

Independent reviews conducted by Group Risk provide further assurance to management and the Board that individual risk exposures and changes to our risk profile are being effectively managed.

8. *Management Information*

Overall monitoring and reporting against the risk universe takes place in business unit management committees and boards. This is then reported to the Executive Committee, Phoenix Life Company boards and the Board via regular risk reporting.

The Phoenix Life Company and Phoenix Board Risk Committees receive a consolidated risk report on a quarterly basis, detailing the risks facing the Group and the overall position against risk appetite limits. The Risk Committees are also provided with regular reports on the activities of the Group Risk function.

9. *People and Reward*

Effective risk management is central to the Group's culture and its values. Processes are operated that seek to measure both individual and collective performance and discourage incentive mechanisms which could lead to undue risk taking. Training and development programmes are in place to support employees in their understanding of the RMF.

10. *Technology and Infrastructure*

The Group employs market leading risk systems to support the assessment and reporting of the risks it faces. This enables management to document key risks and controls and evidence the assessment of them at a frequency appropriate to the operation of the control.

FCA thematic reviews

The Group and the thematic review on the fair treatment of long standing-customers in the life insurance sector

The Phoenix Life Companies cooperated with the FCA in respect of its thematic review on the fair treatment of long-standing customers in the life insurance sector. A number of firms which were the subject of the review are now the subject of additional investigation, including ALAC.

On 9 December 2016, the FCA published its finalised guidance on the fair treatment of long-standing customers in the life insurance sector. The guidance sets out the FCA's expectations on the actions life insurance firms should take to treat their closed-book customers fairly. The guidance covers four high-level customer outcomes:

- the firm’s strategy and governance framework results in the fair treatment of closed-book customers;
- the firm’s closed-book customers receive clear and timely communications about policy features at regular intervals and at key points in the product of lifecycle to enable them to make informed decisions;
- the firm gives adequate consideration to, and takes proper account of, fund performance and policy values in a way that ensures it treats its closed-book customers fairly and proportionately; and
- the firm’s closed-book customers are able to move from products that are no longer meeting their needs in a fair reasonable manner.

A number of the firms which were the subject of the review were also the subject of additional FCA investigations, to explore whether remedial and/or disciplinary action was necessary or appropriate in respect of exit or paid up charges being applied. ALAC was one of these firms. Additionally, ALAC was one of two firms being investigated for potential contravention of regulatory requirements across a number of other areas assessed in the thematic review. This investigation into wider contraventions of regulatory requirements focused on behaviour from December 2008. The FCA has stated that these investigations were designed to establish the reasons for the practices within firms, whether customers have suffered detriment as a result and how widespread any practices are within these firms.

On 19 September 2018 Old Phoenix was informed by the FCA that it had closed its investigation into ALAC following the thematic review into the fair treatment of long standing customers in the life insurance sector, having found that the conduct of ALAC did not warrant enforcement action. However, the FCA has confirmed that there are a number of issues that despite not warranting enforcement action, they would like to discuss with the firm. It is possible that, as a result of the investigation, ALAC may incur costs associated with the FCA’s findings.

In June 2017, the FCA issued a request for information to assist them with planning the scope of their forthcoming thematic review of the fair treatment of with-profits customers. This information was supplied in August 2017. The FCA are currently undertaking the review and the Group is awaiting the outcomes.

The Group and the thematic review on annuity sales practices

For further information on the thematic review on annuity sales practices, see the section headed “*Regulatory Overview – FCA thematic review – The thematic review on annuity sales practices*” in Part III (“*Regulatory Overview*”) of this Prospectus.

Pensions

The Group has three main staff pension schemes for its employees: the Pearl Scheme, the PGL Pension Scheme and the Abbey Life Pension Scheme. For the Senior Managers and other members of management, the Group also offers individual pension contracts.

The Pearl Scheme

The Pearl Scheme comprises a final salary section, a money purchase section and a hybrid section (a mix of final salary and money purchase). The final salary and hybrid sections of the Pearl Scheme are closed to new members and since 1 July 2011 have also been closed to future accrual by active members. The defined benefit section of the Pearl Scheme has no active members.

On 27 November 2012, PGH2 as principal employer and the trustee of the Pearl Scheme entered into the 2012 Pensions Agreement. The principal terms of the 2012 Pensions Agreement are:

- annual cash payments which were paid to the scheme of £70 million in 2013 and 2014, followed by payments of £40 million in September each year from 2015 to 2021. The 2012 Pensions Agreement includes a sharing mechanism, relating to the level of dividends paid out of PGH2, that in certain circumstances allows for an acceleration of the contributions to be paid to the Pearl Scheme;
- additional contributions may become payable if the scheme is not anticipated to meet the two agreed funding targets: (i) to reach full funding on the technical provisions basis by 30 June 2022; and (ii) to reach full funding on a gilts flat basis by 30 June 2031;

- the trustee of the Pearl Scheme continues to benefit from a first charge over shares in PLAL, Pearl Group Services Limited and PGS2 Limited. The value of the security claim granted under the share charges is capped at the lower of £600 million and 100 per cent. of the Pearl Scheme deficit (calculated on a basis linked to UK government securities) revalued every three years; and
- covenant tests relating to the embedded value of certain companies within the Group.

A triennial valuation for the Pearl Scheme as at 30 June 2015 was completed in September 2016. This showed a deficit of £300 million as at 30 June 2015 on the agreed technical provisions basis. As part of the 2015 triennial valuation discussions, PGH2 and the trustee of the Pearl Scheme agreed to change the timing of the contributions under the 2012 Pensions Agreement to be payable on a monthly basis. As at 30 June 2018, £130 million of these contributions are still to be paid.

The Revolving Credit Agreement and the Acquisition Facility Agreement restrict the Group's ability, with certain exceptions, to transfer assets into the companies over which the trustee of the Pearl Scheme holds a charge over shares.

For further information on the Pearl Scheme, see paragraph 12.6 ("*The Pearl Scheme Agreements*") of Part IX ("*Additional Information – Material Contracts*") of this Prospectus.

The PGL Pension Scheme

The PGL Pension Scheme comprises a final salary section and a defined contribution section.

The defined benefit sections of the PGL Pension Scheme is a final salary arrangement which is closed to new members and since 1 July 2011 has also been closed to future accrual by active members. The defined benefit section of the PGL Pension Scheme has no active members.

The PGL Pension Scheme is administered by a separate trustee company, PGL Pension Trustee Ltd. The trustee company is comprised of two representatives from the Group, three member nominated representatives and one independent trustee in accordance with the trustee company's articles of association. The trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

A triennial funding valuation of the PGL Pension Scheme as at 30 June 2015 was completed in June 2016. This showed a surplus of £164 million on the agreed technical provisions basis as at 30 June 2015.

As at 31 December 2017, no further contributions are still to be paid.

Benefits for the majority of the scheme's pensioners in payment are provided by PLL under an insurance buy-in contract.

For further information on the PGL Pension Scheme, see paragraph 12.7 ("*The PGL Pension Scheme Guarantees*") of Part IX ("*Additional Information – Material Contracts*") of this Prospectus.

The Abbey Life Pension Scheme

The Abbey Life Pension Scheme is a final salary arrangement containing a small amount of defined contribution benefits, and is closed to new members and to future accruals, and contains no active members.

On 28 June 2013, ALAC and the trustees of the Abbey Life Pension Scheme entered into a funding agreement (the "**2013 Funding Agreement**"), which provides for certain payment triggers pursuant to which monies in a charged escrow account are released to the trustees. The triggers are: (i) the insolvency of Abbey Life (which was substituted for PeLHL in amendments agreed in 2017); (ii) a deficit in the Abbey Life Pension Scheme on a specifically defined basis as at 31 March 2021; (iii) failure to calculate that specifically defined deficit by 31 May 2022; and (iv) a debt becoming due from Abbey Life to the Trustees under Section 75 of the Pensions Act 1995 (broadly, on the winding up of the Abbey Life Pension Scheme). On payment trigger (i), (iii) or (iv) arising, Abbey Life must pay to the trustees the lower of the Section 75 debt and the value of the assets in the escrow account. On payment trigger (ii), Abbey Life must pay to the trustees the lowest of the deficit on the specifically defined basis, the Section 75 debt and the value of the assets in the escrow account.

A triennial funding valuation of the Abbey Life Pension Scheme as at 31 March 2015 was completed in June 2016. This showed a deficit of £107 million as at 31 March 2015 on the scheme funding (technical provisions) basis.

The trustees of the Abbey Life Pension Scheme and PeLHL entered into an agreement on 29 June 2017 under which PeLHL became the scheme sponsor and is required to pay the following deficit recovery contributions to the scheme:

- an initial payment of £25 million, paid in July 2017, with monthly contributions of £400,000 between 1 July 2016 and 30 June 2026; and
- payment of £4 million (in cash or by agreed assets) by 31 July each year from 2017 to 2025 into the 2016 charged account. The payment triggers for this charged escrow are as in the 2013 Funding Agreement, although referring to a specified deficit as at 31 March 2027, and to determine whether a surplus arises, the assets in the 2013 Charged Account are also taken into account.

The 2013 Charged Account and the 2016 Charged Account contained a combined £43.8 million as at 30 June 2018.

For further information on the Abbey Life Pension Scheme, see paragraph 12.8 (“*Abbey Life Pension Scheme*”) of Part IX (“*Additional Information – Material Contracts*”) of this Prospectus.

Employees

Prior to the Acquisition, the Group operated across four primary locations in Birmingham, London and Basingstoke, with the Sun Life distribution business based in Bristol. It had 1,249 employees as at 31 December 2017, of which 77 were considered to be “fixed term” employees with specified end dates. In addition, as at 31 December 2017, the Group employed approximately 35 contractors or temporary staff to cover flexible resource requirements.

The office in St Paul’s, London is home to the Group’s corporate functions and as of 31 December 2017 included 98 people across finance, actuarial, legal, tax and treasury, risk and corporate development. As of 31 December 2017, the office in Wythall, Birmingham included 689 people, including all of the Phoenix Life Company functions across finance, actuarial, legal, tax, customer and operations, as well as the risk and compliance and human resource teams. As of 31 December 2017, the former AWL business in Basingstoke operated with 309 employees, whilst Sun Life in Bristol operated with 124 employees.

The following table shows the number of employees of the Group as at 31 December 2017, 31 December 2016 and 31 December 2015:

	Number of employees
As at 31 December 2017.....	1,249
As at 31 December 2016.....	1,305
As at 31 December 2015.....	742

The Group has collective consultation agreements in place with Unite, the largest UK trade union, covering certain categories of employees across Wythall, Basingstoke and Bristol sites and VIVO (staff association) covering all of Edinburgh.

Upon completion of the Acquisition on 31 August 2018, the Group acquired approximately 3,600 additional full-time equivalent employees, of which approximately 2,900 full-time equivalent roles are in the UK (Edinburgh and Glasgow), approximately 420 are in Ireland, and approximately 280 are in Germany and Austria.

Properties

In the UK, the Group primarily operates from leased office premises in London, Bristol and Edinburgh, and premises owned by the Group in Wythall and Basingstoke. In Europe the Group operates from leased premises in Frankfurt, Graz and Dublin.

Business overview of Standard Life Assurance

Standard Life Assurance includes the majority of Standard Life Aberdeen’s UK and European life insurance business but does not include Standard Life Aberdeen’s UK retail platforms and advice business. Standard Life Assurance is a leading provider of long-term savings and investment propositions. It is primarily based in the UK with a separate entity in Ireland, and with further operations through branches in Ireland, Austria and Germany. Its main aim is to help people manage

their money today and save for their future. As at 31 December 2017, Standard Life Assurance had approximately 4.8 million policyholders and £166 billion of assets under management and administration (“AUMA”) (approximately 25 per cent. of Standard Life Aberdeen’s total AUMA). For further information on the Group’s policyholders and AUMA following completion of the Acquisition, see “*Business Overview*” above.

Standard Life Assurance comprises the following significant entities:

- **Standard Life Assurance Limited:** SLAL provides life assurance and pension products in the UK, Ireland and Germany, with the business written in Ireland, Austria and Germany through branches.
- **Standard Life Pension Funds Limited:** SLPF transacts pension fund business in the UK and provides management services for pension funds in the UK and Ireland.
- **Standard Life International Designated Activity Company:** SLIDAC sells offshore unit-linked investment bonds to customer in the United Kingdom and, following a Part VII transfer, it is intended that SLIDAC will administer all policies relating to customers situated in the European Union.
- **Vebnet Limited:** Vebnet Limited develops and distributes technology for the management and administration of employee benefits (FIX&FLEX[®]) and provides management services.

For a list of certain key subsidiaries of SLAL, see paragraph 11.2 (“*Subsidiaries and Corporate Structure–Significant subsidiary and associated undertakings of New Phoenix*”) in Part IX (“*Additional Information*”) of this Prospectus.

Old Phoenix is applying, and following the Scheme Effective Date, New Phoenix intends to apply, a disciplined approach to the separation and transition of Standard Life Assurance and leverage its existing skills and experience in delivering an effective operating model which continues to focus on strong risk management, leading governance and financial restructuring, all delivered by skilled and experienced teams in both Phoenix and Standard Life Assurance. In addition, the Group is building on the strong capabilities in Standard Life Assurance to support new business manufactured through the strategic partnership. The Group expects that the separation and transition of Standard Life Assurance will take at least three to four years from completion of the Acquisition, which occurred on 31 August 2018.

Under the terms of the Transitional Services Agreement, SLAESL provides certain services or procures that certain services are provided to SLESL and certain other companies within the Standard Life Aberdeen group. Other services which are more directly related to life assurance, such as certain collateral, custody and investment management services, are being provided on an ongoing basis by Standard Life Aberdeen as part of its strategic partnership with the Group. The contractual terms on which certain of those services are provided have been amended to be provided on an arm’s length basis.

Standard Life Assurance had estimated Solvency II Own Funds of £3.5 billion and SCR of £2.5 billion as at 31 December 2017 (both on a shareholder capital basis). The estimated Solvency II Surplus of Standard Life Assurance as at 31 December 2017 was £1.0 billion, with a Shareholder Capital Coverage Ratio of 143 per cent. Solvency II Own Funds, SCR and the Shareholder Capital Coverage Ratio of Standard Life Assurance exclude amounts relating to unsupported with-profits. In addition, the Standard Life Assurance Own Funds and SCR are stated after the impact of certain adjustments for actions undertaken pre-completion of the Acquisition, which comprise of payment of a dividend to Standard Life Aberdeen, repayment of capital qualifying subordinated debt and the expected treatment of certain pension schemes. The Standard Life Assurance Own Funds have also been adjusted to reflect acquisition adjustments comprising the additional VAT liability that has arisen following completion of the Acquisition in respect of investment management fees and the transaction costs incurred by Old Phoenix in connection with the Acquisition and associated financing.

Products and distribution

In the UK, Standard Life Assurance’s products and services are offered through two main channels:

- **Retail:** pensions and savings where the relationship is either directly with the customer, or with their financial adviser; and
- **Workplace:** pensions, savings and flexible benefits to employees through their employers.

Workplace distribution is via employers and their advisers. Workplace business is primarily corporate pensions. Since auto-enrolment began in 2012, Standard Life Assurance has supported 10,000 employers to set up qualifying workplace pension schemes, with 1.1 million members enrolled into these schemes.

Standard Life Assurance's European business comprises operations in Ireland, Austria and Germany, where Standard Life Assurance offers savings and investment products to a variety of customers and clients. Distribution of products in Ireland, Austria and Germany is primarily via brokers and advisers.

Standard Life Assurance's business includes a range of products which are categorised as either fee-based or spread/risk business. In 2017, 84 per cent. of Standard Life Assurance's total operating income was fee-based.

- *Fee-based business:* The fee-based business is made up of products where revenue is generated primarily from annual management charges ("AMCs"), and ad-valorem-based charges. AMCs are earned on products such as self-invested personal pensions, drawdown products, individual savings accounts and corporate pensions, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the customer, with the shareholder's major indirect exposure to rising or falling markets coming from higher or lower AMCs. Fee business includes unit-linked and with-profits business. A unit-linked policy is one where the benefits are determined by reference to a specified pool of assets. A with-profit policy is one where, in addition to guaranteed benefits specified in the policy, additional bonuses may also be payable depending on the performance of the assets in the with-profits fund. With-profits business was predominantly written before the demutualisation of Standard Life.
- *Spread/risk business:* Spread-based business consists of annuities and risk-based business consists of protection products. The spread/risk business mainly comprises annuities where a guaranteed level of income is provided to customers in return for an investment. The 'spread' primarily relates to the difference between the guaranteed amount paid to customers and the actual return on related assets over the period of the contract. Annuity sales fell dramatically in 2014 in anticipation of pension freedoms and, since 2015, Standard Life Assurance's customers are now pointed towards an open market annuity panel. Very low volumes of Standard Life Assurance's annuities are sold to customers with maturing guaranteed benefit options (GAOs/GMPs) and to customers who are unable or not willing to purchase an open market annuity.

Principal markets

Standard Life Assurance's business is primarily based in the UK, with operations also in Ireland, Austria and Germany. Standard Life Assurance's total operating profit before tax for the year ended 31 December 2017 was £366 million, which consisted of £319 million from the UK and £47 million from Ireland, Austria and Germany.

Standard Life Assurance's business can be subdivided into the following "blocks":

Business segment	AUA at 31 December 2017	Description
UK Mature and Spread/Risk Business	£55.7 billion	<p>The UK mature and spread/risk business forms the majority of Standard Life Assurance's closed business in the UK. It consists of conventional with-profits business, annuity business, pensions, legacy life bonds and protection business, totalling approximately 1.4 million policies (of which annuity policies are approximately 500,000), as well as non-product assets.</p> <p>Standard Life Assurance's UK mature and spread/risk business comprises long-standing retail pensions and savings customers with products that are not part of Standard Life Assurance's current market offering. Most customers came to Standard Life Assurance more than 15 years ago, either directly, through an adviser or via a previous employer. The business is expected to see modest net outflows as it matures, with run-off periods ranging from 10 to 30 years.</p>
Workplace Business	£40.2 billion	<p>UK workplace customers are members of their workplace pension scheme through one of Standard Life Assurance's product propositions, which include modern group pension products as well as legacy group pension products. The assets under management are split roughly equally between modern and legacy products at approximately £19 billion and £21 billion, respectively.</p> <p>Standard Life Assurance's workplace pensions offering provides a market leading investment solution to employers in the UK and has 1.8 million employee members in total. Product capabilities include online scheme set up and management, UK based phone support and employee engagement support.</p>
UK Retail Business	£46.2 billion	<p>UK retail business consists primarily of pensions products sold through independent financial advisers and "non-advised" routes.</p> <p>The UK retail business is one of the UK's largest individual pensions providers, with a market-leading position in insured individual pensions. It includes approximately £22 billion total AUA in retail individual pensions and £21 billion total AUA in Wrap individual pensions as at 31 December 2017.</p> <p>Integration with Wrap platform provides access to an extensive range of investment options from Aberdeen Standard Investments and external investment managers.</p>

Business segment	AUA at 31 December 2017	Description
European Business	£23.7 billion	<p>Standard Life Assurance's European business comprises the following segments:</p> <ul style="list-style-type: none"> <p>German closed book with-profits business and unit-linked products in Germany (approximately £11.2 billion)</p> <p>Standard Life Assurance's branch in Germany was established in 1996 and extended sales into Austria in 1997. The unit comprises a large closed book as well as a smaller book of open business with a total of 500,000 policies. All business is written in the German branch of Standard Life Assurance and sales are through financial advisers. The run-off profile of the closed book business is very long and is enhanced by significant and ongoing level of inflows from existing customers. Assets are forecast to be around current levels for several years before starting to reduce. Moreover, many customers will convert their policy proceeds to an annuity, adding further to the length of the run-off profile.</p> <p>Legacy products in Ireland and modern products for the Irish domestic market (approximately £6.2 billion)</p> <p>Standard Life Assurance's branch in Ireland was established in 1834 and has enabled domestic Irish customers to save for their future financial needs, secure an income in retirement and provide financial security for their dependents for many years. Its growth and development closely followed that of the UK business for many years, but for the past ten years the more traditional adviser market has remained the focus in Ireland. The Irish branch has approximately 90,000 policies in total.</p> <p>Offshore bonds distributed in the UK via independent financial advisers (approximately £6.3 billion)</p> <p>Single premium bond business for UK customers looking to access an offshore investment vehicle beyond those available in the UK. The business comprises approximately 19,700 policies with an average size of approximately £300,000.</p>

Recent trends and results of operations

Standard Life Assurance's UK markets have seen a number of significant changes over a relatively short period of time. These have had the impact of changing the business environment and accelerating the need for business models to evolve to meet current and future client needs. Some notable examples of these changes to the market are detailed below.

Auto-enrolment

Auto-enrolment has fundamentally changed the way people save for their retirement. The UK Government introduced auto-enrolment in 2012 in part to help close the gap between what individuals need to save for their retirement and the amount of money they were currently setting aside. Auto-enrolment requires employers to provide pension schemes to all employees, on an opt-out basis, and by the end of May 2018 there will be ten million employees enrolled across the UK. In addition, from April this year the minimum required contributions increased.

Pensions Freedom

The Government announced in the 2014 Budget, starting in the 2015/16 tax year, the removal of the need to use pension savings to buy an annuity. This entailed that anyone aged 55 and over had access to their whole pensions savings and could use it as they wanted (e.g., take the whole amount as a lump sum, paying no tax on the first 25% and the rest taxed as if it were a salary at their income tax rate). This led to a dramatic reduction in the market for annuities and a corresponding increase in customers drawing down a proportion of their pension savings in some form.

Historically, it had been very unappealing for certain individuals to leave a defined benefit scheme but the rule changes associated with pensions freedoms coincided with historically low gilt yields, which had a significant effect on the transfer values for defined benefit pensions. This has made transferring from a defined benefit to a defined contribution pension, with the associated more relaxed rules around access and inheritance, more relevant to certain customer segments of the defined benefit market.

In July 2018, the FCA issued its final report on how the retirement income market has evolved since the pension freedoms were introduced and started consulting on certain remedies to improve consumer protection and increase competition in the retirement income market. These include improvements to consumer communications and proposals for providers to offer ready-made drawdown investment solutions.

Summary results of operations

A summary of the significant factors impacting Standard Life Assurance's financial condition and operating results during the years ended 31 December 2017, 2016 and 2015 is set out below.

Standard Life Assurance's profit after tax for the year ended 31 December 2017 was £344 million (2016: £239 million). The increase of £105 million from the prior year reflects the impact of net outflows in Standard Life Assurance's older books of business, offset by a reduction in investment return and the associated effect on third party interest in the consolidated investment funds.

Standard Life Assurance's profit after tax for the year ended 31 December 2016 was £239 million (2015: £209 million). The increase of £30 million from the prior year reflects the increase in investment return from positive equity performance and reduced yields generating gains on debt securities, offset by increases in liabilities as a result of these factors.

History of Standard Life Assurance

The Life Insurance Company of Scotland was established in 1825. In 1832, its name was changed to the Standard Life Assurance Company. It was reincorporated as a mutual assurance company in 1925. It originally operated only through branches or agencies of the mutual company in the UK and certain other companies. Its Canadian branch was founded in 1833 and its Irish operations were founded in 1834. This largely remained the structure of Standard Life until 1996, when it opened a branch in Frankfurt, Germany with the aim of exporting its UK life assurance and pensions operating model to capitalise on the opportunities present by EC Directive 92/96/EEC and offer a product range in the German market with features that local providers were unable to offer.

In the 1990s, Standard Life also sought to diversify its operations into areas which complemented its core life assurance and pensions business, with the intention of positioning itself as a broad range financial services provider. The Standard Life Investments business was launched as a separate company in 1998. Prior to 2004, Standard Life Assurance comprised pensions, annuities and savings products with integrated life insurance and protection business and was invested predominantly in with-profits holding £91 billion of total life and pensions assets under administration (including in Canada). Standard Life launched its self-invested personal pension in December 2004.

In the early part of 2004, Standard Life undertook a strategic review of its business. The strategic review was wide-ranging and examined the group's business in its entirety, both in the UK and

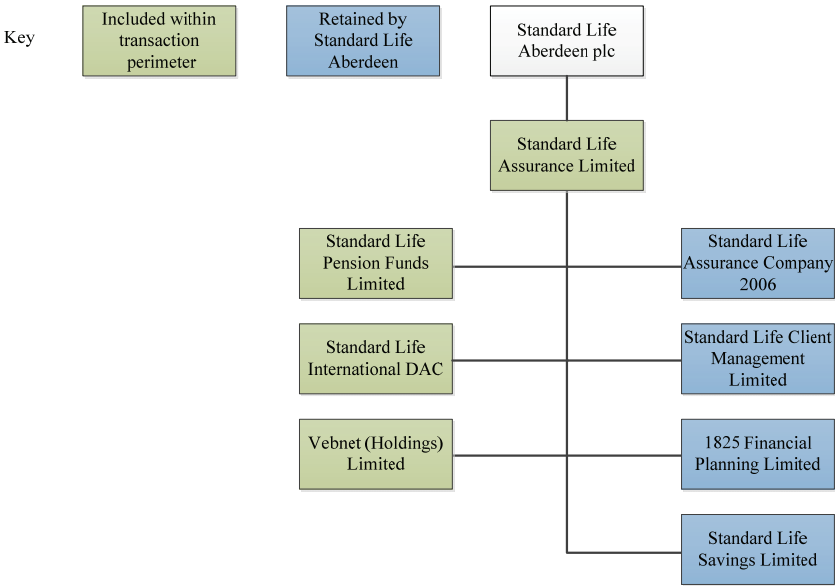
overseas, assessing the potential for a number of operational and financial improvements, but with a particular focus on UK life and pensions business. It was also acknowledged that the group’s mutual structure, and the increased regulation to which it was subject, imposed limitations on its ability to access additional capital and could limit opportunities for planned growth and development, placing Standard Life at a disadvantage to insurance companies which did not have such a structure. On 10 July 2006, after a 98 per cent. “yes” vote from eligible voting members who voted, the Standard Life Assurance Company demutualised and Standard Life was floated on the LSE and joined the FTSE 100 index.

In recent years, Standard Life predominantly closed its with-profits funds to new business, other than to small amounts of unit-linked pensions and with-profits bonds. In addition, Standard Life Healthcare, Standard Life Bank and the Canadian companies were sold, with Standard Life shifting its focus to offering capital light pensions and savings propositions through third party advisers, workplace clients and direct to customers.

Standard Life launched its Wrap platform in 2006 and in 2016 acquired Elevate. These retail platforms were not part of Standard Life Assurance however Standard Life Assurance does still administer and take charges from products that sit on the Wrap platform (including SIPP and Bonds).

Structure of Standard Life Assurance

The following chart gives an overview of the legal structure and transaction perimeter of the Acquisition of Standard Life Assurance and its principal companies. For a list of certain key subsidiaries of SLAL see paragraph 11.2 (“Subsidiaries and Corporate Structure–Significant subsidiary and associated undertakings of New Phoenix”) in Part IX (“Additional Information”) of this Prospectus.



Principal Investments of Standard Life Assurance

For information on Standard Life Assurance’s principal investments, see Notes 12 and 15 to the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 in Part IX (“Financial Information of Standard Life Assurance”) of the Acquisition Prospectus, which is incorporated by reference as described in Part X (“Documents Incorporated by Reference”) of this Prospectus.

Risk management of Standard Life Assurance

Standard Life Assurance has an established and well-defined organisational and operational structure with clearly defined roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation, in relation to its business activities and risk management. For further information on where Standard Life Assurance now fits into the Group

following completion of the Acquisition, see the structure chart under the heading (“*Structure of the Group – Current Structure*”) above.

Each business within Standard Life Assurance maintains a list of all of its decision-making committees. Each committee operates under its own terms of reference, which sets out its authority, purpose, scope and quorum details.

Standard Life Assurance’s governance functions include Risk and Compliance, Internal Audit and Actuarial who have responsibility for monitoring, reviewing, challenging and reporting on the status of Standard Life Assurance’s risks on an ongoing basis. Fit and proper checks are carried out on applicable staff from key functions to ensure that they possess the competency, expertise and integrity necessary for the performance of their duties.

Standard Life Assurance operates a ‘three lines of defence’ model of risk management, with clearly defined roles and responsibilities for committees and individuals:

<u>First line</u>	<u>Second line</u>	<u>Third line</u>
Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls, is delegated from the Board to the Chief Executive and, through a system of delegated authorities and limits, to business managers.	Risk oversight is provided by the Chief Risk Officer and supported by the specialist Risk Management and Compliance functions across Standard Life Assurance as well as committees such as the Enterprise Risk Management Committee (“ ERMC ”) and with reporting to the Risk and Capital Committee (“ RCC ”). The majority of members of the ERMC are senior first line representatives. Independent oversight is provided by non-executive Directors at the RCC.	Independent verification of the adequacy and effectiveness of the internal risk and control management systems is provided by the internal audit function. This is independent from all other operational functions. It operates subject to supervision and challenge by the Audit Committee.

A key part of Standard Life Assurance’s system of governance is the Enterprise Risk Management (ERM) framework. The ERM framework includes the methods and processes used to manage risks, and identify and seize commercial opportunities related to the achievement of Standard Life Assurance’s objectives, protecting and enhancing value. It provides a framework for operating consistent risk management practices across Standard Life Assurance in a structured and forward-looking way that can be measured and repeated.

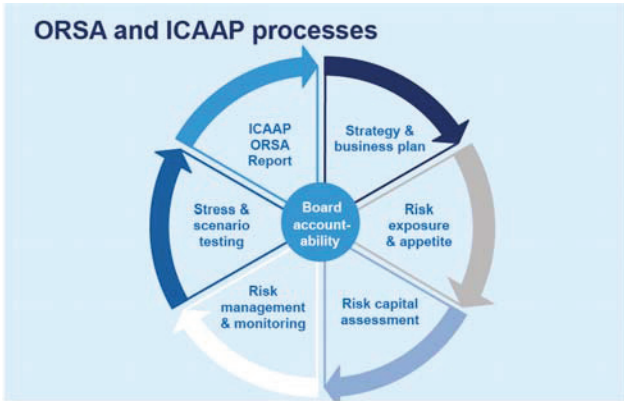
All of the ERM components are interconnected and work together to provide Standard Life Assurance with a holistic framework encouraging proactive and pre-emptive risk management. These ERM components include:

- **Risk culture:** this is the way individuals and the business think and act. It encompasses attitudes, capabilities and behaviours towards risk, which drives how Standard Life Assurance identifies, understands and openly discusses, and acts on, current and future risks;
- **Risk control processes:** these are the practices by which Standard Life Assurance manages risks and which are used to identify, assess, control and monitor risk;
- **Strategic risk management:** this forms an integral part of the strategic planning process and is directly linked to Standard Life Assurance’s corporate objectives. It supports the development of long-term value by ensuring well informed risk-reward decisions are taken in pursuit of Standard Life Assurance’s business plan;
- **Risk and capital models:** these measure Standard Life Assurance’s risk exposures and capital position and test and understand the sensitivity of these positions; and
- **Emerging risks:** the aim is to identify risks before they materialise to help Standard Life Assurance anticipate future threats. The screening process looks across broad sources of risk, including geopolitical, technological, environmental and societal risks, and informs stress testing and capital adequacy requirements.

Standard Life Assurance’s ERM framework is underpinned by the Own Risk and Solvency Assessment (“**ORSA**”) process.

The ORSA process informs and develops:

- Standard Life Assurance’s understanding of the current and potential risks to the business over product lifecycles. This includes both financial and non-financial risks and their potential to affect both long and short-term value;
- Standard Life Assurance’s appetite to accept these risks and how to manage them;
- Standard Life Assurance’s internal assessment of current solvency and capital requirements with respect to the risks; and
- a forward-looking assessment of the risk and solvency needs of Standard Life Assurance over a multi-year time horizon in light of business plans.



The ORSA process plays a key role in supporting decision making and strategy development at Standard Life Assurance’s boards and risk committees.

A policy framework seeks to achieve the high level business objectives by providing a structure to help articulate how the code of conduct, governing principles and all of the policies and procedures fit together to make sure that the business and employees operate within approved limits and standards, as defined by the board of Standard Life Assurance.

The fair treatment of customers is integral to all of Standard Life Assurance’s business activities and of fundamental importance. As such, policies are implemented with their specific impact on the customer in mind.

This framework provides a structured process for developing and implementing policies consistently across the Group. It operates on five levels:



For a description of the Group’s risk management following completion of the Acquisition, see the section headed “*Risk management*” in Part II (“*Business Overview of the Group*”) of this Prospectus.

Regulation of Standard Life Assurance

Standard Life Assurance and the thematic review on the fair treatment of long-standing customers in the life insurance sector

For further information on the thematic review on the fair treatment of long-standing customers in the life insurance sector, see the section headed “*The thematic review on the fair treatment of long-standing customers in the life insurance sector*” in Part III (“*Regulatory Overview – FCA thematic reviews*”) of this Prospectus.

The FCA published Finalised Guidance FG16/8: Fair treatment of long-standing customers in the life insurance sector on 9 December 2016. SLAL completed its internal review of business practices on 8 March 2017 within the timescales set by the FCA.

SLAL’s internal review of its business practices concluded that they supported the delivery of fair outcomes for customers, and certain improvement actions were identified and are in progress, with a number of these completed and closed. The findings of the internal review were shared with the FCA in April 2017.

Standard Life Assurance and the thematic review on annuity sales practices

For further information on the thematic review on annuity sales practices, see the section headed “*The thematic review on annuity sales practices*” in Part III (“*Regulatory Overview – FCA thematic reviews*”) of this Prospectus.

Standard Life Aberdeen has established a provision of £248 million in its 2017 annual accounts as an estimate of the redress payable to SLAL annuity customers, as well as the costs of conducting the review and other related costs and expenses. As at 31 December 2017, the total costs amounted to £27 million. The provision and timeline for customer redress are based on assumptions and it will not be until the review is underway and further progressed that these will be confirmed and validated. There is a risk that the underlying assumptions are incorrect, which may result in an overall cost that is higher or lower than the provision.

Standard Life Assurance Pensions

Standard Life Assurance provides an insurance backed company pension for its employees in Germany which is maintained by Standard Life Assurance for active members. Standard Life Aberdeen retains historic liability under the German pension for employees who left the Standard Life Aberdeen group before the employees in Germany and their pension transferred to Standard Life Assurance in February 2017.

The employees in the UK and Ireland who transferred from Standard Life Aberdeen to Standard Life Assurance (as described below) are no longer eligible to participate in the Standard Life Aberdeen pension plans following their transfer and were offered replacement pension provision in accordance with applicable law.

Standard Life Aberdeen retained liability for pension commitments and has indemnified the Group in relation to liabilities arising under or in relation to the Standard Life Republic of Ireland Staff Pension Scheme and the Standard Life Republic of Ireland Defined Contribution Scheme. Standard Life Aberdeen has also provided an indemnity in favour of the Group in relation to any contribution notice or financial support direction that may be made in relation to the Standard Life Staff Pension Scheme or any other defined benefit pension scheme operated by Standard Life Aberdeen.

For further information on the Group’s pensions, see heading “*FCA thematic reviews – Pensions*” above.

Standard Life Assurance Employees

Approximately 3,600 full-time equivalent employees (including employees of SLAL) were included as part of the Acquisition, of which approximately 2,900 full-time equivalent roles are based in the UK (Edinburgh and Glasgow), approximately 420 in Ireland and approximately 280 in Germany and Austria.

Other than the employees based in Germany and Austria who are employed by Standard Life Assurance, the employees who supported the Standard Life Assurance business in the UK and Ireland and were employed by Standard Life Aberdeen transferred to SLESL by operation of law.

For further information on the Group’s employees, see the heading “*Employees*” above.

Properties of Standard Life Assurance

There is no existing or planned property, plant or equipment which is individually material to Standard Life Assurance. Standard Life Assurance owns or controls, generally through licences or other contractual arrangements or via long-term leases, the property, plant and equipment necessary to its operations. For further information on the Group's properties, see heading "*Properties*" above.

For further information on Standard Life Assurance's property, plant and equipment, any major encumbrances thereon and the principal environmental issues that may affect Standard Life Assurance's utilisation of the property, plant and equipment that it owns or controls, see Note 13 to the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 in Part IX ("*Financial Information of Standard Life Assurance*") of the Acquisition Prospectus, which is incorporated by reference as described in Part X ("*Documents Incorporated by Reference*") of this Prospectus.

PART III—REGULATORY OVERVIEW

Overview

The Group's operations are, and operations will be, subject to extensive government regulation, including FSMA and other UK laws. Some of these laws require, and will require, the relevant Group entity to be authorised, licensed or registered. Below is an overview of the regulatory framework for the insurance industry in the UK. While the bulk of the Group's activities are carried out in the UK, reference is also drawn to non-UK laws and regulation where appropriate.

FSMA

All of the Life Companies in the UK are currently dual-regulated by the FCA (for conduct matters) and the PRA (for prudential matters), whilst other companies in the Group are solely regulated by the FCA (for both conduct and prudential matters).

Approach to regulation

The FCA employs a risk-based and proportionate approach to supervision comprising a firm systemic framework, which focuses on the continuous assessment of how firms manage the risks they create and identifying the root causes of risk.

The PRA employs a judgement-based, forward-looking and focused approach to regulation using a proactive intervention framework to identify and respond to risks at an early stage. The position of each insurer is reviewed regularly to ensure that the PRA's level of supervision is appropriate.

The FCA and PRA expect firms to avoid actions that jeopardise compliance with their statutory objectives. When the FCA and PRA are concerned that a firm may present a risk this may lead to negative consequences, including the requirement to maintain a higher level of regulatory capital (via capital "add-ons" under Solvency II) to match the higher perceived risks, and enforcement action where the risks identified breach the FCA and PRA's high-level principles or more prescriptive rules.

Overview of FSMA regulatory regime: dual regulators

The FCA and PRA regulate persons carrying out the regulated activities prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as amended in the financial services sector. In this regard, the FCA and PRA are authorised to make rules and issue guidance in relation to a wide sphere of activities encompassing the governance of a firm, the way it conducts its business and the prudential supervision of firms. The FCA regulates the conduct of every authorised firm (including firms who are regulated by the PRA). The PRA has responsibility for carrying out the prudential regulation of banks, insurance companies and systemically important designated investment firms. These firms are referred to as "dual-regulated" because they are authorised and regulated by the PRA (for prudential matters) and also regulated by the FCA (for conduct matters).

Permission to carry on "Regulated Activities"

Under FSMA, no person may carry on or purport to carry on a regulated activity by way of business in the UK, in respect of a specified investment or property, unless he is an authorised or exempt person. A firm that is authorised by the FCA (and PRA, if relevant) to carry on regulated activities becomes an authorised person for the purposes of FSMA. "Regulated activities" are currently prescribed in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) and include insurance-related activities and investment activities (which includes managing investments), as well as certain other activities such as establishing, operating and winding up stakeholder pension schemes, the mediation of general insurance and certain mortgage mediation and lending activities. Where an entity is domiciled outside the UK, other regulatory authorities' authorisation may need to be sought. See "*Other regulatory systems*" below.

Authorisation procedure

In granting a UK firm's application for authorisation, the FCA and PRA (if applicable) may delineate the scope of, and include such restrictions on, the grant of permission as the relevant regulator deems appropriate. Dual-regulated firms must apply to the PRA for authorisation, whilst solo-regulated firms (i.e. firms regulated solely by the FCA) must apply to the FCA. In granting or varying the terms of a firm's permissions, the FCA and PRA must ensure that the firm meets certain threshold conditions, which, among other things, require the firm to have adequate resources for the carrying on of its business, and to be a fit and proper person, having regard to all the circumstances.

Once authorised, and in addition to continuing to meet the threshold conditions for authorisation, firms are obliged to comply (as relevant) with the FCA Handbook and the book of rules and guidance, including as to regulatory capital requirements, maintained by the PRA (the “**PRA Rulebook**”) which contain detailed rules covering, among other things, systems and controls, conduct of business and prudential (i.e. capital) requirements.

Principles for Businesses

The FCA Handbook and the PRA Rulebook contain high-level standards for conducting financial services business in the UK, known as the Principles for Business (in the case of the FCA Handbook) and the Fundamental Rules (in the case of the PRA Rulebook). All firms are expected to comply with these standards, which cover the maintenance of adequate systems and controls, treating customers fairly, communicating with customers in a manner that is clear, fair and not misleading and being open and co-operative with the FCA and PRA.

Application of FSMA regulatory regime to the Group

Each of the Group’s principal UK insurance and investment businesses is subject to regulation and supervision by the FCA (and additionally, for dual-regulated firms, the PRA) in the carrying-on of the Group’s regulated activities. The discussion below considers the main features of the regulatory regime applicable to the Group’s insurance and pensions business in the UK.

Regulation applicable to the Group’s insurance business

Supervision of management and change of control of insurance firms

One of the methods by which the FCA and PRA supervise the management of insurance firms is through the Approved Persons Regime (**APR**) and Senior Insurance Manager Regime (**SIMR**).

The SIMR was introduced and APR revisions came into force on 1 January 2016 (for those elements of the regime that needed to be in force for the UK to implement Solvency II) and 7 March 2016 (for the remaining elements needed to establish the regime). For in-scope firms, the SIMR aimed to (i) make sure that insurance firms and groups have a clear and effective governance structure and (ii) enhance the accountability and responsibility of individual senior managers. These changes aimed to align the SIMR and APR regimes as closely as possible with the Senior Managers & Certification Regime (**SM&CR**) that was in place for the banking sector.

The insurers regime does not however contain certain key elements of the SM&CR for banks and following separate consultations by the PRA and the FCA in July 2017 and the publication in December 2017 of proposals by both regulators to implement the extension of the SM&CR to insurers, in July 2018 the FCA and the PRA published the policy statements to their consultation papers, together with near-final and final rules. Firms affected by the changes will move to the new regime from 10 December 2018, and there are also 2 transitional provisions to help firms move to the new regime:

- firms will have to identify their Certification Staff ahead of 10 December, but have 12 months from the Commencement date to complete the initial certification process; and
- Senior Managers and Certification Staff will need to have been identified and trained on the Conduct Rules ahead of 10 December and abide by these from this date. Firms will have 12 months to train their other staff on the Conduct Rules.

Change of control of authorised firms

The FCA and PRA also regulate the acquisition and increase of control over authorised firms. Under FSMA, any person proposing to acquire control of, or increase (or decrease) control over, an authorised firm must first obtain the consent of the FCA and, if necessary, the PRA. In relation to dual-regulated firms, such as the Phoenix Life Companies, approval to the change of control is sought from the PRA who will consult with the FCA. In considering whether to grant or withhold its approval to the change of control, the FCA and PRA must be satisfied both that the acquirer is a fit and proper person and that the interests of consumers would not be threatened by its acquisition of, or increase in, control.

A person (“**A**”), will acquire control (in accordance with Section 181 FSMA, and be a “controller”) of an authorised person (“**B**”) if they hold:

- (a) 10 per cent. or more of the shares in B or a parent undertaking of B (“**P**”);
- (b) 10 per cent. or more of the voting power in B or P; or

- (c) shares or voting power in B or P, as a result of which A is able to exercise significant influence over the management of B.

In order to determine whether A or a group of persons is a controller, the holdings (shares or voting rights) of A and other persons acting in concert with A (pursuant to an explicit or implicit agreement between them), if any, are aggregated.

A person (“A”) will be treated as increasing (or decreasing) his control over an authorised firm (“B”), requiring prior approval from the FCA (and PRA, if appropriate) if:

- (a) the level of his percentage shareholding or voting power in B or P crosses the 10 per cent., 20 per cent., 30 per cent. or 50 per cent. threshold; or
- (b) if A becomes a parent undertaking of B.

Intervention and enforcement

The FCA and PRA have extensive powers to intervene in the affairs of an authorised firm and monitor compliance with their objectives, including withdrawing a firm’s authorisation, prohibiting individuals from carrying on regulated activities, suspending firms or individuals from undertaking regulated activities and fining firms or individuals who breach their rules.

The FCA can also sanction persons who commit market abuse and can apply to the English Court for injunctions and restitution orders. In addition to its ability to apply sanctions for market abuse, the FCA has the power to prosecute criminal offences arising under FSMA, insider dealing under Part V of the Criminal Justice Act 1993 and breaches of the Money Laundering Regulations. The FCA has indicated that it is prepared to prosecute more cases in the criminal courts where appropriate.

The FCA and PRA may also vary or revoke a firm’s permission to carry on regulated activities or a Senior Manager’s approved status for reasons including: (i) if it is desirable to protect the interests of consumers or potential consumers; (ii) if the firm has not engaged in regulated activity for 12 months; or (iii) if it is failing to meet the threshold conditions for authorisation. The FCA and PRA have further powers to obtain injunctions against authorised persons and to impose or seek restitution orders where persons have suffered loss. Once the FCA and PRA have made a decision to take enforcement action against an authorised firm or Approved Person (other than in the case of an application to the English Court for an injunction or restitution order), the person affected may refer the matter to the Upper Tribunal (Tax and Chancery Chamber). Breaches of certain FCA and PRA rules by an authorised firm may also give a private person, who suffers loss as a result of the breach, a right of action against the authorised firm for damages.

The FCA and PRA, although not creditors, may seek administration orders under the Insolvency Act 1986 (as amended), present a petition for the winding-up of an authorised firm or have standing to be heard in the voluntary winding-up of an authorised firm. It should be noted that insurers carrying on long-term insurance business cannot voluntarily be wound up without the consent of the PRA.

FCA Conduct of Business Rules

The FCA’s Conduct of Business Rules apply to every authorised firm carrying on regulated activities in the UK and regulate the day-to-day conduct of business standards to be observed by authorised persons in carrying on regulated activities. Whilst the FCA is primarily responsible for conduct regulation, the PRA will also seek to ensure that firms that it regulates conduct their business in a safe and sound manner.

The scope and range of obligations imposed on an authorised firm under the Conduct of Business Rules vary according to the scope of its business and the range of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the Conduct of Business Rules will include the need to classify its clients according to their level of sophistication, provide them with information about the firm, meet certain standards of product disclosure, ensure that promotional material which it produces is clear, fair and not misleading, assess suitability when advising on certain products and managing portfolios, manage conflicts of interest and report appropriately to its clients.

The FCA’s Supervision Manual contains specific requirements at Appendix 2.15 for insurers that have ceased to take on new business and are in run-off. Equally some of the FCA Conduct of Business Rules, for example in relation to the sale of new policies, have no relevance to such companies.

FCA “Outcomes”

The FCA has three operational objectives: (i) to secure an appropriate degree of protection for consumers; (ii) to protect and enhance the integrity of the UK financial system; and (iii) to promote effective competition in the interests of consumers.

The first objective is central to the FCA’s expectation of a firm’s conduct and is underpinned by six Treating Customers Fairly outcomes: (i) consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture; (ii) products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly; (iii) consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale; (iv) where consumers receive advice, the advice is suitable and takes account of their circumstances; (v) consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect; and (vi) consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Prudential supervision

As set out above, in order to maintain authorised status under FSMA, a firm must continue to satisfy the threshold conditions for authorisation, which, among other things, require the firm to have adequate resources for the carrying on of its business. The FCA and PRA have published detailed rules relating to the maintenance of minimum levels of regulatory capital for insurance and investment businesses in the Prudential Standards section of their FCA Handbook and PRA Rulebook, respectively. For further information, see the paragraph headed “*Solvency II*” below.

The FCA’s and PRA’s regulatory capital rules for insurers and investment firms are primarily contained in the Solvency II prudential framework.

The Financial Ombudsman Service (the “FOS”)

Authorised firms must have appropriate complaints handling procedures. However, once these procedures have been exhausted, qualifying complainants may turn to the FOS which is intended to provide speedy, informal and cost effective dispute resolution of complaints made against authorised firms by individuals and small-business customers. The FOS is empowered to order firms to pay fair compensation for loss and damage and may order a firm to take such steps as it determines to be just and appropriate to remedy a complaint. In January 2018, the FCA consulted on its proposal to allow approximately 160,000 small- and medium-sized enterprises to refer disputes to the FOS, which would significantly expand access to the FOS. A policy statement making final rules is expected in 2018.

The Financial Services Compensation Scheme (“FSCS”)

The FSCS is intended to compensate individuals and small businesses for claims against a UK authorised firm where the authorised firm is unable or unlikely to be able to meet those claims (generally, when it is insolvent or has gone out of business). The scheme is also intended to promote confidence in the financial system by limiting the systemic risk that the failure of a single firm might trigger a wider loss of confidence in the relevant financial sector. The scheme covers banking, insurance, investment business and mortgage advice, reflecting the different kinds of business undertaken by authorised firms. It is funded primarily by levies on participating firms that consist of (i) a management expenses levy comprising a base costs levy that relates to the cost of running the FSCS each year and a specific cost for the running costs attributable to a specific funding class and (ii) a compensation costs levy which relates primarily to the costs incurred by the FSCS in paying compensation. Note that, in respect of SLIDAC, there is not an equivalent Irish compensation scheme for life insurers authorised in Ireland.

Insurance Guarantee Schemes

Currently there are no rules at the EEA level requiring the member states of the EU (“EU Member States”) to adopt insurance guarantee schemes such as that established by the FSCS. The European Commission published a white paper in 2010 discussing the necessity of insurance guarantee schemes and indicated that it is considering proposing a directive with regard to such schemes. As at the date of this Prospectus, no proposals for this directive have been published. It is possible that if such a directive were introduced, it may affect the operation of the FSCS.

Conduct of Business requirements for insurance business

The Conduct of Business Rules issued by the FCA apply differing requirements to the sale of (i) general insurance contracts and (ii) long-term insurance contracts. Within (ii), more stringent requirements apply where the contract has an investment value or otherwise is a product which historically gave rise to mis-selling problems. Authorised firms which advise and sell packaged products (such as life insurance policies) are subject to detailed conduct of business obligations relating to product disclosure, assessment of suitability for private customers, the range and scope of the advice which the firm provides, and fee and remuneration arrangements.

As an insurer in run-off, a number of the Conduct of Business Rules relating to the sale of new policies do not concern the Phoenix Life Companies. However, there are certain rules relating to:

- information to be provided to existing policyholders;
- cancellation rights;
- the handling of claims;
- treating with-profit policyholders fairly; and
- pensions transfers and the open market option,

which apply regardless of whether or not the insurer is actively selling its products.

Gender discrimination issues

In 2011, the Court of Justice of the European Communities ruled against the use of gender in setting premiums or benefits under insurance contracts. The effect of this ruling was postponed to 21 December 2012. The decision of the Court of Justice was implemented into UK law by the Equality Act 2010 (Amendment) Regulations 2012, which amends the Equality Act 2010. The amendments to the Equality Act 2010, which took effect on 21 December 2012, remove a provision in the Equality Act 2010 which had previously allowed gender-sensitive pricing of insurance premiums and benefits. It affects, among other things, the pricing of annuities, life insurance policies and the annuity rates which may be offered when pension policies mature.

With-profit business

The FCA and PRA coordinate their supervision of insurers. The FCA has responsibility for monitoring whether any changes to benefits or payments are consistent with the insurer’s previous communications to policyholders, and the insurer’s overriding obligation to treat customers fairly. The FCA and PRA have published a memorandum of understanding which sets out how the two regulators will co-operate in their supervision of insurers with policyholders who hold with-profits insurance policies. The FCA is responsible for satisfying itself that firms are behaving fairly in relation to the exercise of discretion whilst the PRA’s focus is on ensuring that discretionary increases in liabilities do not adversely affect the insurer’s ability to meet, and continue to meet, the PRA’s standards for safety and soundness. Given the respective focuses of the PRA and FCA, as of 1 January 2016, the PRA deleted certain of its conduct-related rules relating to with-profits policyholders from its PRA Rulebook and those rules now remain only in the FCA Handbook.

Changes were also made to the corresponding FCA rules on 1 January 2016 in order to implement Solvency II, including in relation to conduct issues and to make changes to certain definitions. For further information, see the paragraph headed “*Solvency II*” below.

Actuarial functions

Every insurance company that is regulated under Solvency II must appoint one or more actuaries (external or in-house) to perform the “actuarial function” in respect of all classes of its long-term insurance business. In addition, if it is regulated by the PRA and has any with-profit business, it

must appoint one or more actuaries to perform the “with-profits actuary function” in respect of its with-profit business.

The PRA Rulebook requires that an actuary appointed to perform the with-profits actuary function must, among other things: (i) advise the firm’s management, at the level of seniority that is reasonably appropriate, on key aspects of the discretion to be exercised affecting those classes of the with-profits insurance business of the firm in respect of which the actuary has been appointed; (ii) advise the firm’s governing body as to whether the assumptions used to calculate the future discretionary benefits within the firm’s relevant technical provisions are consistent with the firm’s Principles and Practices of Financial Management (“PPFM”) in respect of those classes of the firm’s with-profits insurance business; and (iii) at least once a year, report to the firm’s governing body on key aspects (including those aspects of the firm’s application of its PPFM on which the advice described has been given) of the discretion exercised in respect of the period covered by his report affecting those classes of with-profits insurance business of the firm.

Distribution of profits and with-profit business

The PRA Rulebook requires firms carrying on with-profits business to ensure that their distribution strategies are affordable and sustainable. For further information, see the paragraph headed “*Solvency II*” below.

The PRA Rulebook also mandates that firms carrying on with-profit business must:

- define and make publicly available the PPFM applied in their management of with-profit funds;
- ensure their governance arrangements offer assurance that they have managed their funds in line with the PPFM they have established and published;
- produce annual reports for with-profit policyholders on how they have complied with this obligation, including how they have addressed any competing or conflicting rights, interests or expectations of policyholders and, if applicable, shareholders;
- comply with (i) modified regulatory reporting requirements designed to achieve the PRA’s objective of making directors and senior management more explicitly responsible for setting up technical provisions and other decisions taken on actuarial advice and (ii) new audit requirements for liabilities; and
- comply with consequential changes to certification in the insurance returns.

Transfers of insurance business

Any transfer of UK insurance business (as defined under FSMA) must be effected in accordance with Part VII of FSMA and relevant secondary legislation, which requires a scheme of transfer to be prepared and approved by the High Court in England and Wales (the “**English Court**”). Amongst other things, a report of an independent expert is required on the terms of the scheme, which would consider whether the proposed transfer would be prejudicial to policyholders. The regulators also have an important role in a transfer under Part VII of FSMA, including in relation to certain approvals for specific steps in the transfer process (such as the approval by the PRA (in consultation with the FCA) of the appointment of the independent expert and the form of the independent expert’s report) and in advising the English Court whether a transfer should be approved. A Part VII scheme of transfer enables direct insurers and reinsurers to transfer all or part of their books of business to another approved insurer by operation of law without the need for individual policyholder consents, although policyholders have the right to object to the proposed scheme at the English Court hearing. A scheme of transfer may also allow for the transfer of assets and other contracts related to the business so as to give proper effect to the transfer. A transfer of insurance business means a transfer of insurance policies and should be distinguished from the change of control of a business effected by a transfer of shares in an insurance company.

Solvency II

Solvency II has applied since 1 January 2016.

The Solvency II prudential framework has updated, among other things, the existing EU life, non-life, reinsurance and insurance groups directives. The main aim of the framework is to protect policyholders through establishing prudential requirements better matched to the true risks of the business, taking into account other regulatory objectives of ensuring the financial stability of the insurance industry and stability of the markets. Like the Basel III reforms introduced in relation to

banks in 2014, the new approach is based on the concept of three pillars: quantitative requirements (the amount of regulatory capital an insurer should hold), qualitative requirements on undertakings such as risk management as well as supervisory activities, and enhanced disclosure and transparency requirements. It is also directionally consistent with Pillar 2, being on an economic capital basis.

Solvency II contains rules covering, among other things:

- technical provisions against insurance and reinsurance liabilities;
- the valuation of assets and liabilities;
- the maintenance of an MCR and a higher and more risk sensitive solvency capital requirement (“SCR”);
- what regulatory capital is eligible to cover technical provisions, the MCR and the SCR, and to what extent specific tiers of capital may so count;
- what regulatory capital or assets are to be treated as being restricted to specific uses and not therefore fungible or transferable across the firm’s entire operations;
- to what extent a firm’s regulatory capital models may be used to calculate the SCR;
- governance requirements including risk management processes;
- considerably expanded reporting requirements covering (i) matters to be reported privately to the firm’s supervisor leading to a full supervisory review process and (ii) matters to be published in a “Solvency and Financial Condition Report”;
- rules providing for the SCR to be supplemented by a “regulatory capital add-on” in appropriate cases, the add-on to be imposed by the relevant supervisor (the PRA in the case of UK firms and the CBI in the case of SLIDAC);
- rules on insurance products which are linked to the value of specific property or indices;
- the application of the above requirements across insurance groups, including a specific regime for insurance groups with centralised risk management and an enhanced role for the “group supervisor” of international groups, who will be required to work in conjunction with a “college of supervisors” responsible for specific solo members of the group; and
- provision for the supervision of insurance groups headed by an insurance company or insurance holding company with a head office outside the EEA.

Level 2 rules, which supplement Solvency II with more detail, were adopted by the European Commission on 10 October 2014 and entered into force on 18 January 2015. On 30 September 2015, the European Commission proposed amendments to these rules as part its initiative to build a Capital Markets Union. These amendments included, amongst other things, proposals to alter certain regulatory capital requirements of Solvency II with the intention of providing insurance companies with incentives to invest for the long-term in infrastructure and European long-term investment funds. The European Commission’s Delegated Regulation making the relevant amendments was subsequently published on 1 April 2016 in the Official Journal of the EU and entered into force on 2 April 2016. The UK House of Commons Treasury Select Committee launched an inquiry into Solvency II which explored the impact of the new regime and the options now available to the UK in the light of its vote at the national referendum of June 2016 to withdraw from the European Union. The outcome of the inquiry was published on 27 October 2017 and recommends that the PRA should have a pragmatic discussion with the insurance industry. This should focus on the scope for amendments and increased proportionality in the implementation of Solvency II. In the fourth quarter of 2017 and January 2018, the PRA published a series of consultation papers seeking to optimise the implementation of Solvency II in the UK. The consultations cover: (i) guidance on the eligibility of assets for the “matching adjustment”; (ii) the minor model change process; and (iii) a reduced reporting burden on firms.

The UK rules generally replicate the Level 2 implementing rules other than in certain instances, such as the need to provide for with-profit funds in the context of long-term insurance funds no longer being recognised under Solvency II. Under Solvency II, “ring-fenced funds” are funds the assets of which may have a reduced capacity to fully absorb losses in other parts of the insurer on a going concern basis. The PRA rules contain a requirement (which came into effect on 1 January 2016) that firms hold, within each of their with-profits funds, assets that are sufficient to meet the with-profits liabilities of such funds. In March 2015, the FCA published a policy statement containing its own final rules to implement Solvency II. The final rules use a new definition of “with-profits fund

surplus” in relation to Solvency II firms’ with-profits business, being, in summary, the difference between the assets in the fund and the liabilities in the fund. Only the with-profits fund surplus may be distributed to policyholders and shareholders. The PRA has also stated in a supervisory statement that restrictions on assets and Own Funds resulting from the nature of, and regulatory regime for, with-profits insurance business in the UK will generally mean that each with-profits fund displays the characteristics of a ring-fenced fund for the purposes of Solvency II. In the same supervisory statement, the PRA also notes that firms sometimes have support arrangements in place which seek to provide support to a with-profits fund from financial resources outside that fund; the final rules require that the terms of any such support arrangement be clarified and codified. In addition, depending on the facts or circumstances, the Board may apply capital management policies to control the distribution of capital.

As described further under the heading “Implementation of Solvency II” in Part VIII of this Prospectus (Operating and Financial review of the Group), from 1 January 2016 to 30 June 2017, the Group benefited from a waiver which permitted Group supervision to take place at the level of Old Phoenix via other methods. This waiver expired on 30 June 2017, when a period of dual reporting at both PLHL and Old Phoenix levels was entered into. This ended when Old Phoenix moved its head office to the UK in January 2018, permitting single reporting at Old Phoenix level. New Phoenix will inherit this position upon its insertion as the new holding company of the Group.

Certain of the Group’s subsidiaries are, and will be, authorised by the FCA to carry on investment business. These entities are subject to regulation and supervision by the FCA and must comply with the FCA’s conduct of business and prudential rules made under FSMA.

Many insurance companies and insurance groups expect to benefit from using internal models to calculate their SCR (or specific risks or major business units within the SCR). However, they require supervisory approval to do this, as the PRA wants to ensure ongoing compliance with the Solvency II internal model requirements. The process of obtaining that approval is a rigorous one involving a full review of the firm’s governance arrangements and proof that the internal modelling is fully used within the firm’s business. Once a firm’s internal model has been approved, it must report internal model outputs using the PRA’s templates, so that the PRA can supervise internal models on an ongoing basis. The PRA may also impose regulatory capital add-ons if it considers that the resultant regulatory capital requirement does not reflect the risk exposures of the relevant firm or insurance group. On 7 December 2015, Old Phoenix announced that the PRA had approved the Group’s Solvency II Internal Model application for the PLHL group and its subsidiaries. During March 2017, subsequent approval was received to extend the Internal Model to include the SunLife Embassy Business. In June 2017, approval was received from the PRA to extend the scope of the Internal Model to the ultimate holding company, Old Phoenix. This Internal Model change covered all entities above PLHL in the Group structure. The Group made an application to extend its Internal Model to include Abbey Life and this was approved on 1 March 2018.

The Group notes that the technical implementation of Solvency II resulted in a significant increase in the technical provisions and regulatory capital requirements of the Phoenix Life Companies. However, these increases were mitigated to an extent by the introduction of transitional provisions, included in the Solvency II Directive, which are designed to ensure a smooth transition to the new regime. On 17 December 2015, the PRA confirmed that it had approved an application by the Phoenix Life Companies to apply Transitional Measures on Technical Provisions (“TMTP”). This allows for a transitional deduction on technical provisions which is the difference between the net technical provisions calculated in accordance with the Solvency II rules and the net technical provisions calculated in accordance with the previous regime. The benefit of the transitional provisions will be phased out over a 16-year period. There remains some uncertainty over the pace of run-off within that period. If the pace of run-off is faster than expected then this may defer the amount or timing of future cash releases from the Phoenix Life Companies.

It should be noted that SLIDAC is authorised and regulated by the CBI. Consequently, Solvency II (and any relevant Irish implementing provisions) are applied by the CBI, not the UK regulators. More generally, the prudential regulation of SLIDAC is a matter for the CBI, although Solvency II is a European directive and therefore many of the same principles and rules outlined above apply, notwithstanding the fact that certain discrete matters remain the subject of national discretion and therefore variation.

On 2 July 2018, the PRA issued Consultation Paper 13/18 which focuses on whether firms are making appropriate allowance for non-standard risks arising when equity release mortgages are included

within their Solvency II matching adjustment portfolios. The consultation proposes an approach and calibration for assessing the property risk associated with the no negative equity guarantee feature of equity release mortgage assets when determining an entity's Solvency II technical provisions. The proposals in this consultation paper were due to be implemented on 31 December 2018 however the PRA announced on 25 October 2018 that the implementation date will not be before 31 December 2019.

For further information, see also “*Risk Factors – Risks Relating to the Group – Regulatory Risk – Regulatory capital and other requirements may change*” in this Prospectus.

Conduct of Business requirements for investment businesses and MiFID II

MiFID II, which came into force on 3 January 2018, provides for the regulation of EU securities and derivatives markets. MiFID II is comprised of (i) a substantially revised Markets in Financial Instruments Directive (2014/65/EU); (ii) the Markets in Financial Instruments Regulation ((EU) No 600/2014); and (iii) secondary legislation in the form of Delegated Acts made thereunder (“**MiFID II**”).

MiFID II sets out detailed and specific requirements in relation to organisational and conduct of business matters for investment firms and securities and derivatives trading venues. In particular, MiFID II makes specific provision in relation to, among other things, organisational requirements, outsourcing, customer classification, conflicts of interest, best execution, client order handling, suitability and appropriateness, product governance, telephone taping, investment research and financial analysis, pre- and post-trade transparency obligations, transaction reporting, commodity derivative position limits and reporting, and the ability of MiFID investment firms authorised in one EU Member State to use ‘passports’ to conduct MiFID investment services in other EU Member States.

MiFID II is more wide ranging than the previous MiFID regime (under the EU Markets in Financial Instruments Directive (2004/39/EC)) and has direct impact on MiFID investment firms and indirect impact on non-MiFID financial services firms who deal in EU securities and derivatives markets.

Data protection

On 25 May 2018, the General Data Protection Regulation (“**GDPR**”) replaced the existing data protection regime set out in the first Data Protection Directive (Directive 95/46/EC) on the protection of individuals with regard to the processing of personal data and on the free movement of such data. The regulation contains measures that seek to harmonise data protection procedures and enforcement across the EU. It is directly binding on data controllers in all member states immediately upon coming into effect without the need for implementation by the member states. Importantly, the penalties for breach of the new GDPR regime are much more substantial.

The UK Data Protection Act 2018 which came into effect on 23rd May 2018 implements the GDPR, while providing for certain permitted derogations, additions and UK-specific provisions. In Ireland, the limited discretion accorded to member states under the GDPR is to be exercised by the Data Protection Act 2018, which was passed by the Oireachtas (Houses of Parliament) on 22 May 2018 and subsequently signed into law. Germany adopted national legislation in response to the GDPR in a new version of the Federal Data Protection Act (the “*Bundesdatenschutzgesetz*”) in late April 2017, which became effective together with the GDPR on 25 May 2018. The German legislator has used the “opening clauses” that allow member states discretion to customise certain provisions to tighten the rules over personal data of German citizens above and beyond what is required by the GDPR.

FCA thematic review

The thematic review on the fair treatment of long-standing customers in the life insurance sector

The Phoenix Life Companies charge customers “exit charges” upon change of provider and “paid up charges” upon cessation of payment of regular premia. These charges apply when customers switch their pension policies to another provider or realise their pension benefits prior to their specified retirement date (where a customer is over 55 years of age and therefore eligible to realise some of the benefits from its pension pot). On 3 March 2016, the FCA published a thematic review report on the fair treatment of long-standing customers in the life insurance sector. The FCA found a “mixed picture” where most firms reviewed demonstrated good practice in some areas but poor practice in others. A small number of firms were found to be delivering poor customer outcomes across a majority of the areas assessed. In particular, the FCA had concerns about:

- lack of board and senior management oversight of closed book customers and outcomes;

- whether customers were aware of the effect of exit and paid-up charges on their policies and the quality of information provision on the economic effect of exit and paid-up charges;
- firms' behaviour, policies and attitude towards applying exit charges;
- the impact of exit and paid-up charges on customers shopping around and customer choice;
- the absence, within most firms, of a review of products (and related charges) to assess whether customers were getting fair outcomes; and
- where there are product reviews, over-reliance or overemphasis on compliance with contractual terms and conditions even where actual customer detriment is identified.

In December 2016, the FCA published its final guidance on the basis of its thematic review, setting out its expectations on life insurance firms to ensure that their closed-book customers are treated fairly. Firms are expected to identify the outcomes they believe are fair to deliver to their customers and, where poor customer outcomes are identified, take steps to address them. This guidance will apply to Phoenix Life Companies and SLAL policies and customers. The FCA has also notified ALAC of its final conclusions regarding the outcome of the review. Following this, ALAC has agreed a number of actions with the FCA to address the findings from the thematic review including enhancements to communications, a programme of product reviews and further work to reduce the volume of "goneaway" customers. Significant progress has been made and a number of items addressed. Work continues to address the outstanding points.

A number of the firms which were the subject of the review were also the subject of additional FCA investigations, to explore whether remedial and/or disciplinary action was necessary or appropriate in respect of exit or paid up charges being applied. ALAC was one of these firms. Additionally, ALAC was one of two firms being investigated for potential contravention of regulatory requirements across a number of other areas assessed in the thematic review. This investigation into wider contraventions of regulatory requirements focused on behaviour from December 2008. The FCA has stated that these investigations were designed to establish the reasons for the practices within firms, whether customers have suffered detriment as a result and how widespread any practices are within these firms.

On 19 September 2018 Old Phoenix was informed by the FCA that it had closed its investigation into ALAC following the thematic review into the fair treatment of long standing customers in the life insurance sector, having found that the conduct of ALAC did not warrant enforcement action. However, the FCA has confirmed that there are a number of issues that despite not warranting enforcement action, they would like to discuss with the firm. It is possible that, as a result of the investigation, ALAC may incur costs associated with the FCA's findings.

In June 2017, the FCA issued a request for information to assist them with planning the scope of their forthcoming thematic review of the fair treatment of with-profits customers. This information was supplied in August 2017. The FCA are currently undertaking the review and the Group is awaiting the outcomes.

For further information, see "*Risk Factors – Risks Relating to the Group – Regulatory Risks – The thematic review on the fair treatment of long-standing customers in the life insurance sector may affect the Group's business*" in this Prospectus.

The thematic review on annuity sales practices

The Phoenix Life Companies and SLAL sell annuities. Currently, across the sector, a large number of customers who have pension policies with the Group buy an annuity from the firm that holds their pension policies. In other words, customers with pension policies often choose to use their savings to buy an annuity issued by the Group.

The FCA has conducted a number of reviews and studies in respect of the issue of annuity sales. On 11 December 2014, the FCA published the findings of its thematic review into annuity sales practices. In relation to the annuity sales practices report, the FCA concluded that firms need to improve the way in which they communicate with their customers, particularly during the period when customers are coming up to retirement and making their choices as to their retirement income provision. In particular the FCA found that:

- consumers did not shop around and/or switch providers when they chose to invest their pension pot in an annuity;
- firms' sales practices curtailed shopping around and product switching;

- the code of conduct on retirement choices, which is produced by the Association of British Insurers, was not being applied consistently (or in some cases, at all); and
- some consumers were buying the wrong type of annuity (e.g., not buying an enhanced annuity when they were eligible for one).

As a result of the above, the FCA concluded that some consumers within the sector might be suffering detriment because they were not receiving potentially higher income.

The FCA asked certain relevant firms to carry out further work and gather more evidence to allow the FCA to reach conclusions on the basis of statistically significant information (rather than anecdotal or small sampling), focusing on whether customers have shopped around and purchased a standard, rather than an enhanced, annuity.

On 14 October 2016, the FCA published a further report on its thematic review of non-advised annuity sales practices (TR16/7). The review found no evidence of industry-wide or systemic failure to provide customers with sufficient information about enhanced annuities through non-advised sales resulting in actual loss. However, the FCA:

- identified concerns in a small number of firms relating to significant communications that took place orally, usually on the telephone. The FCA has asked those firms to review their practices since 2008, appoint skilled persons to oversee the review, and provide redress where necessary; and
- identified other areas of possible concern, including in relation to the recording and maintenance of records of calls.

The FCA encouraged all firms to consider its feedback and take appropriate action to address the points raised, to ensure their communications and sales process provide customers with the information they need when they need it. The FCA has also encouraged any customers who feel they were provided with insufficient information about enhanced annuities at the time they chose their annuity to contact their annuity provider. The Group has reviewed the detail of the FCA feedback and continues to make improvements to customer service in line with Group strategy, in particular around transparency of information.

Following the thematic review, on 23 May 2017, the FCA confirmed to ALAC that it would be required to undertake a “past business review” covering all annuities sales over a set period. ALAC has appointed Grant Thornton and PwC to assist with this exercise, which is now underway. The FCA commissioned a skilled person, Willis Towers Watson, to develop a “redress calculator”, which enables affected firms to adopt a consistent approach to calculating redress. Affected firms are required to fund the development of this.

The review may result in a further change in law, regulation and/or regulatory emphasis, changes in the Group’s practices and/or prompt future regulatory interventions. The FCA may require affected firms to carry out further remediation in respect of detriment suffered by customers as a result of historic practices. The FCA may also decide to impose further financial penalties or compulsory customer remediation (depending on circumstances and its findings). It is not currently possible to assess what further actions the FCA may require affected firms to take or the effect such actions, if required, may have on the business of affected firms.

In addition to the above, on 26 May 2017, the FCA published a policy statement (PS17/12) containing final rules requiring firms to inform consumers, by providing an information prompt, how much they could gain from “shopping around” and switching provider, before they buy an annuity. Firms must achieve compliance with these rules by 1 March 2018.

For further information, see the risk factor entitled “*Risk Factors – Risks Relating to the Group – Regulatory Risks – The thematic review on annuity sales practices may affect the Group’s business*” in this Prospectus.

Other regulatory systems

While most of the Group’s activities are in the UK (and therefore solely within the scope of the UK regulatory system), the Group includes entities which operate outside the UK in a regulated environment. In particular, SLIDAC is authorised and regulated by the CBI. As previously stated, the prudential and conduct regulation of SLIDAC is a matter for the CBI and Irish law and regulation.

When policies are sold to policyholders situated in a member state, the regulation of that state may apply to the sale and administration of such policies, even though the transacting Group entity may

be authorised and regulated in another jurisdiction. Members of the Group carry on business in other member states under EU-wide passporting rights. Of particular note is SLIDAC, which is intended to operate the German business of SLAL after Brexit, and therefore certain of its activities will be subject to German regulation. Although those entities using passporting rights do not need to be authorised in each of the member states in which they carry on activities within the scope of those rights, such entities are required to comply with certain local laws and regulatory requirements, for example in respect of conduct of business rules, in relation to certain activities carried on in those countries. As a result, the law and regulation of various member states applies to the activities of certain members of the Group when they are dealing with customers in member states.

PART IV—FINANCIAL INFORMATION OF THE GROUP

PART A: SELECTED HISTORICAL FINANCIAL INFORMATION RELATING TO THE GROUP

The tables below set out Old Phoenix’s selected consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 and the six months ended 30 June 2018. The data has been extracted without material adjustment from the Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015 and the unaudited half-yearly interim results for the six months ended 30 June 2018, which are incorporated by reference into this Part IV (“*Financial Information of the Group*”) as described in Part X (“*Documents Incorporated by Reference*”) of this Prospectus. Investors should read the whole of this Prospectus, including the information incorporated by reference into this Prospectus, and not rely solely on the summarised financial information below.

Selected consolidated income statement

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	(£ million) (unaudited)		(£ million) (audited)		
Net income	889	2,945	6,089	7,445	692
Total operating expenses.....	(864)	(2,950)	(5,964)	(7,393)	(404)
Finance costs	(67)	(64)	(132)	(122)	(136)
(Loss)/profit for the year before tax.	(42)	(69)	(7)	(70)	152
Tax credit/(charge) attributable to policyholders’ returns	4	(32)	(21)	(58)	33
Tax credit attributable to owners....	14	5	1	28	64
Tax credit/(charge).....	18	(27)	(20)	(30)	97
(Loss)/profit for the year attributable to owners.....	(24)	(96)	(27)	(100)	249
Attributable to:					
Owners of the parent.....	(24)	(96)	(27)	(101)	201
Non-controlling interests.....	—	—	—	1	48
	(24)	(96)	(27)	(100)	249

Selected consolidated statement of financial condition

	As at 30 June		As at 31 December		
	2018	2017	2017	2016	2015
	(£ million) (unaudited)		(£ million) (audited)		
Total assets.....	82,197	85,186	83,443	85,999	64,514
Total liabilities.....	78,563	81,998	80,288	82,666	61,510
Equity attributable to owners of the parent.....	3,140	3,188	3,155	3,333	2,434
Tier 1 notes.....	494	—	—	—	—
Non-controlling interests.....	—	—	—	—	570
Total equity.....	3,634	3,188	3,155	3,333	3,004

PART B: HISTORICAL FINANCIAL INFORMATION RELATING TO THE GROUP

The audited consolidated financial statements of the Group for the financial years ended 31 December 2017, 2016 and 2015, prepared in accordance with IFRS, together with the audit reports and notes in respect of each such year, and the unaudited half-yearly interim results for the six months ended 30 June 2018 are incorporated by reference into this Prospectus as set out in Part X (“*Documents Incorporated by Reference*”).

PART V—OPERATING AND FINANCIAL REVIEW OF THE GROUP

The following operating and financial review is intended to convey the Directors' perspective on the operating performance and financial condition of the Group from 1 January 2015 to 30 June 2018. The discussion should be read in conjunction with the rest of this Prospectus, the Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015, and the unaudited half-yearly interim results for the six months ended 30 June 2018 and 2017, which are incorporated by reference into this Prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties that could cause the actual results of the Group to differ from those expressed or implied by such forward-looking statements. These risks and uncertainties are discussed in the section of this Prospectus headed "Risk Factors" and elsewhere in this Prospectus. See "Cautionary note regarding forward-looking statements" in the section of this Prospectus headed "Important Information".

The discussion contained herein relates to, and all financial information has been extracted without material adjustment from, the historical financial information incorporated by reference into this Prospectus, which has been prepared in accordance with IASB IFRS. The Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015 and the unaudited half-yearly interim results for the six months ended 30 June 2018 and 2017, have each been prepared on a historic cost basis except for investment property, owner-occupied property, and those financial assets and financial liabilities and investment contracts without discretionary participation features that have been measured at fair value.

This section also includes a discussion of the Group's liquidity and capital resources.

Key factors affecting the Group's results of operations and comparability

The following paragraphs describe the key factors which have affected the results of operations of the Group during the period from 1 January 2015 to 30 June 2018 and/or which may affect the results of operations of the Group in subsequent periods.

Market update

In 2015, UK equity markets experienced falls with the FTSE All Share (Growth) Index closing at 3,444, 2.5 per cent. down on its level at 31 December 2014 of 3,533.

Gilt yields increased at all durations during 2015, with the benchmark 15-year gilt yield increasing by 23 basis points. Credit spreads widened across all ratings, whilst the All Property Index closed 14 per cent. above its 31 December 2014 level.

In 2016, uncertainty prior to and following the referendum on 23 June 2016 on the UK's membership of the EU contributed to increased market volatility in the period. The initial reaction to the vote to leave the EU increased volatility in exchange rates between sterling and the dollar and euro and resulted in significant falls in interest rates. Gilt yields fell across all durations during the year, with benchmark 15-year gilt yields falling by 70 basis points compared to the 31 December 2015 level. Credit spreads narrowed across all ratings.

The FTSE All Share index increased by 12 per cent. during the period, increasing to 3,873 as at 31 December 2016 from 3,444 as at 31 December 2015.

2017 saw further rises in equity markets, with the FTSE All Share index increasing by 9 per cent. to 4,222 as at 31 December 2017 from 3,873 as at 31 December 2016. Interest rates in that period were more stable, with the benchmark 15-year gilt yield falling by 8 basis points compared to the 2016 closing level. Credit spreads also narrowed in the period across all ratings.

The FTSE All Share index as at 30 June 2018 of 4,202 was 0.5% below the 31 December 2017 year end position of 4,222. With the exception of AAA rated spreads, all credit spreads were ahead of their 2017 closing year end position with AA, A and BBB rated spreads ahead by 1, 21 and 25 basis point respectively. There were marginal movements in gilt yields with the 15-year gilt yield at 1.63%, ahead of the 2017 closing year end position by 3 basis points.

The Group's results and financial condition can be affected by changes in market levels, including risk-free rates, corporate bond credit spreads, equity values and property values. The Group undertakes hedging activity to manage its exposure to market risks; however its hedging strategy is calibrated to protect the regulatory capital position and cash generation capability of the operating companies. This can create additional volatility in the IFRS results resulting from measurement and recognition differences between the Solvency II and IFRS bases. For example, the Group hedges its exposure to equity movements arising from future profits in relation to with-profit bonuses and unit-linked charges to benefit the regulatory capital position. The impact of equity market movements on

the value of hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not.

The 2015 results benefited from increasing yields in the period together with continued property gains, partly offset by the adverse impacts of widening credit spreads. The 2016 results were adversely impacted by falling gilt yields, losses on equity hedging positions on an IFRS basis that reduced in value following equity market gains and the widening of credit spreads. The 2017 results were also adversely impacted by losses on equity hedging positions on an IFRS basis that reduced in value following equity market gains and losses on swaption positions held to hedge the impact of interest rate risk on the Group's regulatory position as a result of reduced volatility and expected option expiry. The 2018 interim results were adversely affected by losses on swaption positions as a result of an increase in yields and option decay costs, together with losses on derivative positions held to hedge the Group's exposure to pre-completion equity risk arising from the Acquisition.

The long-term nature of much of the Group's operations means that the effects of short-term economic volatility are treated as non-operating items. In calculating the Group's IFRS operating profit, the Group incorporates expected returns on investments supporting its long-term business. Changes due to economic items, for example market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit as investment variances and economic assumption changes. The Group's investment return variances and economic assumption changes on long-term business and owners' funds on an IFRS basis were a positive £27 million for the six months ended 30 June 2018, compared with a negative £56 million for the six month ended 30 June 2017. It was a negative £6 million for the year ended 31 December 2017, compared with a negative £207 million for the year ended 31 December 2016 and a positive £13 million for the year ended 31 December 2015. These items are detailed further in the section headed "*Operating profit for the Group for the six months ended 30 June 2018 and 2017*" and "*Operating profit for the Group for the years ended 31 December 2017, 2016 and 2015*" below.

Implementation of Solvency II

In accordance with EIOPA and PRA requirements, from 1 January 2016, the Group has undertaken a Solvency II group regulatory capital calculation and a solo assessment for each Phoenix Life Company. Since that date, regulatory capital adequacy for the Group is no longer monitored under the IGD or the PRA requirement for an ICA. As such, 31 December 2015 was the last date on which the Group reported its regulatory capital adequacy under those metrics.

From 1 January 2016 to 30 June 2017, the Solvency II capital assessment and the Group's regulatory supervision was performed at the PLHL level, as the ultimate EEA insurance holding company within the Group. As ultimate insurance holding company, Old Phoenix would have been subject to the same Solvency II requirements as PLHL upon the regime's introduction, however the PRA granted a waiver that permitted Group supervision to take place at the level of Old Phoenix via other methods. This waiver expired on 30 June 2017.

From 1 July 2017, regulatory supervision and SCR reporting were performed at both Old Phoenix and PLHL levels. This "dual reporting" continued until 31 January 2018 when Old Phoenix's head office was moved to the UK from Jersey and the PRA agreed to treat Old Phoenix as the ultimate EEA insurance holding company of the Group until the insertion of a new UK holding company. During this period, the Group's SCR reporting has been at the Old Phoenix level only. Accordingly, from 1 July 2017, the PLHL Solvency II Surplus has not been reported. For further information, see the paragraph headed "*Solvency II*" in Part III ("*Regulatory Overview*") of this Prospectus.

Calculation of the Solvency II Group regulatory capital calculations involves a valuation in line with Solvency II principles of the Group's Own Funds and a risk based assessment using an internal model of the Group's SCR. For further information, see the paragraph headed "*Solvency II*" in Part III ("*Regulatory Overview*") of this Prospectus.

The Group SCR is calibrated so that the likelihood of a loss exceeding the Group SCR is less than 0.5 per cent. over one year. This is meant to ensure that capital is sufficient to withstand a broadly '1 in 200 year event' and is calculated in accordance with the Group's Solvency II Internal Model. Management actions which could be undertaken to restore the Own Funds level above SCR in a stress scenario include market risk hedging, further longevity swaps, reinsurance, issuance of hybrid debt, deferral or reduction in shareholder dividends, sale of business lines and/or portfolios, review of future planned management actions, review of outsourcing arrangements and equity issuance.

The Group's Own Funds differ materially from IFRS equity for a number of reasons, including the recognition of future shareholder transfers from the with-profit funds and future management charges on investment contracts, the treatment of certain subordinated debt instruments as capital items, and a number of valuation differences, most notably in respect of insurance liabilities and intangible assets.

Following the implementation of the Solvency II regulatory regime from 1 January 2016, the Group made certain changes to the assumptions and estimates used in the IFRS valuation of insurance contracts, as follows:

- in determining the discount rate to be applied when calculating participating and non-participating insurance contract liabilities, the Group amended the risk-free reference curve from a gilt yield curve plus a liquidity premium of 10 basis points to the EIOPA swap curve plus 10 basis points;
- for non-participating insurance contract liabilities, the Group previously used a valuation rate of interest and adjusted the liability discount rate by reference to the yield on the assets backing the liabilities to account for credit, default and reinvestment risk. The Group now makes an explicit adjustment to the risk-free rate to adjust for illiquidity in respect of assets backing illiquid liabilities. The new approach does not take any additional credit for investment margins compared to the previous methodology; and
- for non-participating insurance contract liabilities, the Group previously derived demographic assumptions by adding an implicit prudent margin to best estimate assumptions. The Group amended its approach in this regard and now sets assumptions at management's best estimates and recognises an explicit margin for demographic risks. For participating business in realistic basis companies, the assumptions as to future demographic trends continue to represent 'best estimates'.

The assumption changes were made to align the IFRS basis more closely with the requirements of Solvency II and move the basis closer to management's expectations of the requirements under the new IFRS with respect to insurance contracts (IFRS 17 – Insurance Contracts), which is expected to be effective for financial periods commencing 1 January 2021 and beyond. As the Group manages its capital in accordance with Solvency II, the changes outlined above mean the IFRS results more closely reflect the way the business is managed and the Group's risk hedging strategies.

The amendments to the risk free reference rate and the approach to adjusting for illiquidity increased insurance liabilities by £77 million in the year ended 31 December 2016. This was more than offset by the impact of the change in approach for determining the demographic prudence margin, which reduced insurance liabilities by £115 million. After allowing for other second order impacts of the changes (including the revaluation of certain current liabilities using the swap rather than gilt curve), the overall impact of the above changes in the year ended 31 December 2016 is a benefit to IFRS profit before tax of £31 million.

Mortality, longevity and persistency

The Group's results of operations and cashflows may be affected by increased mortality and longevity rates and by variances between assumed and actual experience in factors such as persistency levels. As the Group's term and annuity businesses are inversely related, fluctuations in mortality and longevity rates will positively impact one business while negatively impacting the other, with the Group's exposure to longevity rates having a more pronounced effect on the Group than the Group's exposure to mortality rates. Increased mortality rates increase death claims on the Group's term insurance products, while increased longevity rates result in pay-outs to holders of annuities over a longer period. The Group manages its exposure to changes in mortality and longevity rates by holding prudent reserves based on assumptions that reflect past experience and anticipated future trends.

In addition, the Group maintains reserves to compensate policyholders who choose to surrender their respective policies, the amount of such reserves being based on the assumed level of surrenders. Variances between the assumed level of surrenders and the actual level of surrenders expose the Group to persistency risk. In the case of policies providing a guaranteed payment at a future date, if the amount of surrenders falls below expectations, the Group will need to provide for the cost of the additional future payments. On the other hand, in the case of policies providing no guaranteed payment, if the amount of surrenders exceeds expectations, the anticipated future profits to be obtained from these policies could be curtailed.

Excluding the impact of changes to align the IFRS valuation of insurance contracts with Solvency II requirements as disclosed above, the Group's IFRS insurance liabilities decreased by £16 million as a result of changes in assumptions with regard to mortality, longevity, persistency and expenses for the six months ended 30 June 2018 (2017: decreased by £92 million; 2016: increased by £52 million; 2015: increased by £6 million).

Acquisition of SunLife Embassy Business

On 1 November 2016, the Group completed the AXA Transaction for a total cash consideration of £373 million.

The acquisition was comprised of the SunLife Embassy Business, a pensions and investments business offering a range of propositions catering to both individual and corporate requirements, and SunLife, a leader in the over 50s protection sector (together, "AXA Wealth"). The AXA Transaction increased assets under management by £12 billion and added over 910,000 policies to the Group.

The Group has generated significant diversification benefits as a result of the AXA Transaction, with the mortality exposure of the SunLife business offsetting the Group's existing longevity exposure from its annuity liabilities. Access to transitional capital benefits arising as a result of the implementation of Solvency II was achieved by the reinsurance of the SunLife Embassy Business and SunLife into PLL in November 2016, and subsequent transfer via a formal scheme under Part VII of FSMA effective from 30 September 2017. Approval was received from the PRA in March 2017 to include the acquired businesses within the scope of the Group's Solvency II Internal Model. These factors facilitated the delivery of £282 million of cash from the acquisition within six months of completion, exceeding the £250 million target. This included £117 million of cash in the year ended 31 December 2016 and £165 million in the year ended 31 December 2017.

Transaction costs of £12 million were recognised in the year ended 31 December 2016 in connection with the acquisition of the AXA Wealth businesses. Integration and restructuring costs of £30 million were recognised in the year ended 31 December 2016, with a further £9 million of such costs recognised in the year ended 31 December 2017.

Definite life intangible balances totalling £38 million were recognised on acquisition and are being amortised over their estimated useful life.

Integration of the AXA Wealth business was completed in the six months ended 30 June 2018, ahead of plan and targets.

Acquisition of Abbey Life

On 30 December 2016, the Group completed the Abbey Life Acquisition from Deutsche Holdings No. 4 Ltd., a wholly-owned subsidiary of Deutsche Bank AG, for total consideration of £933 million. The acquired Abbey Life business predominantly comprises unit-linked life and pensions policies and annuities in payment, together with two small with-profit funds. Abbey Life added 735,000 policyholders and £10 billion of assets under management to the Group. Abbey Life closed to new retail business in 2000.

The application to move Abbey Life onto the Group's Solvency II Internal Model was submitted during the fourth quarter of 2017 and approval was received from the PRA in March 2018. As with the AXA Transaction, transitional benefits have been accessed through the reinsurance of the acquired Abbey Life business into PLL, which was effective from 29 December 2017. This is expected to be replaced by a transfer via a formal scheme under Part VII of FSMA, which is expected to become effective at the end of 2018.

Following the reinsurance, the Group will look to extract further efficiencies from the annuity portfolio by extending the Matching Adjustment benefits to all qualifying annuity liabilities.

During the year ended 31 December 2017, £236 million of cash was generated from the acquired Abbey Life business (which includes a £74 million cash receipt in connection with the transfer of the Abbey Life Pension Scheme from the operating company to a holding company).

Transaction costs of £19 million incurred in connection with the acquisition of Abbey Life were recognised in the year ended 31 December 2016. Integration and restructuring costs of £12 million were recognised in the year ended 31 December 2017.

Definite life intangible assets of £180 million were recognised on acquisition and are being amortised over their estimated useful life.

Integration of the Abbey Life business was completed in the six months ended 30 June 2018, ahead of plan and targets.

Equity raise and debt refinancing

The Group has undertaken a number of refinancing actions in the period covered by this operating and financial review. These refinancing actions have been designed to reduce the level of the Group's leverage and to better align debt repayments with the emergence of surplus from the business. In 2017, refinancing actions were also undertaken to support the strengthening of the Group's capital position at the Old Phoenix level. This involved the issuance of £450 million of Tier 3 notes (the 2022 Notes) in two tranches in January and May 2017, and a further US\$500 million of Tier 2 notes issued in July 2017 (the 2027 Notes). The proceeds were used to repay senior bank debt and redeem a portion of the Senior Bonds that do not count as regulatory capital in the Old Phoenix's Solvency II capital calculation.

Furthermore, the Group raised both debt and equity to support acquisition activity in 2016 and, in April 2018, issued £500 million of the RT1 Notes in connection with the Acquisition. Details of relevant transactions that have impacted the results in this period are included below.

On 23 January 2015, the Group exchanged 99 per cent. of the Perpetual Reset Capital Securities issued by PGH1 for £428 million of new subordinated notes, issued by PGH Capital P.L.C. (formerly PGH Capital Limited) ("**PGH Capital**") and £3 million of cash. The new subordinated notes have a maturity date in 2025 and attract a coupon of 6.625 per cent. per annum.

On 21 March 2016, the Group agreed an amendment of its £900 million five year unsecured bank facility into a £650 million unsecured revolving credit facility, maturing in June 2020. There are no mandatory or target amortisation payments associated with the facility but prepayments are permissible.

In May 2016, the Group entered into a £220 million short-term debt facility as part of the AXA Transaction.

On 1 June 2016, the Group completed an equity placing of 22.5 million new ordinary shares in connection with the AXA Transaction. The placing raised net proceeds of £190 million, after deduction of applicable commissions and expenses.

On 31 October 2016, £182 million was drawn down from the short-term debt facility for the AXA Transaction.

On 9 November 2016, the Group issued 144.7 million new ordinary shares in connection with the Abbey Life Acquisition, where 7 rights issue shares were issued at 508 pence per share for every 12 existing Old Phoenix shares held. The rights issue raised gross proceeds of £735 million and proceeds, net of deduction of commission and expenses, were £717 million.

On 9 November 2016, the £650 million unsecured revolving credit facility was fully repaid using proceeds from the rights issue, before being fully drawn down again on 28 December 2016. On the same date, the Group drew down a further £250 million tranche of this facility to finance part of the Abbey Life Acquisition, increasing borrowing on the revolving credit facility to £900 million.

On 20 December 2016, the short-term debt facility for the AXA Transaction was fully repaid.

On 29 December 2016, £50 million of the unsecured revolving credit facility was repaid.

On 20 January 2017, PGH Capital issued £300 million of Tier 3 subordinated notes due 2022 (the 2022 Notes), the proceeds from which were used to repay £300 million of the revolving credit facility.

On 27 January 2017, £17 million of the £428 million subordinated notes (the 2025 Notes) held by Group companies were sold to third parties and a further £15 million were sold to third parties on 31 January 2017, thereby increasing external borrowings by £32 million.

On 28 February 2017, Old Phoenix became an additional borrower under the unsecured revolving credit facility. On 20 March 2017, PGH Capital repaid its outstanding borrowings under the unsecured revolving credit facility of £550 million, whilst Old Phoenix drew down an equivalent amount.

On 20 March 2017, Old Phoenix was substituted in place of PGH Capital as issuer of a £300 million senior unsecured bond at a coupon of 5.75 per cent. per annum (the "**Senior Bonds**") (of which £122 million remain outstanding as at the date of this Prospectus), the 2025 Notes and £300 million in aggregate principal amount of the 2022 Notes.

On 30 March 2017, the final maturity date of the unsecured revolving credit facility under the Revolving Credit Agreement was extended to 30 June 2021, following the exercise of one of the extension options.

On 5 May 2017, Old Phoenix completed the issue of a further £150 million in aggregate principal amount of 2022 Notes (bringing the total outstanding principal to £450 million). On the same date, Old Phoenix completed the purchase of £178 million of the Senior Bonds at a premium of £25 million in excess of the principal amount.

On 6 July 2017, Old Phoenix issued US\$500 million Tier 2 notes due 2027 (the 2027 Notes). The proceeds from the note issuance were used to repay £384 million of the unsecured revolving credit facility.

On 8 August 2017, Old Phoenix repaid the remaining principal outstanding on the unsecured revolving credit facility of £166 million.

On 23 February 2018, Old Phoenix entered into the Backstop Revolving Credit Agreement for the purposes of the Acquisition. Under the Backstop Revolving Credit Agreement, the lenders made available a multicurrency revolving loan facility on a customary certain funds basis in an aggregate principal amount equal to £900 million, which bears a floating rate of interest and which was only intended to be utilised if the Revolving Credit Agreement had been cancelled. On 23 February 2018, Old Phoenix also entered into the Acquisition Facility Agreement. Under the Acquisition Facility Agreement, the lenders made available a sterling term loan facility on a customary certain funds basis in an aggregate principal amount equal to £600 million, which bears a floating interest rate and which is currently undrawn.

On 27 February 2018, the final maturity date of the unsecured revolving credit facility under the Revolving Credit Agreement was extended to 30 June 2022 following the exercise of the second of the two extension options.

On 26 April 2018, Old Phoenix issued the RT1 Notes, the proceeds from which have been used to fund a portion of the cash consideration for the Acquisition. The RT1 Notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of Phoenix Group Holdings; accordingly the RT1 Notes meet the definition of equity for financial reporting purposes and are disclosed as such in the consolidated interim financial statements.

On 2 May 2018, the Revolving Credit Agreement was amended to (among other matters) permit the Acquisition and provide that the unsecured revolving credit facility made available under the Revolving Credit Agreement is available on a customary certain funds basis in connection with the Acquisition. As a result of the amendments to the Revolving Credit Agreement becoming effective on 2 May 2018, the commitments under the Backstop Revolving Credit Agreement were cancelled on 2 May 2018.

On 18 July 2018, the Acquisition Facility Agreement was amended and restated to (among other matters) provide that, in addition to the term loan facility under the Acquisition Facility Agreement being made available on a customary certain funds basis in connection with the Acquisition, the term loan facility would also be available for utilisation on a customary (but not certain funds) basis for general corporate purposes until 30 June 2019.

As a result of the refinancing actions and acquisitions undertaken by the Group, total shareholder borrowing has increased to £1,553 million as at 30 June 2018 from £1,275 million as at 31 December 2014.

On 31 August 2018, £295 million was drawn under the unsecured revolving credit facility.

On 24 September 2018, Old Phoenix issued €500 million Tier 2 notes due 2029 (the “**2029 Notes**”), part of the proceeds from which were used to repay the borrowings under the Revolving Credit Agreement.

Transfer of annuity in-payment liabilities to Guardian Assurance Limited

On 31 July 2014, PLL entered into a reinsurance agreement, effective from 1 January 2014 to reinsure certain portfolios of the Group’s annuity in-payment liabilities from three with-profit funds to ReAssure Life Limited (formerly Guardian Assurance Limited) in exchange for financial assets of £1.7 billion. The transaction removed a significant element of longer dated risk from three separate with-profit funds in PLL.

On 30 December 2016, the reinsurance agreement was replaced by a formal scheme under Part VII of the Financial Services and Market Act 2000 to transfer the annuity liabilities to ReAssure Limited, a

fellow subsidiary of ReAssure Life Limited. Net liabilities of £70 million were transferred for a consideration of £18 million, resulting in an IFRS gain of £52 million in the year ended 31 December 2016. As the portfolio of annuities was previously held in unsupported with-profit funds, the gain is offset by an equivalent increase in policyholder liabilities. As such there was no net impact on the Group's IFRS result for the period.

Reinsurance of annuity liabilities to RGA International

On 9 November 2015, the Group entered into an agreement with RGA International, effective from 1 November 2015, to reinsure substantively all of the PLAL annuity liabilities previously ceded to Opal Reinsurance Limited, a subsidiary undertaking of Old Phoenix. The Group paid a reinsurance premium of £1,346 million to RGA International. Under the terms of the arrangement, RGA International holds assets in a collateral account over which the group has a floating charge. A gain of £49 million (net of a £64 million impairment of associated acquired value of in-force business) was recognised in the IFRS results for the year ended 31 December 2015. A £14 million gain was recognised in the year ended 31 December 2016 reflecting a premium adjustment in connection with the agreement.

PA (GI) Limited creditor insurance

In 2015, PA (GI), a subsidiary of the Group, was subject to a Companies Court judgment that directed that PA (GI) is liable to claimants for redress relating to creditor insurance policies within a book of insurance underwritten by PA (GI) until 2006. As a consequence, PA (GI) is liable for complaint handling and redress with regard to the complaints.

In the year ended 31 December 2016, an expense of £33 million was recognised in respect of the costs for providing for associated claims and costs arising from this exposure. In the year ended 31 December 2017, a further £21 million expense was recognised in this regard, however this was offset by reimbursements of £39 million that were recognised by PA (GI) in respect of recoveries due or received from third parties in connection with the Group's exposure to these complaints. This represents recoveries due from third parties under contractual arrangements. Recoveries of £7 million were received during the year ended 31 December 2017. As at 30 June 2018, the provision for costs in respect of this exposure was £29 million, with anticipated recoveries from third parties recognised at £37 million.

Reduction in shareholding in UK Commercial Property REIT Limited, formerly UK Commercial Property Trust Limited ("UKCPT")

In March 2016, the Group reduced its holding in the issued share capital of UKCPT below 50 per cent. to 48.9 per cent. and subsequently to 45.37 per cent as at 30 June 2018. The Group deemed that it no longer exercised control over UKCPT. The reduction in its ownership percentage below 50 per cent. coupled with the existence of a relationship agreement and a lack of representation on the Board was considered to have removed the Group's unilateral power of veto in general meetings and placed additional restrictions on the Group's ability to exercise control. Consequently, UKCPT has been deconsolidated from the effective date of this loss of control. The Group's remaining interest in UKCPT is now treated as an associate and held at fair value.

The Group's interest in UKCPT continues to be held in the with-profit funds of the Phoenix Life Companies. Therefore the shareholder exposure to fair value movements in the Group's investment in UKCPT continues to be limited to the impact of those movements on the shareholder share of distributed profits from the relevant fund. On 29 May 2018, shareholders of UKCPT voted in favour of the Company converting to a UK REIT and changing its name to UK Commercial Property REIT Limited. These changes took effect from 1 July 2018. Following UKCPT's conversion to a REIT, the Group is in the process of restructuring its holding in UKCPT which is expected to complete by the end of November 2018, but this is not expected to result in any consolidation of the Group's interest in UKCPT.

There was no gain or loss recognised in the results on reduction of the holding in UKCPT.

Discontinuance of MCEV and financial leverage reporting

The Group has historically provided supplementary reporting information through the presentation of its results on an MCEV basis. MCEV was previously considered to provide a relevant means of determining the economic worth of the Phoenix Life Companies and provided a measure to assess the Group's ability to increase value through the delivery of incremental management actions.

Following the implementation of the Solvency II regulatory regime, the need for an alternative reporting metric that recognises the value of future cashflows has been removed. Accordingly, the Group reported under its MCEV basis for the last time as at 31 December 2015 and no longer reports this metric.

In addition, the Group's historically reported measure of financial leverage is no longer reported after 31 December 2015. The achievement of the Group's investment grade credit rating during 2015 and the reliance of the calculation on MCEV information means that the metric is no longer calculated.

The Group continues to focus on cash generation as its key reporting metric, and this is driven by the Solvency II Own Funds of the Phoenix Life Companies.

Recent developments, current trading and outlook

Bulk purchase annuity transaction with the Marks and Spencer Pension Scheme

In March 2018, the Group completed a £470 million bulk purchase annuity transaction with the Trustee of the Marks and Spencer Pension Scheme covering a proportion of its pensioner members. The transaction was structured under an umbrella contract to facilitate potential future transactions with the Group and to facilitate the Scheme.

Acquisition of Standard Life Assurance Limited

On 31 August 2018, Old Phoenix completed the acquisition of the majority of Standard Life Assurance Limited and Vebnet Limited from Standard Life Aberdeen plc, for a total consideration of £2,994 million. This was met through cash consideration of £1,971 million and Standard Life Aberdeen's 19.98 per cent. holding in the Group of £1,023 million.

Standard Life Assurance is a leading provider of long-term savings and investment propositions. It is primarily based in the UK, with further operations through branches in Ireland, Austria and Germany. The Acquisition increased assets under management by £166 billion and added approximately 4.8 million policyholders to the Group on a *pro forma* basis as at 31 December 2017.

Given the completion date, Standard Life Assurance is not included within the financial results of the Group for the six months ended 30 June 2018. On announcement of the acquisition in February 2018, the Group entered into derivative instruments in order to hedge shareholder exposures to equity risk from the Standard Life Assurance business. Following equity market gains in the period post announcement, the IFRS results for the six months ended 30 June 2018 were adversely impacted by unrealised losses of £83 million recognised on these instruments, together with option premiums of £22 million.

After adjusting for the impact on capital requirements, the Group's Solvency II surplus suffered losses of £137 million in relation to these derivative instruments. The equity market gains during the period will have increased the value of future profits arising in the Standard Life Assurance Own Funds. However, this increase was not recognised in the Group solvency calculation as at 30 June 2018 pending completion of the Acquisition.

Cash generation

On 23 February 2018, the Group announced a new five-year cumulative cash generation target for 2018 to 2022 of £2.5 billion, excluding the impact of the Acquisition.

With cash generation of £653 million for the full year 2017 and £349 million for the six months ended 30 June 2018, the Group expects to exceed the top end of its £1.0 to £1.2 billion cash generation target range for 2017 to 2018.

The resilience of the cash generation target is demonstrated by the following stress testing:

	1 January 2018 to 31 December 2022
	(£ billion)
Stress testing⁽¹⁾	
Base case five-year target.....	2.5
Following a 20 per cent. fall in equity markets	2.5
Following a 15 per cent. fall in property values	2.4
Following a 60 basis points interest rates rise ⁽²⁾	2.6
Following a 80 basis points interest rates fall ⁽²⁾	2.4
Following credit spread widening ⁽³⁾	2.4
Following a 6 per cent. decrease in annuitant mortality rates ⁽⁴⁾	2.2
Following a 10 per cent. increase in assurance mortality rates	2.4
Following a 10 per cent. change in lapse rates ⁽⁵⁾	2.4

Notes:

- (1) Assumes stress occurs on 1 July 2018.
- (2) Assumes recalculation of Transitional Measures on Technical Provisions (subject to PRA approval).
- (3) Credit stress equivalent to an average 150 basis points spread widening across ratings, 10% of which is due to default/downgrades.
- (4) Equivalent of six months' increase in longevity applied to the annuity portfolio.
- (5) Assumes most onerous impact of a 10 per cent. increase/decrease in lapse rates across different product groups.

The Acquisition is expected to generate £1.0 billion of additional aggregate cash flows during the period of the Group's base case five-year target (2018 to 2022).

The resilience of the expected cash generation is demonstrated by the following stress testing on the Group as a result of the Acquisition:

	1 January 2018 to 31 December 2022
	(£ billion)
Stress testing⁽¹⁾	
Base case five-year expected cashflows.....	3.5
Following a 80 basis points interest rates fall ⁽²⁾	3.3
Following credit spread widening ⁽³⁾	3.3
Following a 6 per cent. decrease in annuitant mortality rates ⁽⁴⁾	3.0
Following a 10 per cent. change in lapse rates ⁽⁵⁾	3.3

Notes:

- (1) Assumes stress occurs on 1 January 2018.
- (2) Assumes recalculations of transitionals (subject to PRA approval).
- (3) Credit stress equivalent to approximately 100 basis points widening in spreads for A-rated bonds of 15-year term (other bonds stressed proportionately), based on average historical default rates.
- (4) For the Old Phoenix annuity portfolio, this is equivalent to six months' increase in longevity.
- (5) Assumes most onerous impact of a 10 per cent. increase/decrease in lapse rates across different product groups. For the acquired businesses, assumes a 10 per cent. increase in lapse rates for funds exposed to increased lapses.

One-off shocks would be expected to lead to a deferral of cash emergence rather than a permanent diminution.

Cash generation post 2022 for the Group, excluding the impact of the Acquisition, is now expected to be £4.0 billion, reflecting an increase of £0.2 billion following the completion of the bulk purchase annuity transaction in March 2018. This assumes no management actions after 2022 and does not include any cash generation expected from the Acquisition.

Capital position

As at 30 June 2018, the Group reported a Group Solvency II Surplus of £2.3 billion.

As part of the Group's internal risk management processes, the regulatory capital requirements are tested against a number of financial scenarios. The results of that stress testing are provided below and demonstrate the resilience of the Group Solvency II Surplus:

	As at 30 June 2018
	(£ billion)
Base: 30 June 2018.....	2.3
Following a 20 per cent. fall in equity markets.....	2.3
Following a 15 per cent. fall in property values.....	2.2
Following a 60 basis points interest rates rise ⁽¹⁾	2.3
Following a 80 basis points interest rates fall ⁽¹⁾	2.3
Following credit spread widening ⁽²⁾	2.2
Following a 6 per cent. decrease in annuitant mortality rates ⁽³⁾	2.0
Following a 10 per cent. increase in assurance mortality rates.....	2.2
Following a 10 per cent. change in lapse rates ⁽⁴⁾	2.2

Notes:

- (1) Assumes recalculation of Transitional Measures on Technical Provisions (subject to PRA approval).
- (2) Credit stress equivalent to an average 150 basis points spread widening across ratings, 10% of which is due to default/downgrades.
- (3) Equivalent of six months' increase in longevity applied to the annuity portfolio.
- (4) Assumes most onerous impact of a 10 per cent. increase/decrease in lapse rates across different product groups.

Description of key line items

The following descriptions of key line items in the Annual and Interim Report and Accounts are relevant to the discussion of the Group's results of operations.

Gross premiums written

Although the Group, as a consolidator of closed funds, is primarily focused on the efficient management of in-force policies, it receives premiums in connection with its in-force policies. In addition, the Group allows the proceeds of certain policies, such as pension savings plans, to be reinvested at maturity into annuities with a Phoenix Life Company.

The relative levels of gross written premiums therefore largely depend on the persistency of products sold in previous years, particularly annual premium products.

For insurance contracts and investment contracts with discretionary participation features, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. The above mentioned reinvestments of proceeds (received at maturity) into annuities are classified as new business single premiums and, for accounting purposes, are included in both claims incurred and as single premiums within gross premiums written.

Receipts and payments on investment contracts without discretionary participation features are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the consolidated statement of financial position as an adjustment to the liability to the policyholder.

Premiums ceded to reinsurers

As part of its risk mitigation strategy, the Group reinsures certain policies with reinsurers. The premiums associated with such reinsurance are accounted for when they become payable.

Fees

Fees are primarily composed of: (i) fund management fees; and (ii) investment contract income.

Fund management fees are recognised as services are provided and, for each fund, are typically calculated as a percentage of the fair value of the investments managed by that fund.

Investment contract income is received from investment contract policyholders and is composed of charges for administration services, investment management services, surrenders and other contract fees. This income is recognised as revenue over the period in which the related services are performed. If the income relates to services to be provided in future periods, such income is deferred and recognised when such services are actually performed. In addition, the Group charges 'front end' fees

in relation to some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, fees relating to the provision of investment management services are deferred and are only recognised when such services are provided.

Net investment income

Net investment income comprises interest, dividends, rents receivable, net interest income/expense on defined benefit pension schemes, fair value gains and losses on financial assets and investment property and impairment losses on loans and deposits.

Net investment income includes both shareholder and policyholder income. Income attributable to policyholders is offset by increases in policyholder liabilities, which are reflected as expenses in the Group accounts.

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised on the date the right to receive payments is established, which, in the case of listed securities, is the ex-dividend date.

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Realised and unrealised gains and losses on financial assets designated at fair value through profit or loss are recognised in the consolidated income statement. Realised gains and losses reflect the difference between the net sale proceeds and the original cost. Unrealised gains and losses reflect the difference between the valuation at the period end date and their valuation at the previous period end or purchase price, if acquired during the year.

Policyholder claims

Policyholder claims on insurance contracts and on investment contracts with discretionary participation features reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration.

Claims payable on maturity are recognised when the claim becomes due for payment, and claims payable on death are recognised on notification of the death. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within insurance contract liabilities. Where claims are payable and the contract remains in force, the claim instalment is recognised when it becomes due for payment. Claims payable include the costs of settlement.

Reinsurance recoveries

Reinsurance recoveries are recognised when the related gross insurance claim is recognised, according to the terms of the relevant contract.

Change in insurance contract liabilities

The change in insurance contract liabilities typically reflects the reduction in the Group's liabilities from claims paid during the year. Such a movement is equivalent to the amount the Group previously allocated (in preceding financial years) for policyholder claims that were paid during the present year (which are reflected in the Group's income statement under "policyholder claims"). Since the Group is closed to new business, the settlement of liabilities is not offset by new liabilities associated with new business. The change in insurance liabilities also reflects increases or decreases in the liabilities due to changes in assumptions, discount rates and other methodology changes.

Transfer from unallocated surplus

The unallocated surplus comprises the shareholders' future share of with-profit bonuses (including associated tax balances). When transfers are made from the unallocated surplus, the amounts to be received by such shareholders in the future decrease accordingly.

Change in investment contract liabilities

The change in investment contract liabilities reflects the fluctuations in the fair value of the assets underlying the Group's investment contract liabilities.

Amortisation of acquired in-force business

Acquired in-force business represents the fair value of acquired insurance and investment contracts at the time of their acquisition (less the liabilities associated with those contracts measured in accordance with the Group's accounting policies for such contracts) and is recorded in the acquirer's balance

sheet. Such amount is amortised over the estimated life of the contracts on a basis that recognises the emergence of the economic benefits.

Total administrative expenses

Total administrative expenses comprise primarily expenses relating to salaries for employees, depreciation on property and equipment, amortisation and impairment of intangible assets other than acquired in-force business.

Net (income)/expense attributable to unitholders

In accordance with IFRS, the Group consolidates the financial results of the unit trusts and collective investment schemes deemed to be controlled by the Group. Net (income)/expense attributable to unitholders represents the share of such unit trusts' and collective investment schemes' losses/gains that belong to the non-controlling interests in such unit trusts and collective investment schemes.

Consequently, if unit trusts and collective investment schemes in which the Group holds a controlling stake collectively incur an investment loss, the Group will record a credit under "net expense attributable to unitholders". Alternatively, if such unit trusts and collective investment schemes collectively record an investment gain, the Group will record a charge under "net income attributable to unitholders".

Other operating expenses

Other operating expenses comprise "Acquisition costs", "Change in present value of future profits" and "Amortisation of acquired in-force business".

Finance costs

Finance costs comprise interest owed to banks and other credit institutions and other interest expenses due to financing arrangements during the period.

Results of operations for the Group for the six months ended 30 June 2018 and 2017

The table below sets forth the Group's results of operations for the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	(£ million)	
Gross premiums written	1,089	563
Premiums ceded to reinsurers	(247)	(76)
Net premiums written	842	487
Fees	103	63
Net investment income	(56)	2,394
Total revenue, net of reinsurance payable	889	2,944
Other operating income	—	1
Net income	889	2,945
Net policyholder claims and benefits incurred	(436)	(1,032)
Change in investment contract liabilities	(96)	(1,522)
Total administrative expenses ⁽¹⁾	(288)	(329)
Net expense/(income) attributable to unitholders	4	(25)
Other operating expenses ⁽²⁾	(48)	(42)
Profit before finance costs and tax	25	(5)
Finance costs	(67)	(64)
Loss for the year before tax	(42)	(69)
Tax credit/(charge) attributable to policyholders' returns	4	(32)
Tax credit attributable to owners	14	5
Tax credit/(charge)	18	(27)
Loss for the year attributable to owners of the period	(24)	(96)

Notes:

(1) Total administrative expenses comprises "Administrative expenses" and "Amortisation of other intangibles".

(2) Other operating expenses comprises "Acquisition costs", "Change in present value of future profits" and "Amortisation and impairment of acquired in-force business".

Net premiums written

The Group's net premiums written increased by £355 million, or 73 per cent., to £842 million for the six months ended 30 June 2018 from £487 million for the six months ended 30 June 2017. This increase largely reflects the premium on the £470 million bulk purchase annuity transaction with the Marks and Spencer Pension Scheme completed in March 2018.

Fees

The Group's fees increased by £40 million, or 63% per cent., to £103 million for the six months ended 30 June 2018 from £63 million for the six months ended 30 June 2017. This increase principally reflects higher annual management charges on certain unit-linked funds and the reclassification of items which reduced the fees for the 30 June 2017 period.

Net investment income

The Group's net investment income decreased to £(56) million for the six months ended 30 June 2018 from £2,394 million for the six months ended 30 June 2017. This decrease in net investment income compared to the prior period principally reflects the impact of rising yields and widening credit spreads in the period on the fair values of fixed interest securities, and losses on derivative positions entered into to protect the Group's capital position from the impact of increasing yields and to hedge exposures to equity risk from Standard Life Assurance. The net investment income for the six months

ended 30 June 2017 benefitted from the positive impacts of equity market gains and narrowing credit spreads during the period.

Total revenue (net of reinsurance payable)

As a result of the foregoing factors, the Group's total revenue (net of reinsurance payable) decreased by £2,055 million to £889 million for the six months ended 30 June 2018 from £2,944 million for the six months ended 30 June 2017.

Net income

As a result of the foregoing factors, the Group's net income decreased by £2,056 million to £889 million for the six months ended 30 June 2018 from £2,945 million for the six months ended 30 June 2017.

Net policyholder claims and benefits incurred

The table below sets forth a breakdown of the Group's net policyholder claims and benefits incurred for the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	£ million (unaudited)	
Policyholder claims	(1,971)	(1,987)
Reinsurance recoveries.....	368	207
Net policyholder claims	(1,603)	(1,780)
Change in insurance contract liabilities.....	915	981
Change in reinsurers' share of insurance contract liabilities	273	(156)
Transfer to unallocated surplus.....	(21)	(77)
Net change in insurance contract liabilities	1,167	748
Net policyholder claims and benefits incurred	(436)	(1,032)

Net policyholder claims

The Group's net policyholder claims decreased by £177 million, or 10 per cent., to £(1,603) million for the six months ended 30 June 2018 from £(1,780) million for the six months ended 30 June 2017. The reduction in net claims experience reflects the run-off on existing business. The allocation between policyholder claims and reinsurance recoveries has been impacted by an enhancement to the presentation of certain Abbey Life contracts subject to external reinsurance which were previously reported on a net of reinsurance basis.

Net change in insurance contract liabilities

The net release of the Group's insurance contract liabilities increased by £419 million from £748 million for the six months ended 30 June 2017 to £1,167 million for the six months ended 30 June 2018. The change in liabilities reflects net policyholder claims in the period, partly offset by new business, including the bulk purchase annuity transaction with the Marks and Spencer Pension Scheme. The release in the six months ended 30 June 2017 was offset by increases in liabilities reflecting falling yields in the period.

Change in investment contract liabilities

The change in the Group's investment contract liabilities was a decrease in the expense of £1,426 million, to an expense of £96 million for the six months ended 30 June 2018 from an expense of £1,522 million for the six months ended 30 June 2017. Investment returns were broadly flat across all asset classes for the six month period ended 30 June 2018 compared to the six month period ended 30 June 2017 which saw significant gains in global equity markets.

Total administrative expenses

The table below sets forth a breakdown of the Group's total administrative expenses for the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	£ million (unaudited)	
Administrative expenses.....	(280)	(321)
Amortisation of other intangibles.....	(8)	(8)
Total administrative expenses.....	(288)	(329)

The Group's total administrative expenses decreased by £41 million, or 12 per cent., to £288 million for the six months ended 30 June 2018 from £329 million for the six months ended 30 June 2017. The principle driver of the reduction is the inclusion of significant expense items in the first half of 2017 that did not recur in 2018, including the £25 million premium paid on the part redemption of senior bonds, £18 million of restructuring costs for the AXA Wealth and Abbey Life businesses and an £8 million increase to the PA(GI) provision.

Net expense(income) attributable to unitholders

The Group's net income attributable to unitholders increased by £29 million to an expense of £4 million for the six months ended 30 June 2018 from income of £(25) million for the six months ended 30 June 2017. This increase reflects the fair value losses on fixed interest securities held by the Group's consolidated collective investment schemes during the period and the impact of stable equity markets compared to gains experienced in the six months ended 30 June 2017.

Other operating expenses

Other operating expenses, which include acquisition costs, changes in present value of future profits and amortisation of acquired in-force business, increased by £6 million, or 14 per cent., to £48 million for the six months ended 30 June 2018 from £42 million for the six months ended 30 June 2017. This increase in expense is mainly due to an increase in the amortisation charge on acquired in-force business reflecting the run-off profile of the acquired business.

Profit before finance costs and tax

As a result of the foregoing factors, the Group's profit before finance costs and tax increased by £30 million, to a profit of £25 million for the six months ended 30 June 2018 from a loss of £5 million for the six months ended 30 June 2017.

Finance costs

The Group's finance costs increased by £3 million, or 5 per cent., to £67 million for the six months ended 30 June 2018 from £64 million for the six months ended 30 June 2017. The increase reflects a change in the composition of shareholder borrowings with increased interest expenses from hybrid debt issuances in the second half of 2017 being partly offset by the impact of the repayment of the revolving credit facility and the redemption of the majority of the Senior Bonds.

Loss for the period before tax

As a result of the foregoing factors, the Group's loss for the period before tax decreased by £27 million, to £42 million for the six months ended 30 June 2018 from a loss of £69 million for the six months ended 30 June 2017.

Tax credit(charge)

In addition to paying tax on their profits ("**Owners' tax**"), the Group's life businesses pay tax on policyholders' investment returns on certain products at policyholder tax rates ("**Policyholder tax**"). Policyholder tax is included in the total tax charge.

The table below sets forth a breakdown of the Group's tax charge between Owners' tax and Policyholder tax for the six months ended 30 June 2018 and 2017.

	<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
	£ million (unaudited)	
Owners' tax.....	14	5
Policyholder tax.....	4	(32)
Tax credit/(charge).....	18	(27)

For the six months ended 30 June 2018, the Group had a tax credit attributable to owners of £14 million based on a loss (after policyholder tax) of £38 million. The tax credit is different from the expected tax credit (based on the UK corporation tax rate of 19 per cent) due to the impacts of a prior year credit for shareholders of £4 million, profits that are non-taxable or taxed at a rate other than the statutory rate of £9 million, partly offset by the impact of disallowable expenses of £6 million.

For the six months ended 30 June 2017, the Group had a tax charge attributable to owners of £5 million based on a loss (after policyholder tax) of £101 million. This was lower than the expected charge (based on the UK corporation tax rate of 19.25 per cent.) of £19 million due to the impacts of current year tax losses not being recognised and the treatment of certain expenses as non-deductible.

Loss for the period

As a result of the foregoing factors, the Group's loss for the period decreased by £72 million to a £24 million loss for the six months ended 30 June 2018 from a loss of £96 million for the six months ended 30 June 2017.

Operating profit for the Group for the six months ended 30 June 2018 and 2017

Operating profit as presented by the Group is a non-GAAP financial measure and is not a measure of financial performance under IFRS. The Group presents operating profit because it is less affected by short-term external market impacts than IFRS measures of performance and therefore in the Group's view it provides a better basis for assessing trends in the operational performance of the Group over time. Operating profit represents the normalised long-term investment return in that it excludes short-term fluctuations in investment returns and other items considered to be non-operating by the Group's management. Operating profit should not be considered in isolation as an alternative to profit or loss for a period before tax or other data presented in the Group's financial statements as indicators of financial performance. As it is not determined in accordance with IFRS, operating profit as presented by the Group may not be comparable to other similarly titled measures of performance of other companies.

Operating profit is based on expected investment returns on financial investments backing owners and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit. Operating profit is presented before the deduction of the following non-operating items:

- amortisation of acquired in-force business and other intangibles; and
- non-recurring items.

For a reconciliation of operating profit to IFRS profit/(loss) for the period, see "Reconciliation of the Group's operating profit for the six months ended 30 June 2018 and 2017" below.

Analysis of the Group's operating profit

The following table is an analysis of the Group's operating profit for the six months ended 30 June 2018 and 2017.

	<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
	£ million (unaudited)	
Phoenix Life.....	228	226
Group costs.....	(12)	(11)
Operating profit before tax.....	<u>216</u>	<u>215</u>

Phoenix Life

Operating profit for Phoenix Life is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with consistent allowance for the corresponding expected movements in liabilities (being the release of prudential margins and the interest cost of unwinding the discount on the liabilities).

Operating profit includes the effect of variances in experience for non-economic items, such as mortality and expenses, and the effect of changes in non-economic assumptions. Changes due to economic items which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are accounted for outside of operating profit.

The following table sets forth a breakdown of the Group's operating profit for Phoenix Life for the six months ended 30 June 2018 and 2017.

	<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
	£ million (unaudited)	
With-profit	40	39
With-profit where internal capital support provided.....	(6)	(76)
Non-profit and unit linked	185	250
Longer term return on owners' funds	1	2
Management services	8	11
Operating profit before tax.....	<u>228</u>	<u>226</u>

With-profit

The with-profit operating profit represents shareholders' one-ninth share of policyholder with-profit bonuses. The with-profit operating profit of £40 million for the six months ended 30 June 2018 is broadly in line with the comparative period for the previous year.

With-profit where internal capital support provided

The with-profit funds where internal capital support has been provided generated an operating loss of £6 million for the six months ended 30 June 2018 reflecting the net adverse impact of updating actuarial assumptions. The larger loss in six months period ended 30 June 2017 of £76 million was due to the relatively higher impact of strengthening actuarial assumptions related to persistency of products with valuable guarantees and the associated assumptions in relation to late retirements.

Non-profit and unit linked

The operating profit on non-profit and unit linked funds decreased by £65 million to £185 million for the six months ended 30 June 2018 from £250 million for the six months ended 30 June 2017. The decrease reflects the relative lower positive impact of updating actuarial assumptions of £27 million (30 June 2017: £142 million), where the prior period benefited from updates made to longevity base and improvement assumptions. This impact has been partially offset by positive experience variances

recognised in the period and benefits from actuarial modelling enhancements delivered during the period.

Longer term return on owners' funds

The longer term return on owners' funds decreased by £1 million to £1 million for the six months ended 30 June 2018 from £2 million for the six months ended 30 June 2017. The return reflects the asset mix of owners' funds, primarily cashbased assets and fixed interest securities. The investment policy for managing these assets remains prudent.

Management services

The operating profit for management services reduced by £3 million to £8 million for the six months ended 30 June 2018 from £11 million for the six months ended 30 June 2017. The decrease compared to the prior year principally reflects the impact of life company run-off.

Group costs

Group costs include project recharges from the service companies offset by returns on the scheme surplus of the Group staff pension schemes. Group costs in the period of £12 million were broadly in line with the prior period costs of £11 million for the six months ended 30 June 2017.

Reconciliation of the Group's operating profit for the six months ended 30 June 2018 and 2017

The following table reconciles the Group's operating profit before tax to the IFRS result after tax for the six months ended 30 June 2018 and 2017.

	<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
	(£ million)	
Total operating profit before adjusting items	216	215
Investment return variances and economic assumption changes on long-term business	27	(56)
Variance on owners' funds	(136)	(77)
Amortisation of acquired in-force and other intangibles	(54)	(50)
Other non-operating items	(37)	(82)
	<u>16</u>	<u>(50)</u>
Profit/(loss) before finance costs attributable to owners	16	(50)
Finance costs attributable to owners	(54)	(51)
	<u>(38)</u>	<u>(101)</u>
Loss before the tax attributable to owners	(38)	(101)
Tax credit attributable to owners from continuing operations	14	5
	<u>14</u>	<u>5</u>
Loss for the year attributable to owners	(24)	(96)
	<u>(24)</u>	<u>(96)</u>

Investment return variances and economic assumption changes on long-term business

The net positive investment return variances and economic assumption changes on longterm business of £ 27 million for the six months ended 30 June 2018 primarily arise due to the positive impact of strategic asset allocation activities, including investment in higher yielding illiquid assets. This has been partially offset by the adverse impact of rises in yields and equity market gains during the period. The Group's exposure to equity movements arising from future profits in relation to with-profit bonuses and unit-linked charges is hedged to benefit the regulatory capital position. The impact of equity market movements on the value of the hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not.

The net adverse investment return variances and economic assumption changes on long-term business of £56 million for the six months ended 30 June 2017 primarily arose on hedging positions held by the life funds following equity market gains in the period.

Variance on owners' funds

The adverse variance on owners' funds of £136 million for the six months ended 30 June 2018 includes the impact of fair value losses on derivatives held in the shareholder funds of the life

companies to protect the Group's regulatory capital position as a result of an increase in yields in the period together with swap decay costs. It also reflects the impact of derivative instruments entered into on announcement of the Standard Life Assurance acquisition in order to hedge shareholder exposures to equity risk from that business. Following equity market gains in the period, unrealised losses of £83 million have been recognised on these instruments, together with option premiums of £22 million.

The adverse variance on owners' funds of £77 million for the six months ended 30 June 2017 is principally driven by interest rate swaption positions held in the life companies' shareholder funds. Such positions are held to hedge the impact of interest rate risk on the Group's regulatory capital position. With swap yields remaining relatively stable during the period, swap volatility decreased and the option value associated with these contracts reduced.

Amortisation of acquired in-force business and other intangibles

Acquired in-force business and other intangibles of £2.7 billion were recognised on the acquisition of the operating companies in 2009. Following the acquisition of the AXA Wealth and Abbey Life businesses in 2016, a further £0.2 billion of acquired in-force business and other intangibles were recognised in the Group's balance sheet. The acquired in-force business is being amortised in line with the run-off of the life companies. Amortisation of acquired in-force business during the six months ended 30 June 2018 totalled £46 million. Amortisation of other intangible assets totalled £8 million in the period.

For the six months ended 30 June 2017, amortisation of acquired in-force business totalled £42 million and amortisation of other intangible assets totalled £8 million.

Non-recurring items

For the six months ended 30 June 2018, other non-operating items of £37 million negative includes an actuarial provision for £68 million in respect of a commitment to reduce ongoing and exit charges for unitised nonworkplace pensions and acquisition related costs of £17 million in respect of the Standard Life transaction. This is partially offset by a £52 million net benefit reflecting anticipated cost savings associated with process improvements and continued investment in the digitalisation of the customer journey and net other one-off items totalling £4 million.

Other non-operating items of £82 million negative for the six months ended 30 June 2017 include the £25 million premium paid on partial redemption of the Senior Bonds, the £28 million impact of the agreement to reduce annual charges on workplace pension products to 1% or lower, £18 million of acquisition integration costs, an £8 million increase in the provision of costs for claims relating to historic creditor insurance underwritten by a subsidiary of the Group, PA (GI) Limited, and a net £3 million of other costs, including corporate projects.

Finance costs attributable to owners

Finance costs have increased by £3 million for the six months ended 30 June 2018 to £54 million for the six months ended 30 June 2018 from £51 million for the six months ended 30 June 2017. The costs comprise a £7 million decrease in bank finance costs driven by the repayment of bank debt; and a £10 million increase in other finance costs driven by hybrid debt issuances during 2017.

Finance costs for the six months ended 30 June 2017 comprises a £4 million decrease in bank finance costs and a £9 million increase in other finance costs. The movements reflect the issuance of the 2022 Notes during the first half of 2017 and subsequent repayment of bank debt, together with the impacts of the acceleration of deferred issue cost recognition on bank and senior debt repaid in the year.

Tax charge attributable to owners

Tax charge attributable to owners is discussed in the "Results of Operations for the Group for the six months ended 30 June 2018 and 2017" above.

Results of operations of the Group for the years ended 31 December 2017, 2016 and 2015.

The table below sets forth the Group's combined results of operations for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Gross premiums written	1,130	999	902
Premiums ceded to reinsurers.....	(205)	(75)	(1,376)
Net premiums written	925	924	(474)
Fees.....	173	88	95
Net investment income	4,986	6,361	1,064
Total revenue, net of reinsurance payable.....	6,084	7,373	685
Gain on transfer of business.....	—	52	—
Other operating income	5	20	7
Net income	6,089	7,445	692
Net policyholder claims and benefits incurred	(2,531)	(5,517)	441
Change in investment contract liabilities.....	(2,673)	(1,194)	(232)
Total administrative expenses ⁽¹⁾	(607)	(520)	(445)
Net income attributable to unitholders	(43)	(66)	(7)
Other operating expenses ⁽²⁾	(110)	(96)	(161)
Profit before finance costs and tax	125	52	288
Finance costs	(132)	(122)	(136)
(Loss)/profit for the year before tax	(7)	(70)	152
Tax (charge)/credit attributable to policyholders' returns.....	(21)	(58)	33
Tax credit attributable to owners.....	1	28	64
Tax (charge)/credit.....	(20)	(30)	97
(Loss)/profit for the year attributable to owners.....	(27)	(100)	249
Attributable to:			
Owners of the parent.....	(27)	(101)	201
Non-controlling interests	—	1	48
	(27)	(100)	249

Notes:

(1) Total administrative expenses comprises "Administrative expenses" and "Amortisation of other intangibles".

(2) Other operating expenses comprises "Acquisition costs", "Change in present value of future profits" and "Amortisation and impairment of acquired in-force business".

Net premiums written

The Group's net premiums written increased by £1 million, to £925 million for the year ended 31 December 2017 from £924 million for the year ended 31 December 2016. This increase reflects the twelve month contribution of the acquired AXA Wealth and Abbey Life businesses following completion of those transactions in the second half of 2016. This has been largely offset by the impact of increased reinsurance premiums payable on the longevity swap arrangement entered into in December 2016 with RGA International in respect of a portfolio of the Group's in-force immediate annuity liabilities, and the impact of run-off of the book of regular premium business.

The Group's net premiums written increased by £1,398 million to £924 million for the year ended 31 December 2016 from negative £474 million for the year ended 31 December 2015. The increase principally reflects the reinsurance premiums of £1.3 billion paid to RGA International in 2015 to reinsure substantively all of the PLAL annuity liabilities previously ceded to Opal Reinsurance

Limited. Completion of the AXA Transaction in November 2016 also positively impacted the Group's net written premiums in the year.

Fees

The Group's fee income increased by £85 million, or 97 per cent., to £173 million for the year ended 31 December 2017 from £88 million for the year ended 31 December 2016. This increase principally reflects the twelve month contribution of the acquired AXA Wealth and Abbey Life businesses following completion of those transactions in the second half of 2016.

The Group's fee income decreased by £7 million, or 7 per cent., to £88 million for the year ended 31 December 2016 from £95 million for the year ended 31 December 2015. The decrease principally reflects a reduction in annual management charge income as a result of the run-off of the book and limits on charges where products have guaranteed pricing terms.

Net investment income

The table below sets forth a breakdown of the Group's net investment income for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Investment income			
Interest income on loans and receivables at amortised cost	1	1	3
Interest income on financial assets designated at fair value through profit or loss on initial recognition.....	972	859	1,076
Dividend income.....	1,073	902	911
Rental income.....	23	38	90
Net interest (expense)/income on Group defined benefit pension scheme asset/liability.....	(11)	21	17
Investment income	2,058	1,821	2,097
Fair value gains/(losses)			
Financial assets at fair value through profit or loss			
<i>Designated upon initial recognition</i>	2,754	3,236	(1,178)
<i>Held for trading-derivatives</i>	165	1,278	5
Investment property.....	9	26	140
Fair value gains/(losses)	2,928	4,540	(1,033)
Net investment income	4,986	6,361	1,064

The Group's net investment income decreased by £1,375 million, or 22 per cent., to £4,986 million for the year ended 31 December 2017 from £6,361 million for the year ended 31 December 2016. This decrease reflects the relative stability of yields during 2017, compared to falling yields in 2016 which generated fair value gains on the Group's fixed interest securities in that period. The decrease also reflects losses on derivative positions entered into to protect the Group's capital position from the impact of falling interest rates and declining equity market performance, together with lower equity market gains in 2017 compared to 2016 experience.

The Group's net investment income increased by £5,297 million to £6,361 million for the year ended 31 December 2016 from £1,064 million for the year ended 31 December 2015. The increase reflects positive equity performance in the period, together with the impacts of narrowing credit spreads and falling yields which generated fair value gains on the Group's fixed interest securities. Conversely net investment income for the year ended 31 December 2015 was impacted by the recognition of fair value losses on fixed interest portfolios as a result of increasing yields and widening credit spreads.

Total revenue, net of reinsurance payable

As a result of the foregoing factors, the Group's total revenue, net of reinsurance payable decreased by £1,289 million, or 17 per cent., to £6,084 million for the year ended 31 December 2017 from

£7,373 million for the year ended 31 December 2016. The Group's total revenue, net of reinsurance payable increased by £6,688 million to £7,373 million for the year ended 31 December 2016 from £685 million for the year ended 31 December 2015.

Gain on transfer of business

The Group entered into a reinsurance agreement, effective 1 January 2014, to reinsure certain portfolios of the Group's annuity liabilities to Reassure Life Limited (formerly Guardian Assurance Limited) in exchange for the transfer of financial assets of £1.7 billion. The annuity in-payment liabilities were held in the Group's with-profit funds.

On 30 December 2016, the reinsurance agreement was replaced by a formal scheme under Part VII of FSMA to transfer the annuity liabilities to ReAssure Limited, fellow subsidiary of ReAssure Life Limited.

Net liabilities disposed of were £70 million and the Group recognised a gain on transfer of £52 million in its results for the year ended 31 December 2016. As the portfolio of annuities was previously held in unsupported with-profit funds, the gain was offset by an equivalent increase in policyholder liabilities and there was no net impact on the Group's result for the period.

Other operating income

The Group's other operating income decreased by £15 million, or 75 per cent., to £5 million for the year ended 31 December 2017 from £20 million for the year ended 31 December 2016. The decrease was primarily as a result of the non-recurrence of amounts recognised in 2016 relating to the true-up of annuity liability reinsurance transaction amounts.

The Group's other operating income increased by £13 million, or 186 per cent., to £20 million for the year ended 31 December 2016 from £7 million for the year ended 31 December 2015. The increase was primarily as a result of the recognition of income in 2016 relating to a true-up of amounts relating to the annuity liability reinsurance transaction entered into with RGA International in 2015.

Net income

As a result of the foregoing factors, the Group's net income decreased by £1,356 million, or 18 per cent., to £6,089 million for the year ended 31 December 2017 from £7,445 million for the year ended 31 December 2016.

The Group's net income increased by £6,753 million to £7,445 million for the year ended 31 December 2016 from £692 million for the year ended 31 December 2015.

Net policyholder claims and benefits incurred

The table below sets forth a breakdown of the Group's net policyholder claims and benefits incurred for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Policyholder claims.....	(3,897)	(3,726)	(3,931)
Reinsurance recoveries.....	443	456	326
Net policyholder claims	(3,454)	(3,270)	(3,605)
Change in insurance contract liabilities.....	1,392	(1,970)	2,959
Change in reinsurers' share of insurance contract liabilities.....	(423)	(281)	1,003
Transfer (to)/from unallocated surplus.....	(46)	4	84
Net change in insurance contract liabilities	923	(2,247)	4,046
Net policyholder claims and benefits incurred	(2,531)	(5,517)	441

Net policyholder claims

The Group's net policyholder claims increased by £184 million, or 6 per cent., to £3,454 million for the year ended 31 December 2017 from £3,270 million for the year ended 31 December 2016. This

increase principally reflects the twelve month contribution of the acquired AXA Wealth and Abbey Life businesses following completion of those transactions in the second half of 2016.

The Group's net policyholder claims decreased by £335 million, or 9 per cent., to £3,270 million for the year ended 31 December 2016 from £3,605 million for the year ended 31 December 2015. The decrease principally reflects the impact of claims experience run-off.

Net change in insurance contract liabilities

The net change in insurance contract liabilities saw a movement of £3,170 million to an income of £923 million for the year ended 31 December 2017 from an expense of £2,247 million for the year ended 31 December 2016. This movement reflects claims paid in the period and the relative stability of yields during 2017, compared to the fall in yields experienced in 2016.

The net change in insurance contract liabilities saw a movement of £6,293 million, or 156 per cent., to an expense of £2,247 million for the year ended 31 December 2016 from an income of £4,046 million for the year ended 31 December 2015. This movement reflects premiums received in the period together with the impact of economic factors, principally the fall in yields in 2016 which adversely impacted the valuation of insurance liabilities. Yields increased moderately in 2015.

Change in investment contract liabilities

The change in the Group's investment contract liabilities was an increase in the expense of £1,479 million to an expense of £2,673 million for the year ended 31 December 2017 from an expense of £1,194 million for the year ended 31 December 2016. This change was principally due to the impact of equity market gains on the larger book of investment contract business following completion of the AXA Wealth and Abbey Life acquisitions in the second half of 2016.

The change in the Group's investment contract liabilities was an increase of £962 million to an expense of £1,194 million for the year ended 31 December 2016 from an expense of £232 million for the year ended 31 December 2015. This change was principally due to the impact of investment performance on the assets underlying the Group's investment contract liabilities, with strong equity performance in 2016.

Total administrative expenses

The table below sets forth a breakdown of the Group's total administrative expenses for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
		(£ million)	
Administrative expenses.....	(590)	(506)	(430)
Amortisation of customer relationships and other intangibles ...	(17)	(14)	(15)
Total administrative expenses.....	(607)	(520)	(445)

The Group's total administrative expenses increased by £87 million, or 17 per cent., to £607 million for the year ended 31 December 2017 from £520 million for the year ended 31 December 2016. This increase reflects the twelve month contribution of the acquired AXA Wealth and Abbey Life businesses following completion of those transactions in the second half of 2016 together with the £25 million premium paid on part redemption of the £300 million senior bond. These amounts have been offset by the non-recurrence of £31 million in respect of transaction costs recognised in 2016 relating to the AXA Transaction and Abbey Life Acquisition, together with the impact of a net positive movement of £18 million in the provision for claims and associated costs (net of recoveries from third parties under contractual arrangements) relating to creditor insurance underwritten prior to 2016 by a subsidiary of the Group, PA (GI) Limited (2016: £33 million adverse).

The Group's total administrative expenses increased by £75 million, or 17 per cent., to £520 million for the year ended 31 December 2016 from £445 million for the year ended 31 December 2015. The increase reflects the recognition of an expense of £33 million in 2016 in respect of the PA (GI) Limited creditor insurance. The increase also reflects the recognition of acquisition costs of £31 million in respect of the transaction costs associated with the AXA Transaction and the Abbey Life Acquisition, together with a provision for costs of £30 million associated with the integration and

restructuring following completion of the AXA Transaction. These amounts have been partially offset by lower outsourcer costs in the period.

Net income attributable to unitholders

The Group's net income attributable to unitholders decreased by £23 million, or 35 per cent., to a net expense item of £43 million for the year ended 31 December 2017 from a net expense item of £66 million for the year ended 31 December 2016. This change was primarily due to comparatively lower equity gains in 2017 compared to 2016, and the impact of stable yields in 2017. These factors reduced the minority share of the results of consolidated collective investment schemes compared to the prior period.

The Group's net income attributable to unitholders increased by £59 million to a net expense item of £66 million for the year ended 31 December 2016 from a net expense of £7 million for the year ended 31 December 2015. This change was primarily due to the positive equity returns and falling yields experienced in 2016 which enhanced the minority share of the results of the consolidated collective investment schemes.

Other operating expenses

The table below sets forth a breakdown of the Group's other operating expenses for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Acquisition costs.....	(6)	(9)	(7)
Change in present value of future profits.....	5	(11)	(6)
Amortisation and impairment of acquired in-force business.....	(109)	(76)	(148)
Total other operating expenses.....	(110)	(96)	(161)

Other operating expenses, which include acquisition costs, change in present value of future profits and amortisation and impairment of acquired in-force business, increased by £14 million, or 15 per cent., to £110 million for the year ended 31 December 2017 from £96 million for the year ended 31 December 2016. This increase was primarily due to the increased amortisation charge arising on acquired in-force business recognised in respect of the acquired AXA Wealth and Abbey Life businesses, partly offset by the impact of positive equity returns and favourable expense assumption changes on the present value of future profits.

Other operating expenses decreased by £65 million, or 40 per cent., to £96 million for the year ended 31 December 2016 from £161 million for the year ended 31 December 2015. This decrease was primarily due to the recognition in the 2015 comparative period of a £64 million impairment of acquired in-force business following the reinsurance of annuity liabilities to RGA International, together with a lower 2016 amortisation charge on acquired in-force business, reflecting the run-off of the book. Partly offsetting these movements is the impact of falling yields on the change in present value of future profits which generated a loss of £11 million compared to a loss of £6 million in 2015.

Profit before finance costs and tax

As a result of the foregoing factors, the Group's profit before finance costs and tax increased by £73 million to a profit of £125 million for the year ended 31 December 2017 from a profit of £52 million for the year ended 31 December 2016. The Group's profit before finance costs and tax decreased by £236 million, or 82 per cent., to a profit of £52 million for the year ended 31 December 2016 from a profit of £288 million for the year ended 31 December 2015.

Finance cost

The Group's finance costs increased by £10 million, or 8 per cent., to £132 million for the year ended 31 December 2017 from £122 million for the year ended 31 December 2016. This increase was primarily due to the increased coupon payable on hybrid debt issuances in the year, together with the impact of the acceleration of deferred issue cost recognition on senior debt repaid during the year.

The Group's finance costs decreased by £14 million, or 10 per cent., to £122 million for the year ended 31 December 2016 from £136 million for the year ended 31 December 2015. The decrease was primarily a result of lower interest charges on the Group's Revolving Credit Agreement, reflective of a reduction in LIBOR which drives the coupon payable on the facility, together with the fact that the facility was undrawn from 9 November 2016 to 28 December 2016. Finance costs also decreased as a result of the reduction in interest charges on borrowings held by the UKCPT following its deconsolidation from the Group in February 2016.

Result for the year before tax

As a result of the foregoing factors, the Group's result for the year before tax increased by £63 million, to a loss of £7 million for the year ended 31 December 2017 from a loss of £70 million for the year ended 31 December 2016. The Group's result for the year before tax decreased by £222 million, or 146 per cent., to a loss of £70 million for the year ended 31 December 2016 from a profit of £152 million for the year ended 31 December 2015.

Tax (charge)/credit

In addition to Owners' tax, the Phoenix Life Companies pay Policyholders' tax. The Group, as a proxy for policyholders in the UK, is required to pay taxes on investment income and gains each year. Accordingly, the tax credit or expense attributable to UK life assurance policyholder earnings is included in income tax expense.

The table below sets forth a breakdown of the Group's tax credit between Owners' tax and Policyholders' tax for the years ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
	2017	2016	2015
		(£ million)	
Owners' tax credit.....	1	28	64
Policyholder tax (charge)/credit.....	(21)	(58)	33
Tax (charge)/credit.....	(20)	(30)	97

For the year ended 31 December 2017, the Group received an owners' tax credit of £1 million, arising on a loss before the tax attributable to owners of £(28) million. The tax credit is different from the expected tax credit (based on the UK corporation tax rate of 19.25 per cent.) of £5 million primarily due to the impact of non-taxable income of £(16) million offset by the impacts of current year tax losses not being recognised of £15 million and the valuation of current year losses at future lower tax rates of £4 million.

For the year ended 31 December 2016, the Group received an owners' tax credit of £28 million, arising on a loss before the tax attributable to owners of £128 million. The tax credit is different from the expected tax credit (based on the UK corporation tax rate of 20 per cent.) of £26 million primarily due to the impact of disallowable expenses including £7 million relating to the provision for costs recognised in respect of the creditor insurance underwritten by PA (GI) Limited and the impact of the consolidation treatment of the PGL Pension Scheme buy-in agreement of £12 million. These items have been partly offset by the benefit of a 1 per cent. reduction in future corporation tax rates and the treatment of certain recurring income and expenses as either non-taxable or taxable at rates of less than 20 per cent.

For the year ended 31 December 2015, the Group received an owners' tax credit of £64 million, arising on a profit before the tax attributable to owners of £185 million. The difference between the actual tax credit of £64 million and the expected charge (based on the UK corporation tax rate of 20.25 per cent.) of £37 million is primarily driven by factors including a prior year tax credit (reflecting the utilisation of unprovided tax losses brought forward and the release of provisions following the settlement of previously uncertain tax positions with HMRC), the impact of enacted future corporate tax rate reductions on the Group's deferred tax position, and the impact of profit items that are either non-taxable or taxed at rates other than 20.25 per cent. (including the gain arising on the Opal Reinsurance Limited reinsurance recapture transaction and tax payable by the consolidated UKCPT).

(Loss)/profit for the year attributable to owners

As a result of the foregoing factors, the Group's result for the year attributable to owners decreased by £73 million, or 73 per cent., to a loss of £27 million for the year ended 31 December 2017 from a loss of £100 million for the year ended 31 December 2016.

The Group's profit for the year attributable to owners decreased by £349 million, or 140 per cent., to a loss of £100 million for the year ended 31 December 2016 from a profit of £249 million for the year ended 31 December 2015.

Non-controlling interests

Throughout 2015, as the Group's policyholder long-term funds held over 50 per cent. of the issued share capital of UKCPT, the Group was deemed to control the investment. In accordance with IFRS, 100 per cent. of the UKCPT profits and losses were consolidated with the Group's financial results for this period. In February 2016, the Group's shareholding fell below 50 per cent. and the Group was no longer deemed to exercise control over UKCPT. Accordingly, its results have not been consolidated since that date, and the Group's remaining investment in UKCPT is treated as an associate and recognised at its fair value. The profit of £1 million and £48 million for the years ended 31 December 2016 and 2015, respectively, represent the share of the profits of the trust that are attributable to the external investors who hold the remaining shareholdings in the trust.

The £2 million profit attributable to the Perpetual Reset Capital Securities (the "Notes") in 2015 relates to the interest coupon on the Notes. Such Notes receive coupon interest only and do not otherwise share in the profits of the Group. The Group exchanged 99 per cent. of the Notes on 23 January 2015 for £428 million of new subordinated notes issued by PGH Capital and £3 million of cash. The remaining £6 million of notes were redeemed at par on 25 April 2016.

Operating profit for the Group for the years ended 31 December 2017, 2016 and 2015

New Phoenix has chosen to report a non-GAAP measure of performance, being operating profit. Operating profit is considered to provide a comparable measure of the underlying performance of the business as it excludes the impact of short-term economic volatility and other one-off items. This measure incorporates an expected return, including a longer term return on financial investments backing shareholder and policyholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. Annuity new business profits are included in operating profit using valuation assumptions consistent with the pricing of the business (including New Phoenix's expected longer term asset allocation backing the business).

Operating profit includes the effect of variances in experience for non-economic items, such as mortality and expenses, and the effect of changes in non-economic assumptions. It also incorporates the impacts of significant management actions where such actions are consistent with New Phoenix's core operating activities (for example, actuarial modelling enhancements and data reviews). Operating profit is reported net of policyholder finance charges and policyholder tax.

Operating profit excludes the impact of the following items:

- the difference between the actual and expected experience for economic items and the impacts of changes in economic assumptions on the valuation of liabilities;
- amortisation and impairments of intangible assets;
- finance costs attributable to owners;
- gains or losses on the disposal of subsidiaries, associates or joint ventures (net of related costs of disposal);
- the financial impacts of mandatory regulatory change;
- integration, restructuring or other significant one-off projects; and
- any other items which, in the Directors' view, should be disclosed separately by virtue of their nature or incidence to enable a full understanding of New Phoenix's financial performance. This is typically the case where the nature of the item is not reflective of the underlying performance of the operating companies.

Whilst the excluded items are important to an assessment of the consolidated financial performance of the Group, management considers that the presentation of the operating profit metric provides useful information for assessing the underlying performance of the Group's operating companies on an ongoing basis. This is considered particularly important given the Group's acquisitive strategy of

closed life fund consolidation. The IFRS results are significantly impacted by the amortisation of intangible balances arising on acquisition, the one-off costs of integration activities and the costs of servicing debt used to finance acquisition activity, which are not indicative of the underlying operational performance of the Group's segments.

Furthermore, the hedging strategy of the Group is calibrated to protect the regulatory capital position and cash generation capability of the operating companies, as opposed to the IFRS financial position. This can create additional volatility in the IFRS result which is excluded from the operating profit metric.

New Phoenix therefore considers that operating profit provides a more representative indicator of the ability of the Group's operating companies to generate cash available for the servicing of the Group's debts and for distribution to New Phoenix Shareholders. Accordingly, the measure is more closely aligned with the business model of the Group and how performance is managed by those charged with governance.

For a reconciliation of operating profit to IFRS profit for the year attributable to owners, see "Reconciliation of the Group's operating profit for the years ended 31 December 2017, 2016 and 2015" below.

Analysis of the Group's operating profit

The following table is an analysis of the Group's operating profit for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Phoenix Life.....	388	357	336
Group costs	(20)	(6)	(12)
Total operating profit before adjusting items.....	368	351	324

Phoenix Life

Operating profit for Phoenix Life is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with consistent allowance for the corresponding expected movements in liabilities (being the release of prudential margins and the interest cost of unwinding the discount on the liabilities).

Operating profit includes the effect of variances in experience for non-economic items, such as mortality and expenses, and the effect of changes in non-economic assumptions. Changes due to economic items which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are accounted for outside of operating profit.

The following table sets forth a breakdown of the Group's operating profit for Phoenix Life for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
With-profit.....	84	81	92
With-profit where internal capital support provided	(108)	(72)	84
Non-profit and unit-linked	386	283	124
One-off impact of IFRS methodology change	—	31	—
Longer term return on owners' funds	5	7	6
Management services	21	27	30
Phoenix Life operating profit	388	357	336

With-profit

The with-profit operating profit represents shareholders' one-ninth share of policyholder with-profit bonuses. The with-profit operating profit increased by £3 million, or 4 per cent., to £84 million for the year ended 31 December 2017 from £81 million for the year ended 31 December 2016, and represents the shareholders' one-ninth share of the policyholder bonuses.

The with-profit operating profit decreased by £11 million, or 12 per cent., to £81 million for the year ended 31 December 2016 from £92 million for the year ended 31 December 2015, primarily due to lower bonus rates.

With-profit where internal capital support provided

The operating profit on with-profit funds where internal capital support has been provided decreased by £36 million to a loss of £108 million for the year ended 31 December 2017 from a loss of £72 million for the year ended 31 December 2016. This decrease is principally driven by the greater adverse impact of the strengthening of actuarial assumptions to reflect the impact of the continued low interest rate environment on the Group's expectations of persistency for products with valuable guarantees and the associated assumptions in relation to policyholders retiring later.

The operating profit on with-profit funds where internal capital support has been provided decreased by £156 million, or 186 per cent., to a loss of £72 million for the year ended 31 December 2016 from a profit of £84 million for the year ended 31 December 2015. The decrease is principally driven by the strengthening of actuarial assumptions in the period to reflect the impact of the continued low interest rate environment on the Group's expectations of persistency for products with valuable guarantees. The 2015 comparative also included the positive impact of modelling enhancements undertaken in the period of £49 million, including the implementation of the Group's new actuarial modelling system by the National Provident Life Limited ("NPLL") with-profit fund.

Non-profit and unit-linked

The operating profit on non-profit and unit-linked funds increased by £103 million, or 36 per cent., to £386 million for the year ended 31 December 2017 from £283 million for the year ended 31 December 2016. This increase principally reflects the impact of updating actuarial assumptions which had a net positive impact of £166 million on the result for the period (2016: £85 million). This includes the positive impact of updating longevity base and improvement assumptions to reflect experience analyses and the most recent Continuous Mortality Investigation 2016 core projection tables. The non-profit and unit-linked operating profit also benefitted from updates made to expense assumptions from operational synergies and the inclusion of the expected return of the acquired AXA Wealth and Abbey Life businesses.

The operating profit on non-profit and unit-linked funds increased by £159 million, or 128 per cent., to £283 million for the year ended 31 December 2016 from £124 million for the year ended 31 December 2015. The increase compared with the prior period principally reflects the outcomes of management actions of £117 million undertaken during the period, and positive experience which has more than offset the adverse one-off impacts of certain actuarial modelling enhancements undertaken in the period.

One-off impact of IFRS methodology change

Following the implementation of Solvency II, certain changes were made during the year ended 31 December 2016 to the assumptions and estimates used in the valuation of insurance contract liabilities to more closely align the IFRS reserving methodology with Solvency II requirements. As the Group manages its capital on a Solvency II basis, the changes mean that the IFRS results now more closely reflect the way the business is managed and the Group's risk hedging strategies. The implementation of the changes at 1 January 2016 resulted in an overall favourable impact of £31 million to Old Phoenix's operating profit for the year ended 31 December 2016.

Longer term return on owners' funds

The longer term return on owners' funds decreased by £2 million, or 29 per cent., to £5 million for the year ended 31 December 2017 from £7 million for the year ended 31 December 2016. This change reflects the impact of lower opening risk-free yields used in the determination of the longer-term investment return assumptions.

The longer term return on owners' funds increased by £1 million, or 17 per cent., to £7 million for the year ended 31 December 2016 from £6 million for the year ended 31 December 2015. The change

reflects the impact of higher opening risk-free yields used in the determination of the longer-term investment return assumptions.

Management services

The operating profit for management services decreased by £6 million to £21 million for the year ended 31 December 2017 from £27 million for the year ended 31 December 2016. This change reflects the impact of life company run-off.

The operating profit for management services decreased by £3 million, or 10 per cent., to £27 million for the year ended 31 December 2016 from £30 million for the year ended 31 December 2015. The decrease compared to the prior year reflects the impact of life company run-off and increased non-recoverable project costs during the period.

Group costs

Group costs include head office expenses as well as the net interest income/(expense) on the Group's defined benefit pension schemes.

Group costs increased by £14 million to £20 million for the year ended 31 December 2017 from £6 million for the year ended 31 December 2016. This increase primarily reflects a lower return on the scheme surplus of the PGL Pension Scheme following the buy-in transaction entered into with PLL in the second half of 2016, the recognition of the net interest cost on the Abbey Life Pension Scheme and the impact of higher project recharges from the service companies.

Group costs decreased by £6 million, or 50 per cent., to £6 million for the year ended 31 December 2016 from £12 million for the year ended 31 December 2015. The decrease in Group costs compared to the prior year relates primarily reflects an increased return on the higher opening pension scheme surplus for both the PGL Pension Scheme and the Pearl Scheme.

Reconciliation of the Group's operating profit for the years ended 31 December 2017, 2016 and 2015

The following table reconciles the Group's operating profit before tax to IFRS profit after tax for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Total operating profit before adjusting items	368	351	324
Investment return variances and economic assumption changes on long-term business	(6)	(207)	13
Variance on owners' funds	(87)	(5)	(12)
Amortisation of acquired in-force and other intangibles	(119)	(82)	(90)
Other non-operating items	(80)	(95)	49
Profit/(loss) before finance costs attributable to owners	76	(38)	284
Finance costs attributable to owners	(104)	(90)	(99)
(Loss)/profit before the tax attributable to owners	(28)	(128)	185
Tax credit attributable to owners from continuing operations ...	1	28	64
Profit for the year attributable to owners	(27)	(100)	249

Investment return variances and economic assumption changes on long-term business

Investment return variances and economic assumption changes on long-term business were negative £6 million for the year ended 31 December 2017. The loss primarily arises on hedging positions held by the life funds following equity market gains during the year. The Group's exposure to equity movements arising from future profits in relation to with-profit bonuses and unit-linked charges is hedged to benefit the regulatory capital position. The impact of equity market movements on the value of the hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not. Losses on these hedging positions have been partly offset by the positive impact of strategic asset allocation activities, including investment in higher yielding assets.

Investment return variances and economic assumption changes on long-term business were negative £207 million for the year ended 31 December 2016. The loss was primarily driven by adverse market movements during the year, most notably the adverse impact of falling yields on the life funds which has increased the margin held within insurance liabilities in respect of longevity risk. The investment return variances have also been adversely impacted by losses arising on equity hedging positions held by the life funds following equity market gains in the period.

Investment return variances and economic assumption changes on long-term business were £13 million for the year ended 31 December 2015. The variances include the minority share of the result of the consolidated UKCPT property investment structure of £46 million and a £19 million gain on the purchase of a portfolio of equity release mortgages arising from the yield uplift on assets available to back annuity liabilities. Increases in yields during the period have also had a positive impact reflecting short asset positions that were held relative to the longer-term IFRS basis liabilities prior to the re-hedging activities that took place towards the end of 2015. These positive items were partly offset by the adverse impacts of changes in asset portfolios undertaken in preparation for the implementation of the new Solvency II regime, together with the impact of widening credit spreads during the period.

Variance on owners' funds

Variance on owners' funds decreased by £82 million to negative variance on owners' funds of £87 million for the year ended 31 December 2017 as compared to negative variance on owners' funds of £5 million for the year ended 31 December 2016. The negative variance is driven by interest rate swaption positions held in the life companies' shareholder funds. Such positions are held to hedge the impact of interest rate risk on the Group's regulatory capital position. With swap yields remaining relatively stable during the period, option value associated with these contracts fell in the period due to expected option expiry and reduced volatility.

Variance on owners' funds increased by £7 million, or 58 per cent., to negative variance on owners' funds of £5 million for the year ended 31 December 2016 as compared to negative variance on owners' funds of £12 million for the year ended 31 December 2015. The negative variance is driven by losses from equity hedging positions held in the Group Holding Companies, offset by gains from interest rate hedging positions held in the Phoenix Life Companies' shareholders' funds arising from falling yields.

Amortisation of acquired in-force business and other intangibles

The amortisation of acquired in-force business and other intangibles increased by £37 million, or 45 per cent., to £119 million for the year ended 31 December 2017 from £82 million for the year ended 31 December 2016 reflecting the increased amortisation charge on acquired in-force and intangible balances recognised on the acquisitions of the AXA Wealth and Abbey life businesses.

The amortisation of acquired in-force business and other intangibles decreased by £8 million, or 9 per cent., to £82 million for the year ended 31 December 2016 from £90 million for the year ended 31 December 2015 in line with the run-off of the acquired businesses.

Other non-operating items

The other non-operating items expense decreased by £15 million to £80 million for the year ended 31 December 2017 compared to negative £95 million for the year ended 31 December 2016. The non-operating items include the premium paid on the redemption of £178 million in aggregate principal amount of the Senior Bonds, costs of £21 million in respect of integration and restructuring of the Abbey Life and AXA Wealth businesses, costs of £20 million in respect of the short-term expense overruns arising from the AXA Wealth business prior to the completion of the implementation of the New Phoenix operating model, a provision of £27 million in respect of a commitment to the reduction of ongoing charges for workplace pension products, a £21 million increase in the provision for costs for claims relating to the historic creditor insurance underwritten by PA (GI) Limited, offset by the recognition of reimbursements of £39 million in respect of recoveries due or received from third parties under contractual arrangements, and net other one-off items totalling a cost of £5 million, including corporate project costs.

Other non-operating items decreased by £144 million to negative £95 million for the year ended 31 December 2016 compared to £49 million positive for the year ended 31 December 2015. The non-operating items include a £26 million gain on the implementation of a longevity swap reinsurance contract on a portfolio of the Group's annuities and a £14 million gain as a result of a premium

adjustment of the 2015 reinsurance arrangement with RGA International following completion of a data review.

These items were more than offset by:

- acquisition costs of £31 million, comprising £12 million of transaction costs related to the AXA Transaction and £19 million of transaction costs related to the Abbey Life Acquisition;
- a provision for costs of £30 million associated with the integration and restructuring following completion of the AXA Transaction;
- the costs of providing for claims and associated costs relating to creditor insurance underwritten prior to 2016 by a subsidiary of the Group, PA (GI) Limited, of £33 million;
- recognition of costs of £10 million associated with the introduction of regulations that cap early exit charges for pension customers aged over 55 at 1 per cent., which came into force from 2017;
- costs of £6 million associated with the transfer of non-profit annuities from with-profit funds to non-profit matching adjustment funds;
- the costs of £4 million associated with the PGL Pension Scheme buy-in;
- other corporate project costs of £19 million; and
- net other one-off items totalling a cost of £2 million.

Finance costs attributable to owners

The Group's finance costs attributable to owners increased by £14 million, or 16 per cent., to £104 million for the year ended 31 December 2017 from £90 million for the year ended 31 December 2016. The increase was primarily as a result of the higher coupon payable on hybrid debt issuances in the year, together with the impacts of the acceleration of deferred issue cost recognition on senior debt repaid during the year.

The Group's finance costs attributable to owners decreased by £9 million, or 9 per cent., to £90 million for the year ended 31 December 2016 from £99 million for the year ended 31 December 2015. The decrease was primarily a result of lower interest charges on the Group's Revolving Credit Agreement, reflective of a reduction in LIBOR which drives the coupon payable on that facility, together with the fact that the facility was undrawn from 9 November 2016 to 28 December 2016.

Tax attributable to owners

Tax attributable to owners is discussed under the section headed "Results of operations for the Group for the years ended 31 December 2017, 2016 and 2015" above.

Liquidity and capital resources

New Phoenix and the Holding Companies

The principal cash requirements of the New Phoenix, Old Phoenix, PLHL, PGH2, Impala, Pearl Assurance Group Holdings Limited, PGH1, PGH (LCA) Limited, PGH (LCB) Limited and PeLHL (together, the "**Holding Companies**") are the payment of dividends to New Phoenix Shareholders, the servicing of debt, contributions to the pension schemes and the payment of expenses. The principal sources of cash for the Holding Companies are loans and dividends from operating subsidiaries.

The Phoenix Life Companies

The Phoenix Life Companies' principal sources of liquidity are policyholder premiums, cash balances, net investment income received and proceeds from investments as they are repaid, redeemed or sold. The Phoenix Life Companies principally use their liquidity to pay policyholder benefits (including withdrawals and surrender payments) and operating expenses and to purchase investments.

The Phoenix Life Companies are subject to various regulatory restrictions on the maximum amount of payments, including dividends, loans or cash advances that they may make to their shareholders. The amount of cash that the Phoenix Life Companies may distribute to the Holding Companies depends on the individual solvency position of each of the Phoenix Life Companies. Cash may be distributed only to the extent that (i) the individual solvency positions of the Phoenix Life Company is positive and (ii) there is excess capital over and above an additional solvency buffer determined by the respective Phoenix Life Company board, subject to any regulatory limitations imposed.

Cashflows for the six months ended 30 June 2018 and 2017

The table below sets out the Holding Companies' cashflows for the six months ended 30 June 2018 and 2017:

	Six months ended 30 June	
	2018	2017
Cash and cash equivalents at 1 January	535	570
Operating companies' cash generation:		
Cash receipts from Phoenix Life	349	360
Total receipts⁽¹⁾	349	360
Uses of cash:		
Operating expenses	(19)	(17)
Pension scheme contributions.....	(23)	(38)
Debt interest	(10)	(13)
Total recurring outflows	(52)	(68)
Non-recurring outflows.....	(188)	(20)
Uses of cash before debt repayments and shareholder dividend	(240)	(88)
Debt repayments.....	—	(503)
Shareholder dividend	(99)	(94)
Total uses of cash	(339)	(685)
Debt issuance (net of fees)	494	446
Cash and cash equivalents at 30 June	1,039	691

Notes:

(1) Includes amounts received by the Holding Companies in respect of tax losses surrendered to the operating companies of £14 million (Six months ended 30 June 2017: £11 million).

Total receipts of cash by Holding Companies

Total receipts of cash by Holding Companies were £349 million for the six months period ended 30 June 2018 compared to £360 million for the six months ended 30 June 2017.

Uses of cash

Total recurring outflows

Operating expenses of £19 million for the six months ended 30 June 2018 principally comprise corporate office costs, net of income earned on holding company cash and investment balances. These are broadly in line with operating expenses of £17 million for the six months ended 30 June 2017.

Pension scheme contributions reduced to £23 million for the six months period ended 30 June 2018 from £38 million for the six month period ended 30 June 2017. These contributions are made on a monthly basis and comprise £20 million for the Pearl Group Scheme and £3 million for the Abbey Life Scheme. The decrease reflects the payment in 2017 of £10 million of contributions to the Pearl Group Scheme in respect of the final quarter of 2016 as part of the move from annual to monthly funding. In addition, no further contributions are required to be paid into the PGL staff pension scheme under the existing funding agreement (30 June 2017: £8 million).

Debt interest of £10 million represents a semi-annual interest coupon paid on the US\$500 million (£385 million) Tier 2 notes (the 2027 Notes) which was issued in 2017. Cash interest payments are expected to be paid on all of Phoenix Group Holdings' outstanding debt instruments in the second half of the year, except on the 2029 Notes issued on 24 September 2018.

Debt interest of £13 million for the six months ended 30 June 2017 reflects the settlement of interest accrued on £178 million in aggregate principal amount of Senior Bonds that were redeemed in May 2017.

Non-recurring outflows

Non-recurring cash outflows of £188 million for the six months ended 30 June 2018 include £22 million of option premiums and £49 million of collateral posted in respect of derivative instruments entered into to hedge the Group's exposure to equity risk arising from the Group's acquisition of Standard Life Assurance. The remainder of the balance includes a further £21 million of collateral posted on other Group hedging positions, £62 million of funding provided to the life companies to support bulk purchase annuity new business (based on a conservative asset mix) and other corporate costs, including acquisition and integration costs.

Non-recurring cash outflows of £20 million for the six months ended 30 June 2017 include Group costs associated with integration activity and corporate related projects, partly offset by the receipt of proceeds from the disposal of internal holdings of the £428 million subordinated loan notes.

Debt repayments and shareholder dividend

External debt repayments were £nil for the six months period ended 30 June 2018.

External debt repayments of £503 million for the six months ended 30 June 2017 comprised £300 million part-settlement of the revolving credit facility and repayment of £178 million in aggregate principal amount of the Senior Bonds which were redeemed at a premium of £25 million. The shareholder dividend of £99 million represents the payment of the 2017 final dividend in May.

Debt issuance

The £494 million debt issuance for the six months ended 30 June 2018, comprises the proceeds of the RT1 Notes of £500 million completed in April, net of associated fees.

Cashflows for the years ended 31 December 2017, 2016 and 2015

The table below sets out the Holding Companies' cashflows for the years ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
	2017	2016	2015
	(£ million) (unaudited)		
Cash and cash equivalents at 1 January	570	706	988
Operating companies' cash generation:			
Cash receipts from Phoenix Life	653	486	225
Total receipts⁽¹⁾	653	486	225
Uses of cash:			
Operating expenses	(36)	(33)	(26)
Pension scheme contributions.....	(92)	(55)	(55)
Debt interest	(60)	(58)	(91)
Total recurring outflows	(188)	(146)	(172)
Non-recurring outflows	(84)	(141)	(25)
Uses of cash before debt repayments and shareholder dividend	(272)	(287)	(197)
Debt repayments.....	(1,053)	(239)	(190)
Shareholder dividend	(193)	(126)	(120)
Total uses of cash	(1,518)	(652)	(507)
Equity issuance (net of fees)	—	908	—
Debt issuance (net of fees)	830	428	—
Cost of acquisitions	—	(1,306)	—
Cash and cash equivalents at 31 December⁽²⁾	535	570	706

Notes:

(1) Includes amounts received by the Holding Companies in respect of tax losses surrendered to the operating companies of £20 million (2016: £84 million; 2015: £71 million).

(2) Closing balance at 31 December 2015 includes required prudential cash buffer of £150 million. Since the acquisition of the original Pearl business by Old Phoenix, the Financial Services Authority (the Group's previous prudential regulator) required that £100 million of liquid assets be held at the level of Impala Holdings Limited and that £50 million of liquid assets be held at the level of PLHL in order to provide support to the Group's life and regulated service companies. These requirements expired on 31 December 2016 and therefore no prudential cash buffer was required to be held from that date.

Total receipts of cash by Holding Companies

Total receipts of cash by Holding Companies were £653 million for the year ended 31 December 2017, which included £165 million generated from the acquired AXA Wealth business and £236 million generated from the acquired Abbey Life business (which includes a £74 million cash receipt in connection with the transfer of the Abbey Life Pension Scheme from the operating company to a Holding Company). Of the £653 million, management actions accounted for £380 million.

Total receipts of cash by Holding Companies were £486 million for the year ended 31 December 2016, which included £117 million generated following completion of the AXA Transaction. Of the £486 million, management actions accounted for £265 million.

Total receipts of cash by Holding Companies were £225 million for the year ended 31 December 2015, including the £20 million impact of management actions implemented in the period. A reduction from the prior period reflected the retention of capital in the Phoenix Life Companies in advance of the transition to the Solvency II regulatory capital regime.

Uses of cash

Total recurring outflows

Total recurring outflows for the year ended 31 December 2017 increased by £42 million, or 29 per cent., to £188 million from £146 million for the year ended 31 December 2016. The operating

expenses of £36 million for the year ended 31 December 2017 (2016: £33 million) principally comprise corporate office costs, net of income earned on holding company cash and investment balances.

Total recurring outflows for the year ended 31 December 2016 decreased by £26 million, or 15 per cent., to £146 million from £172 million for the year ended 31 December 2015. The operating expenses of £33 million for the year ended 31 December 2016 (2015: £26 million) increased compared to the prior year as a result of lower interest earned on bank balances with excess cash balances being used to repay debt.

Pension scheme contributions of £92 million (2016: £55 million; 2015: £55 million) are in line with the latest triennial funding agreements agreed for each of the schemes. The increase in 2017 reflects the inclusion of £32 million of contribution payments to the Abbey Life Pension Scheme for the first time in 2017 and revised timings of contribution payments to the Pearl Scheme. Contributions are now made to the Pearl Scheme on a monthly basis, whereas previously an annual payment was made each September. There is no change to the overall quantum of agreed funding. The 2017 figure includes £10 million settled in respect of the last quarter of 2016, together with the £40 million annual payment in respect of 2017 settled monthly. £10 million of contributions to the PGL Pension Scheme were also made in 2017 with no further contributions required under the existing funding agreement with the Scheme Trustees.

Debt interest increased by £2 million, or 3 per cent., to £60 million for the year ended 31 December 2017 (2016: £58 million) reflecting the higher coupon payable on hybrid debt issued in the year which has offset the impact of lower debt principal balances following repayments.

Debt interest decreased by £33 million, or 36 per cent., to £58 million for the year ended 31 December 2016 (2015: £91 million) reflecting lower principal balances following repayments made in 2015. The 2015 debt interest included payment of the £20 million coupon on the Tier 1 bonds prior to their exchange for the subordinated notes.

Non-recurring outflows

Non-recurring cash outflows of £84 million for the year ended 31 December 2017 (2016: £141 million) include Group costs associated with integration activity and corporate related projects, together with the payment of collateral on hedging transactions, partly offset by the receipt of proceeds from the disposal of internal holdings of the £428 million subordinated loan notes.

Non-recurring cash outflows of £141 million for the year ended 31 December 2016 (2015: £25 million) are significantly higher compared to the prior period reflecting costs associated with hedging and acquisition activity undertaken during 2016. Outflows also include £68 million of capital support provided to a subsidiary of the Group, PA (GI) Limited, with regard to the cost of providing for potential claims and associated capital requirements relating to creditor insurance underwritten prior to 2006.

Non-recurring outflows of £25 million for the year ended 31 December 2015 reflect Group restructuring and corporate related projects.

Debt repayments

Total debt repayments of £1,053 million in the year ended 31 December 2017 comprise full settlement of the £850 million revolving credit facility balance outstanding at 31 December 2016 and repayment of £178 million in aggregate principal amount of the Senior Bonds which were redeemed at a premium of £25 million. Total debt repayments of £239 million in the year ended 31 December 2016 were made in respect of the repayment of the £182 million bank debt used to finance the AXA Transaction, together with £50 million of the Group's revolving credit facility. The remaining £6 million of outstanding Tier 1 bonds were also redeemed in March 2016.

Total debt repayments of £190 million in the year ended 31 December 2015 were made in respect of the revolving credit facility, including prepayments of £70 million in respect of payments due in 2016 and £30 million in respect of payments due in 2017.

Regulatory capital requirements

Group Solvency II Surplus

Calculation of the Group Solvency II Surplus involves a valuation in line with Solvency II principles of the Group's Own Funds and a risk based assessment using an internal model of the Group's solvency regulatory capital requirements ("SCR"). For further information, see the section headed "Solvency II" in Part III ("Regulatory Overview") of this Prospectus.

The Group's Own Funds differ materially from IFRS equity for a number of reasons, including the recognition of future shareholder transfers from the with-profit funds and future management charges on investment contracts, the treatment of certain subordinated debt instruments as capital items, and a number of valuation differences, most notably with regard to insurance liabilities and intangible assets.

The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5 per cent. over one year. This ensures that capital is sufficient to withstand a broadly '1 in 200 year event' and is calculated in accordance with the Group's Solvency II Internal Model. Management actions which could be undertaken to restore the Own Funds level above SCR in a stress scenario include market risk hedging, further longevity swaps, reinsurance, issuance of hybrid debt, deferral or reduction in shareholder dividends, sale of business lines and/or portfolios, review of future planned management actions, review of outsourcing arrangements and equity issuance.

The Group Solvency II Surplus position for Old Phoenix as at 30 June 2018 (estimated) and 31 December 2017 and 31 December 2016 (estimated) is set out below:

	As at 30 June 2018	As at 31 December 2017⁽⁴⁾	As at 31 December 2016⁽⁴⁾⁽⁵⁾
		(£ billion)	
Own Funds ⁽¹⁾	7.0	6.6	6.0
Solvency regulatory capital requirement ⁽²⁾	4.7	4.8	4.9
Solvency II Surplus (estimated)⁽³⁾	2.3	1.8	1.1

Notes:

- (1) Own Funds includes the net assets of the life and holding companies calculated under Solvency II rules, pension scheme surpluses calculated on an IAS19 basis not exceeding the holding companies' contribution to the Group SCR and qualifying subordinated liabilities. It is stated net of restrictions for assets which are non-transferrable and fungible between Group companies within a period of nine months.
- (2) The SCR reflects the risk and obligations to which Phoenix Group Holdings is exposed.
- (3) The surplus equates to an estimated regulatory coverage ratio of 149 per cent as at 30 June 2018 and 138 per cent. as at 31 December 2017 (2016: 122 per cent. *pro forma*) and a Shareholder Capital Coverage Ratio of 164 per cent. as at 31 December 2017 (2016: 139 per cent. *pro forma*).
- (4) The estimated Solvency II positions as at 31 December 2016 included the adverse impact of an assumed recalculation of transitional measures on technical provisions. A mandatory recalculation of transitional measures on technical provisions was required as at 31 December 2017 and is reflected in the Group Solvency II Surplus position as at that date.
- (5) The position as at 31 December 2016 included *pro forma* adjustments to illustrate the impacts of the issuance in January 2017 of the £300 million Solvency II qualifying Tier 3 notes (the 2022 Notes) and the receipt of the PRA's approval in March 2017 to include the acquired AXA business within the Group's Solvency II Internal Model. Had these adjustments not been made, the estimated surplus as at 31 December 2016 would be £0.4 billion lower.

Group Solvency II surplus increase between 30 June 2018 and 31 December 2017

The estimated Group Solvency II Surplus increased to £2.3 billion as at 30 June 2018 (31 December 2017: £1.8 billion estimated).

These figures exclude surpluses arising in the Group's with-profit funds and Group pension schemes of £0.6 billion and £0.4 billion as at 30 June 2018 and 31 December 2017, respectively. In the calculation of the Group Solvency II Surplus, the SCR of the with-profit funds and Group pension schemes is included, but the related Own Funds are recognised only to a maximum of the SCR amount. Surpluses that arise in with-profit funds and Group pension schemes, whilst not included in the Group Solvency II Surplus, are available to absorb economic shocks. This means that the headline surplus is highly resilient to economic stresses.

The increase includes surplus generation and reduction in capital requirements of £0.1 billion. Management actions undertaken, including further investment in illiquid assets within annuity portfolios, reductions in investment expenses and anticipated cost savings associated with process improvements and continued investment in digitalisation of the customer journey, increased the surplus by £0.4 billion.

The issuance of the RT1 Notes completed in April 2018 increased the surplus by £0.5 billion ahead of the completion of the acquisition of Standard Life Assurance. The adverse impact of economic and other variances reduced the surplus by £0.3 billion. This includes losses and capital requirements of

£137 million arising on derivative instruments entered into on announcement of the Standard Life Assurance acquisition to hedge shareholder exposures to equity risk from that business.

Equity market gains in the subsequent period have triggered losses on these instruments. The corresponding increase in the value of future profits arising in the Standard Life Assurance Own Funds is not recognised in the Group solvency calculation as at 30 June 2018, pending completion of the acquisition. The figure also includes a provision of £68 million in respect of a commitment to reduce ongoing and exit charges for unitised non-workplace pensions, the day 1 solvency strain arising from the writing of bulk purchase annuity new business, together with acquisition related project costs.

Financing costs, pension contributions and the dividend payments (including the expected payment of the £163 million interim dividend on 1 October), amount to £0.2 billion and reduce the surplus in the period.

The Group focuses on a shareholder view of the capital coverage ratio which is considered to give a more accurate reflection of the capital strength of the Group. The Shareholder Capital Coverage Ratio is calculated as the ratio of Eligible Own Funds to SCR adjusted to exclude Own Funds and associated SCR relating to the unsupported with-profit funds and the PGL Pension Scheme.

Unsupported with-profit funds and the PGL Pension Scheme consist of £2.7 billion of Own Funds and £1.8 billion of SCR. Of the £2.7 billion of Own Funds, £2.1 billion consists of estate within the unsupported with-profit funds and £0.6 billion of Own Funds within the PGL Pension Scheme. As noted previously, surpluses in these funds do not contribute to the PGH Solvency II surplus.

Excluding the SCR and Own Funds relating to the unsupported with-profit funds and the PGL Pension Scheme, the estimated Solvency II Shareholder Capital Coverage Ratio is 180% as at 30 June 2018 (31 December 2017: 164% estimated).

Group Solvency II surplus increase between 31 December 2017 and 31 December 2016

The estimated Group Solvency II Surplus increased to £1.8 billion as at 31 December 2017 (31 December 2016: £1.1 billion on a pro forma basis).

These figures exclude surpluses arising in the Group's with-profit funds and Group pension schemes of £0.6 billion and £0.4 billion as at 31 December 2017 and 31 December 2016, respectively. In the calculation of the Group Solvency II Surplus, the SCR of the with-profit funds and Group pension schemes is included, but the related Own Funds are recognised only to a maximum of the SCR amount. Surpluses that arise in with-profit funds and Group pension schemes, whilst not included in the Group Solvency II Surplus, are available to absorb economic shocks. This means that the headline surplus is highly resilient to economic stresses.

The increase includes surplus generation and expected run-off of capital requirements of £0.2 billion over the period. Management actions undertaken, including reductions in expenses from operating synergies and the impact of strategic asset allocation activities, increased the surplus by £0.4 billion. Total management actions in 2017 were £553 million, including the impact of the receipt of the PRA's approval to include the acquired AXA business within the Group's Solvency II Internal Model, which is reflected in the 31 December 2016 (*pro forma*) position.

The issuance of £150 million of Tier 3 notes in May 2017 (the 2022 Notes) and US\$500 million of Tier 2 notes in July 2017 (the 2027 Notes) has increased the Solvency II Surplus by a total of £0.5 billion compared to the *pro forma* position as at 31 December 2016. Assumption, experience and modelling changes were net neutral on a Solvency II basis, with the net impact of changes to longevity assumptions being offset by the impact of the continued low interest rate environment on the Group's expectations of persistency for products with valuable guarantees.

Economic and other variances decreased the surplus by £0.1 billion and include the premium paid on partial redemption of the Group's Senior Bonds, the impact of the agreement to reduce annual charges on workplace pension products to 1 per cent. or lower and acquisition integration costs.

Financing costs, pension contributions and dividend payments (including accrual for the 2017 final dividend) reduced the surplus by £0.3 billion.

The Group focuses on a shareholder view of the capital coverage ratio which is considered to give a more accurate reflection of the capital strength of the Group. The Shareholder Capital Coverage Ratio is calculated as the ratio of Eligible Own Funds to SCR adjusted to exclude Own Funds and associated SCR relating to the unsupported with-profit funds and the PGL Pension Scheme.

Unsupported with-profit funds and the PGL Pension Scheme consist of £2.6 billion of Own Funds and £2.0 billion of SCR. Of the £2.6 billion of Own Funds, £2.0 billion consists of estate within the unsupported with-profit funds and £0.6 billion of Own Funds within the PGL Pension Scheme. As described above, the surplus of £0.6 billion in unsupported with-profit funds and the PGL Pension Scheme does not contribute to the Group Solvency II Surplus and the value of their Own Funds is restricted to the value of the related SCR.

Excluding the SCR and Own Funds of £2.0 billion relating to the unsupported with-profit funds and the PGL Pension Scheme, the Solvency II Shareholder Capital Coverage ratio was 164 per cent. as at 31 December 2017 (2016: 139 per cent. on a *pro forma* basis).

Phoenix Life free surplus

Phoenix Life free surplus represents the Solvency II Surplus of the Phoenix Life Companies that is in excess of their board-approved capital management policies.

	As at 30 June	As at 31 December	
	2018	2017	2016
		(£ billion)	
Opening free surplus.....	0.7	0.7	0.1
Surplus generation and expected run-off of regulatory capital requirements	0.1	0.2	0.2
Management actions.....	0.4	0.5	0.6
Impact of acquisitions	—	—	0.3
Assumptions, experience and modelling changes	—	(0.1)	(0.1)
Impact of economic and other variances	(0.1)	—	(0.2)
Free surplus before cash remittances.....	1.1	1.3	0.9
Cash remittances to holding companies.....	(0.3)	(0.6)	(0.4)
Impact of incorporating the AXA business in the Group's Internal Model.....	—	—	0.2
Closing free surplus (estimated)	0.8	0.7	0.7

PLHL Group Solvency II Surplus

As detailed in the section headed “*Operating and Financial Review of the Group – Key factors affecting the Group's results of operations and comparability*” above, prior to 30 June 2017, the Group focused on the Solvency II capital adequacy assessment undertaken at the level of the highest EEA insurance group holding company, which was PLHL.

The PLHL Solvency II Surplus position as at 31 December 2016 and as at 31 December 2015 is set out below:

	As at 31 December	
	2016⁽⁴⁾⁽⁵⁾	2015
	(£ billion)	
Own Funds ⁽¹⁾	6.8	5.7
Solvency regulatory capital requirement ⁽²⁾	4.9	4.4
Solvency II Surplus (estimated)⁽³⁾	1.9	1.3

Notes:

- (1) Own Funds includes the net assets of the life and holding companies calculated under Solvency II rules, pension scheme surpluses calculated on an IAS19 basis not exceeding the holding companies' contribution to the Group SCR and qualifying subordinated liabilities. It is stated net of restrictions for assets which are non-transferrable and fungible between Group companies within a period of nine months.
- (2) Solvency regulatory capital requirements relate to the risks and obligations to which the Group is exposed, calculated using an internal model, offset by Group diversification benefits.
- (3) Equates to a regulatory coverage ratio of 140 per cent. on a *pro forma* basis (2015: 130 per cent.) and a Shareholder Capital Coverage Ratio of 170 per cent. on a *pro forma* basis (2015: 154 per cent.).
- (4) The Solvency II positions at 31 December 2016 include the adverse impact of an assumed recalculation of transitional measures on technical provisions.
- (5) The position at 31 December 2016 included *pro forma* adjustments to illustrate the impacts of the issuance in January 2017 of the £300 million Solvency II qualifying Tier 3 notes (the 2022 Notes) and the receipt of the PRA's approval in March 2017 to include the acquired AXA business within the Group's Solvency II Internal Model. Had these adjustments not been made, the surplus at 31 December 2016 would be £0.1 billion lower.

Regulatory capital metrics prior to 1 January 2016

The historic group capital measures described below ceased to be regulatory measures with effect from 1 January 2016 and are only provided in order to give context to the Group's last reported regulatory capital position prior to its entry into the Solvency II regime.

Until 1 January 2016, each UK life company was required to retain sufficient capital at all times to meet the more onerous of the EU-directive-based "Pillar 1" and "Pillar 2" risk-based capital requirements stipulated by the PRA. PRA regulated insurance groups (including their insurance holding companies) were also required to provide capital adequacy calculations on a group-wide basis, to enable the PRA to assess both the level of insurance and financial risk within the relevant insurance group and the resources available to cover this risk.

For further information regarding the UK regulatory capital framework, see Part III ("*Regulatory Overview*") of this Prospectus.

Pillar 1

The public Pillar 1 capital calculation was calculated by applying fixed percentages to liabilities and sums assured at risk or setting aside a proportion of expenses. There were further stress tests for with-profit business which may increase the required capital under these calculations.

Pillar 2

The private Pillar 2 capital calculation was based on a self-assessment methodology called the ICA. This methodology determined the capital requirement to ensure that each Phoenix Life Company's realistic liabilities could be met in one year's time with a 99.5 per cent. confidence level, or in other words to be able to withstand a '1 in 200 year event'. The PRA reviewed each Phoenix Life Company's ICA and was able to impose additional regulatory capital requirements if necessary in the form of Individual Capital Guidance.

Group requirements

IGD Surplus

The Group's IGD assessment was historically made at the level of the highest EEA insurance group holding company, which, until 31 January 2018, was PLHL.

The Group's historic regulatory capital policy, agreed with the PRA, was to maintain group capital resources calculated at the PLHL level (i.e., including PLHL and its subsidiaries) at an amount in excess of:

- 105 per cent. of the With-Profits Insurance Capital Component (“WPICC”), being an additional regulatory capital requirement of with-profit funds; plus
- 145 per cent. of the group capital resource requirement less the WPICC.

The group regulatory capital resource requirement was the sum of the individual capital resource requirements for each of the regulated undertakings in the insurance group.

For further information, see the Group's Annual Report and Accounts for the year ended 31 December 2015, which are incorporated by reference into this Prospectus as set out in Part X (“*Documents Incorporated by Reference*”).

Individual Capital Assessment

The Group also historically undertook an ICA at the level of the highest EEA level insurance group holding company, which, until 31 January 2018, was PLHL. This involved an assessment, on a Pillar 2 basis, of the capital resources and requirements arising from the obligations and risks which existed outside the Phoenix Life Companies. As agreed with the PRA, the Group aimed to ensure that PLHL maintained capital resources in excess of its pension scheme and other capital requirements as assessed under Pillar 2, which was known as the Group's PLHL ICA surplus. The Group has historically restricted discretionary payments out of PLHL to the extent required to maintain an ICA surplus of at least £150 million.

For further information, see the Group's Annual Report and Accounts for the year ended 31 December 2015, which are incorporated by reference into this Prospectus as set out in Part X (“*Documents Incorporated by Reference*”).

Group MCEV

Following implementation of the Solvency II regulatory regime, as of 1 January 2016, the Group discontinued reporting on an MCEV basis. As a result, the Group last published results on an MCEV basis for the year ended 31 December 2015.

For further information, see the Group's Annual Report and Accounts for the year ended 31 December 2015, which are incorporated by reference into this Prospectus as set out in Part X (“*Documents Incorporated by Reference*”).

Financial leverage

The Group historically calculated its financial leverage as gross shareholder debt as a percentage of the gross MCEV. Gross shareholder debt was defined as the notional face value of the shareholder and hybrid debt. Gross MCEV is defined as the sum of the Group MCEV and the value of the shareholder and hybrid debt as included in the MCEV. As previously discussed, following the implementation of the Solvency II regime, MCEV is no longer being reported. This, together with the Group's achievement of an investment grade credit rating during 2015, meant that the financial leverage calculation is also no longer reported.

Off-balance sheet arrangements

The Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contingent liabilities

In the normal course of business the Group is exposed to certain legal issues, which involve litigation and arbitration. As at 30 June 2018, the Group has a number of contingent liabilities in this regard, none of which is considered by the Directors to be material with the exception of the item set out below.

During 2016, the FCA published its thematic review into the practices of non-advised annuity sales. Following the acquisitions of Abbey Life and Standard Life Assurance, provisions have been recognised in respect of obligations identified as a result of past practices adopted by the entity in the areas covered by the review. As part of this exercise, other potential exposures were identified where it is not yet possible to conclude that the Group has a present obligation that will require an outflow

of economic benefits. The determination of any liability arising remains dependent on the occurrence of uncertain future events, including finalisation of the Abbey Life and Standard Life Assurance past business reviews of non-advised annuity sales.

Description of certain other indebtedness

Overview

The Group intends to manage leverage at a level consistent with maintaining an investment grade rating for New Phoenix and the Group's senior and subordinated shareholder debt. The total principal amount outstanding under the 2027 Notes, 2022 Notes, Senior Bonds, 2025 Notes, PLL Tier 2 Bonds (as defined below) and credit facilities as at 31 December 2017 was £1,585 million of which £835 million was issued during 2017 (with the principal of the 2027 Notes included at the swapped rate of £385 million). On 26 April 2018, the Group issued the RT1 Notes and on 24 September 2018, the Group issued the 2029 Notes. As a result of the amendments to the Revolving Credit Agreement becoming effective on 2 May 2018, the commitments under the Backstop Revolving Credit Agreement were cancelled on 2 May 2018. The credit facilities under the Acquisition Facility Agreement remain available.

Under the terms of the Share Purchase Agreement, SLAL was transferred to Old Phoenix free of any outstanding indebtedness in the form of bonds, loans or other financing liabilities, save that SLAL remains the guarantor under two series of bonds issued by Standard Life Aberdeen. For further information, see paragraphs 12.4 and 12.5 ("*Material Contracts—Standard Life Assurance*") of Part IX ("*Additional Information*") of this Prospectus.

A description of the Group's own indebtedness as at the date of this Prospectus is set out below.

Senior Bonds

On 7 July 2014, PGH Capital issued the Senior Bonds, being a £300 million senior unsecured bond with an annual coupon of 5.75 per cent., which was guaranteed by Old Phoenix on a senior basis. On 20 March 2017, Old Phoenix was substituted in place of PGH Capital as issuer of the Senior Bonds. The Senior Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of Old Phoenix. Unless previously redeemed or purchased and cancelled, the Senior Bonds will mature on 7 July 2021. The Senior Bonds are listed on the LSE. In 2017, the Group repurchased £178,390,000 of the principal of the Senior Bonds. As at 31 December 2017, the outstanding principal amount under the Senior Bonds was £121,610,000.

2022 Notes

On 20 January 2017, PGH Capital issued £300,000,000 4.125 per cent. Tier 3 subordinated notes due 2022 (the "**2022 Notes**"). On 20 March 2017, Old Phoenix was substituted in place of PGH Capital as issuer of the 2022 Notes. On 5 May 2017, Old Phoenix completed the issue of a further £150 million of the 2022 Notes (bringing the total outstanding principal amount to £450 million). The 2022 Notes constitute direct, unsecured and subordinated obligations of Old Phoenix. On a winding-up of Old Phoenix or in the event that an administrator of Old Phoenix is appointed and gives notice that it intends to declare and distribute a dividend, the claims of the holders of the 2022 Notes will rank junior in priority to the claims of all senior creditors of Old Phoenix, but senior to the 2025 Notes, the 2027 Notes, the 2029 Notes and the RT1 Notes. Unless previously redeemed or purchased and cancelled, the 2022 Notes are scheduled to mature on 20 July 2022, subject to and in accordance with their terms. The 2022 Notes are listed on the LSE.

2025 Notes

On 23 January 2015, PGH Capital issued £428,113,000 6.625 per cent. guaranteed subordinated notes due 2025 guaranteed on a subordinated basis by Old Phoenix (the "**2025 Notes**"). On 20 March 2017, Old Phoenix was substituted in place of PGH Capital as issuer. The 2025 Notes constitute direct, unsecured and subordinated obligations of Old Phoenix. On a winding-up of Old Phoenix or in the event that an administrator of Old Phoenix is appointed and gives notice that it intends to declare and distribute a dividend, the claims of the holders of the 2025 Notes will rank junior in priority to the claims of all senior creditors of Old Phoenix and the 2022 Notes, but senior to the RT1 Notes. Unless previously redeemed or purchased and cancelled, the 2025 Notes are scheduled to mature on 18 December 2025, subject to and in accordance with their terms. The 2025 Notes are listed on the LSE.

2027 Notes

On 6 July 2017, Old Phoenix issued US\$500,000,000 5.375 per cent. Tier 2 notes due 2027 (the “**2027 Notes**”). The 2027 Notes constitute direct, unsecured and subordinated obligations of Old Phoenix. On a winding-up of Old Phoenix or in the event that an administrator of Old Phoenix is appointed and gives notice that it intends to declare and distribute a dividend, the claims of the holders of the 2027 Notes will rank junior in priority to the claims of all senior creditors of Old Phoenix and the 2022 Notes, but senior to the RT1 Notes. Unless previously redeemed or purchased and cancelled, the 2027 Notes are scheduled to mature on 6 July 2027, subject to and in accordance with their terms. The 2027 Notes are listed on the LSE.

2029 Notes

On 24 September 2018, Old Phoenix issued €500,000,000 4.375 per cent. Tier 2 Notes due 2029 (the “**2029 Notes**”). The 2029 Notes constitute direct, unsecured and subordinated obligations of Old Phoenix. On a winding-up of Old Phoenix or in the event that an administrator of Old Phoenix is appointed and gives notice that it intends to declare and distribute a dividend, the claims of the holders of the 2029 Notes will rank junior in priority to the claims of all senior creditors of Old Phoenix and the 2022 Notes, but senior to the RT1 Notes. Unless previously redeemed or purchased and cancelled, the 2029 Notes are scheduled to mature on 24 January 2029, subject to and in accordance with their terms. The 2029 Notes are listed on the LSE.

PLL Tier 2 Bonds

In July 2001, Scottish Mutual Assurance Limited (which was then known as Scottish Mutual Assurance plc) issued £200 million 7.25 per cent. undated, unsecured subordinated notes (the “**PLL Tier 2 Bonds**”). With effect from 1 January 2009, as a part of a Part VII transfer, the PLL Tier 2 Bonds were transferred into the shareholder fund of PLL. The PLL Tier 2 Bonds have no fixed redemption date. The earliest date upon which PLL can redeem the PLL Tier 2 Bonds is on 25 March 2021 and on each fifth anniversary thereafter. In the event of the winding-up of PLL, the right of payment under the PLL Tier 2 Bonds is subordinated to the rights of the higher-ranking creditors (principally policyholders). The PLL Tier 2 Bonds are listed on the Luxembourg Stock Exchange. On 23 December 2014, the terms of the PLL Tier 2 Bonds were amended pursuant to an extraordinary resolution of the holders of the PLL Tier 2 Bonds and a supplemental trust deed effecting such changes in order to ensure that the PLL Tier 2 Bonds were compliant with the requirements of the General Prudential sourcebook as they applied to PLL. The PLL Tier 2 Bonds will continue to be treated as tier 2 capital for up to ten years from 1 January 2016 under the transitional arrangements set out in Solvency II.

RT1 Notes

On 26 April 2018, Old Phoenix issued £500,000,000 fixed rate reset perpetual restricted tier 1 write down notes (the “**RT1 Notes**”). The RT1 Notes constitute direct, unsecured and deeply subordinated obligations of Old Phoenix and are perpetual securities with no fixed redemption date. The RT1 Notes will bear interest on their principal amount from (and including) 26 April 2018 to (but excluding) 26 April 2028 at a fixed rate of 5.75 per cent. per annum and thereafter at a fixed rate of interest which will be reset on 26 April 2028 (the first call date) and on each fifth anniversary thereafter. Old Phoenix may at its option redeem the RT1 Notes on the first call date or any interest payment date thereafter. On a winding-up or administration of Old Phoenix, claims of holders of the RT1 Notes would be subordinated to those of senior creditors of Old Phoenix and to the holders of any tier 2 and tier 3 notes issued by Old Phoenix (including, without limitation, the 2025 Notes, the 2027 Notes, the 2029 Notes and the 2022 Notes). Holders of RT1 Notes have an equal right to a return of assets in the winding-up or administration of Old Phoenix to, and so rank *pari passu* with, the holders of the most senior class or classes of issued preference shares (if any) in the capital of Old Phoenix from time to time and so ahead of holders of the Old Phoenix Shares. However, notwithstanding such a ranking in a winding-up or administration, upon the occurrence of specific trigger events set out in the terms of the RT1 Notes (including a breach of certain solvency capital requirements), each of the RT1 Notes will be permanently and automatically written down to zero and in such certain circumstances the holders of the RT1 Notes will have no claim in the winding-up or administration of Old Phoenix. The RT1 Notes also contain provisions for the mandatory cancellation of interest in certain circumstances and also on a discretionary basis. The RT1 Notes are listed on the LSE.

Credit Facilities

Revolving Credit Agreement

For further information on the Revolving Credit Agreement, see paragraph 12.4 (“*Revolving Credit Agreement*”) in Part IX (“*Additional Information – Material Contracts*”) of this Prospectus.

Acquisition Facility Agreement

For further information on the Acquisition Facility Agreement, see paragraph 12.5 (“*Acquisition Facility Agreement*”) in Part IX (“*Additional Information – Material Contracts*”) of this Prospectus.

Indebtedness

During the six months ended 30 June 2018, cash receipts from Phoenix Life Companies were £349 million and finance costs attributable to owners were £54 million, resulting in a cash coverage ratio of 6.5:1. The cash coverage ratio (cash receipts: finance costs attributable to owners) is an indicator of the ability of the Group to meet its debt servicing costs, subject to any necessary regulatory permissions to loan or dividend up such cash amounts and any other regulatory restrictions on payments.

As at 30 September 2018, the Group had the following indebtedness:

	As at 30 September 2018
	(£ million)
Total current debt	
Secured ⁽¹⁾	34
Total current debt	34
Total non-current debt (excluding current portion of the long-term debt)	
Secured ⁽¹⁾	152
Unguaranteed / Unsecured ⁽²⁾	2,493
Total non-current debt	2,679

Notes:

- (1) Secured debts related to the £120 million 7.59 per cent. Class A2 limited recourse bonds, with an outstanding principal of £48 million as at 30 September 2018, secured against embedded value on a block of policies within PLAL, the Property Reversions loan from Santander UK plc, secured against related residential property reversions, and the Abbey Life retrocession contracts, secured on future surplus arising on a block of life insurance policies originating from the wholly-owned Spanish and Portuguese subsidiaries of Banco Santander, S.A. These borrowings are classified as policyholder borrowings as they have either no or limited shareholder exposure, for example, borrowings attributable to the Group’s with-profit operations.
- (2) The £200 million PLL Tier 2 Bonds and the £500 million RT1 Notes are undated and unsecured. The £428 million subordinated notes (the 2025 Notes), the £450 million Tier 3 subordinated notes (the 2022 Notes), the US \$500 million Tier 2 notes (the 2027 Notes) and the €500 million Tier 2 notes (the 2029 Notes) are dated and unsecured. The right of payment under the notes is subordinated to the rights of higher-rankings creditors (notably policyholders). The £300 million senior unsecured bond (the Senior Bonds) (of which £122m is currently outstanding) is dated and unsubordinated.

Capitalisation

	As at 30 June 2018
	(£ million)
Shareholders' equity	
Share capital.....	—
Share premium.....	1,354
Shares held by the employee trust and Group entities.....	(4)
Foreign currency translation reserve.....	96
Owner-occupied property revaluation reserve.....	5
Cash flow hedging reserve.....	(14)
Retained earnings.....	1,703
Total capitalisation.....	3,140

Following the rights issue announced in May 2018, 183,581,978 ordinary shares were issued in July 2018 with net proceeds of £932 million credited to share premium. As part consideration for the Acquisition which completed on 31 August 2018, 144,114,450 ordinary shares were issued to Standard Life Aberdeen plc at a value of £1,023 million credited to share premium.

The Group has no indirect and contingent indebtedness.

Distributable items

Old Phoenix is subject to the Cayman Companies Law, under which distributions can be made out of retained earnings (profits) or share premium, subject in each case to a solvency test. The solvency test is broadly consistent with the Group's going concern assessment criteria.

As at 30 June 2018, Old Phoenix's distributable items comprised:

	As at 30 June 2018
	(£ million)
Retained earnings (profits).....	331
Share premium.....	1,350
Total.....	1,681

Quantitative and qualitative disclosures about market risk

Quantitative and qualitative disclosures about market risk are included in the "*Risk Management*" section on pages 9 to 11 of the Interim Report for the six month period ended 30 June 2018, pages 32 to 37 of the Annual Report and Accounts for the year ended 31 December 2017 and Note E6 to the audited consolidated financial statements included in the Annual Report and Accounts for the year ended 31 December 2017, which are incorporated by reference into this Prospectus as set out in Part X ("*Documents Incorporated by Reference*").

Critical accounting policies

The critical accounting policies of Old Phoenix are set out in Note A3 of the audited consolidated financial statements included in the Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015, which are incorporated by reference into this Prospectus as set out in Part X ("*Documents Incorporated by Reference*").

PART VI—FINANCIAL INFORMATION OF STANDARD LIFE ASSURANCE

SELECTED HISTORICAL FINANCIAL INFORMATION RELATING TO STANDARD LIFE ASSURANCE

The tables below set out Standard Life Assurance’s selected combined historical financial information as at and for the years ended 31 December 2017, 2016 and 2015. The data has been extracted without material adjustment from the combined historical financial information of Standard Life Assurance included in Part B (“*Historical Financial Information Relating to Standard Life Assurance*”) of Part IX (“*Financial Information of Standard Life Assurance*”) of the Acquisition Prospectus which is incorporated by reference into this Prospectus as set out in Part X (“*Documents Incorporated by Reference*”). Investors should read the whole of this Prospectus, including the information incorporated by reference into this Prospectus, and not rely solely on the summarised financial information below.

Selected combined income statement

	Year ended 31 December		
	2017	2016	2015
		(£ million)	
Total net revenue	15,516	18,054	7,869
Total expenses	14,965	17,544	7,540
Profit before tax	551	510	329
Tax expense attributable to policyholders’ returns	159	233	80
Profit before tax attributable to equity holders profits	392	277	249
Total tax expense	207	271	120
Less: Tax expense attributable to policyholders’ returns	(159)	(233)	(80)
Tax expense attributable to shareholders’ profits	48	38	40
Profit for the year	344	239	209
Attributable to:			
Net parent investment	286	160	130
Non-controlling interest – Subordinated notes	34	34	34
Non-controlling interest – Other	24	45	45
Total profit attributable to holders of net investment	344	239	209

Selected combined statement of financial condition

	Year ended 31 December		
	2017	2016	2015
		(£ million)	
Total assets	183,388	181,575	169,941
Net Parent Investment.....	2,321	2,223	2,107
Non-controlling interest – Subordinated notes	502	502	502
Non-controlling interest – Other	297	302	290
Total Net Investment	3,120	3,027	2,899
Total liabilities	180,268	178,548	167,042
Total equity and liabilities	183,388	181,575	169,941

PART VII—OPERATING AND FINANCIAL REVIEW OF STANDARD LIFE ASSURANCE

The following operating and financial review is intended to convey the Directors' perspective on the operating performance and financial condition of Standard Life Assurance from 1 January 2015 to 31 December 2017. The discussion should be read in conjunction with the rest of this Prospectus and the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015, which is incorporated by reference as described in Part X ("Documents Incorporated by Reference") of this Prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties that could cause the actual results of Standard Life Assurance to differ from those expressed or implied by such forward-looking statements. These risks and uncertainties are discussed in the section of this Prospectus headed "Risk Factors" and elsewhere in this Prospectus. See "Cautionary note regarding forward-looking statements" in the section of this Prospectus headed "Important Information".

The discussion contained herein relates to, and all financial information has been extracted without material adjustment from, the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015, which is incorporated by reference as described in Part X ("Documents Incorporated by Reference") of this Prospectus. Standard Life Assurance has not comprised a separate legal entity or group of entities for the years ended 31 December 2017, 2016 and 2015. The combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 was prepared specifically for the purpose of the Acquisition Prospectus, has been prepared on a basis that combines the results, assets and liabilities, and cash flows of Standard Life Assurance by applying the principles underlying the consolidation procedures relating to the elimination of intercompany transactions under IFRS 10 'Consolidated Financial Statements' for each of the three years ended 31 December 2017, 2016 and 2015 and as at these dates. On such basis, the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 sets out the combined balance sheet as at 31 December 2017, 2016 and 2015 and the results of operations and cash flows for the three years then ended.

The combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 has been prepared in accordance with the requirements of the Listing Rules and in accordance with the basis of preparation set out in Part IX ("Financial Information of Standard Life Assurance") of the Acquisition Prospectus. It has been prepared in accordance with IFRS as adopted by the European Union and the IFRS Interpretation Committee interpretations, except as described in Part IX ("Financial Information of Standard Life Assurance") of the Acquisition Prospectus.

This section also includes a discussion of Standard Life Assurance's liquidity and capital resources.

Key factors affecting Standard Life Assurance's results of operations and comparability

The following paragraphs describe the key factors which have affected the results of operations of Standard Life Assurance during the period from 1 January 2015 to 31 December 2017 and/or which may affect the results of operations of Standard Life Assurance in subsequent periods.

Mortality and longevity

The results of operations and cashflows from Standard Life Assurance may be affected by changes in mortality and longevity rates. Increased longevity rates result in pay-outs to holders of annuities over a longer period. The business manages its exposure to changes in mortality and longevity rates by holding prudent reserves based on assumptions that reflect past experience and anticipated future trends.

Annual management charges

The results of operations and cashflows from Standard Life Assurance may be affected by the changes in levels of Assets under Administration ("AUA") and the impact such changes have on annual management charges. An increase in AUA will lead to an increase in annual management charges levels. Changes in AUA are driven by a combination of market movements and net flows from customers.

Provision for annuity sales practices relating to enhanced annuities

On 14 October 2016, the FCA published a further report on its thematic review of non-advised annuity sales practices (TR16/7). SLAL was a participant in that review. The FCA looked at whether firms provided sufficient information to their customers about their potential eligibility for enhanced annuities. For further information on the thematic review on annuity sales practices, see the risk factor entitled “*Risk Factors – Risks Relating to the Group – Regulatory Risks – The thematic review on annuity sales practices may affect the Group’s business*” in this Prospectus.

At the request of the FCA, SLAL is conducting a review of non-advised annuity sales (with a purchase price above a minimum threshold) to customers eligible to receive an enhanced annuity from 1 July 2008 until 31 May 2016. The purpose of this review is to identify whether these customers received sufficient information about enhanced annuities to make the right decisions about their purchase, and, where appropriate, provide redress to customers who have suffered loss as a result of not having received sufficient information. SLAL has been working with the FCA (and has appointed Grant Thornton and Deloitte) regarding the process for conducting this past business review.

SLAL has provided for an estimate of the redress payable to SLAL annuity customers, as well as the costs of conducting the review and other related costs and expenses. The provision in respect of this was £248 million at 31 December 2017 (£175 million as at 31 December 2016).

SLAL has in place liability insurance and is seeking up to £100 million (after accounting for any excess) of the financial impact of the provision to be mitigated by this insurance. SLAL is currently in discussions with its insurers and, as a result, no insurance recovery has been recognised as an asset in the 2017 annual accounts. Standard Life Aberdeen has the economic benefit of this insurance and certain of SLAL’s losses may be mitigated through the indemnity described below.

Standard Life Assurance expects the majority of the outflows associated with this provision, including outflows relating to establishing any reserves for future annuity payments, to have occurred by mid-2019.

Asia and emerging market operations

Following a strategic review, SLIDAC’s Asia and emerging markets operations were closed in 2014 and 2015. The Dubai branch was closed in November 2014 and the Singapore branch was closed in June 2015. The loss arising from this in SLIDAC’s accounts was £42 million in 2015.

Description of key line items

The following descriptions of key line items in the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 are relevant to the discussion of Standard Life Assurance’s results of operations.

Premiums

Premiums received on insurance contracts and participating investment contracts are recognised as revenue when due for payment, except for unit-linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular (and recurring) premium contracts, receivables are established at the date when payments are due.

Contributions received on non-participating investment contracts are treated as policyholder deposits and not reported as revenue on the income statement.

Fees

All fees related to unit-linked non-participating investment contracts are deemed to be associated with the provision of investment management services. Fees related to the provision of investment management services and administration services are recognised as the services are provided. Front-end fees, which are charged at the inception of service contracts, are deferred as a liability and recognised over the life of the contract. Ongoing fees that are charged periodically, either directly or by making a deduction from invested funds, are recognised as received, which corresponds to when the services are provided.

Commissions received or receivable are recognised as revenue on the commencement or renewal date of the related policies. However, when it is probable that Standard Life Assurance will be required to render further services during the life of the policy, the commission is deferred as a liability and is recognised as the services are provided.

Other fee income is related to the development and distribution of technology for the management and administration of employee benefits and the provision of management services are stated net of VAT. Fee income deriving from support contracts and fixed term licences are recognised over the relevant contract periods. Fee income deriving from the delivery of professional services is calculated with reference to the value of the work performed to date as a proportion of total contract value. Fee income deriving from the supply of other goods and services is recognised following the provision of goods and services.

Investment return

Gains and losses resulting from changes in both market value and foreign exchange on investments classified as fair value through profit or loss (“FVTPL”), including investment income received are recognised in the income statement in the period in which they occur. The gains and losses include investment income received such as interest payments, but excludes dividend income. Dividend income is recognised in the income statement when the right to receive payment is established.

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted such as rent free periods are recognised as an integral part of the total rental income and are spread over the term of the lease.

Changes in the fair value of derivative financial instruments that are not hedging instruments are recognised immediately in the income statement.

Interest income on loans and receivables is separately recognised in the income statement using the effective interest rate method.

Claims and benefits paid

Claims paid on insurance contracts and participating investment contracts are recognised as expenses in the income statement.

Maturity claims and annuities are accounted for when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the insurance liability. Death claims and all other claims are accounted for when notified.

Claims payable include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

Withdrawals paid out to policyholders on non-participating investment contracts are treated as a reduction to policyholder deposits and not recognised as expenses in the income statement.

Change in insurance and participating investment contract liabilities

The change in insurance and participating investment contract liabilities comprising the full movement in the corresponding liabilities during the period is recognised in the income statement.

Change in investment contract liabilities

Investment return and related benefits credited in respect of non-participating investment contracts are recognised in the income statement as changes in investment contract liabilities.

Change in unallocated divisible surplus (“UDS”)

The change in UDS recognised in the income statement comprises the movement in the UDS during the period. However, where movements in assets and liabilities which are attributable to participating policyholders are recognised in other comprehensive income, the change in UDS arising from these movements is not recognised in the income statement as it is also recognised in other comprehensive income.

Change in third party interest in consolidated funds

When Standard Life Assurance is considered to control an investment vehicle, such as an open-ended investment company, a unit trust or limited partnership, and it is therefore consolidated, the interests of parties other than Standard Life Assurance are assessed to determine whether they should be classified as liabilities or as non-controlling interests. The liabilities are recognised in third party interest in consolidated funds line in the combined statement of financial position and any movements are recognised in the combined income statement. The financial liability is designated at fair value through profit or loss as it is implicitly managed on a fair value basis as its value is directly linked to the market value of the underlying portfolio of assets. The interests of parties other than Standard Life Assurance in all other types of entities are recorded as non-controlling interests.

Expenses under arrangements with reinsurers

Standard Life Assurance has reinsured the longevity and investment risk related to a portfolio of annuity contracts held within its Heritage With Profits Fund. At inception of the reinsurance contract the reinsurer was required to deposit an amount equal to the reinsurance premium with Standard Life Assurance. Interest is payable on the deposit at a floating rate. Standard Life Assurance maintains a ring fenced pool of assets to back this deposit liability. Annuity payments under the reinsured contracts are made by Standard Life Assurance from the ring fenced assets and the deposit liability is reduced by the amount of these payments. Periodically Standard Life Assurance is required to pay to the reinsurer or receive from the reinsurer premium adjustments defined as the difference between the fair value of the ring fenced assets and the deposit amount, such that the deposit amount equals the fair value of the ring fenced assets. This has the effect of ensuring that the investment risk on the ring fenced pool of assets falls on the reinsurer. The investment return on the ring fenced assets included in investment return in the consolidated income statement is equal to these expenses under arrangements with reinsurers.

Administrative expenses

Administrative expenses comprise expenses relating to management expenses, salaries for employers, commission expenses, investment management expenses, deferral and amortisation of acquisition costs. Administrative expenses are recognised on an accruals basis.

Finance costs

Finance costs primarily relate to interest payable on a £300 million intercompany borrowing which was repaid in August 2018.

Results of operations of Standard Life Assurance for the years ended 31 December 2017, 2016 and 2015

The table below sets forth Standard Life Assurance's combined results of operations for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Revenue			
Gross earned premium	2,099	2,030	2,169
Premium ceded to reinsurers	(45)	(46)	(91)
Net earned premium	2,054	1,984	2,078
Investment return	12,801	15,421	5,148
Fee income.....	633	619	600
Other income	28	30	43
Total net revenue	15,516	18,054	7,869
Expenses			
Claims and benefits paid	4,397	4,766	4,542
Claim recoveries from reinsurers.....	(480)	(492)	(581)
Net insurance benefits and claims	3,917	4,274	3,961
Change in reinsurance assets	567	126	563
Change in insurance and participating contract liabilities	(1,392)	2,064	(1,767)
Change in non-participating investment contract liabilities.....	8,873	8,776	3,376
Change in unallocated divisible surplus	61	106	(108)
Change in third party interest in consolidated funds.....	1,537	443	287
Expenses under arrangements with reinsurers.....	202	509	42
Administrative expenses.....	1,075	1,045	1,159
Provision for annuity sales practices	100	175	—
Finance costs	25	25	27
Total expenses	14,965	17,544	7,540
Profit before tax	551	510	329
Tax expense attributable to policyholders' returns	159	233	80
Profit before tax attributable to equity holders profits	392	277	249
Total tax expense.....	207	271	120
Less: Tax expense attributable to policyholders' returns	(159)	(233)	(80)
Tax expense attributable to shareholders' profits.....	48	38	40
Profit for the year	344	239	209
Attributable to:			
Net parent investment	286	160	130
Non-controlling interest – Subordinated notes	34	34	34
Non-controlling interest – Other	24	45	45
Total profit attributable to holders	344	239	209

All results derive from continuing operations.

Net earned premium

Net earned premiums increased by £70 million, or 4 per cent., to £2,054 million for the year ended 31 December 2017 from £1,984 million for the year ended 31 December 2016. This increase was

primarily due to an increase in premium income from the offshore bond product, which had recorded lower premium income in 2016.

Net earned premiums decreased by £94 million, or 5 per cent., to £1,984 million for the year ended 31 December 2016 from £2,078 million for the year ended 31 December 2015. The decrease principally reflects the lower 2016 premium income from the offshore bond product noted above.

Investment return

The table below sets forth a breakdown of Standard Life Assurance's net investment return for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Financial instruments other than those at FVTPL			
Interest income			
Cash and cash equivalents.....	48	79	82
Loans.....	36	22	22
Other.....	2	6	7
	86	107	111
Impairment losses on subsidiaries.....	—	—	—
Foreign exchange losses on instruments other than at FVTPL..	(73)	(90)	21
Gains on financial instruments other than those at FVTPL.....	13	27	132
Financial instruments at FVTPL			
Dividend income.....	2,225	2,033	1,960
Gains/(losses) on financial instruments held at FVTPL⁽¹⁾			
Equity securities and interests in pooled investment funds.....	8,686	9,911	1,315
Debt securities.....	1,287	6,914	(222)
Derivative financial instruments.....	(354)	(3,702)	1,168
Loans.....	26	9	3
Assets held for sale.....	(2)	1	—
	9,643	13,134	2,264
Gains on financial instruments held at FVTPL.....	11,868	15,166	4,224
Investment property			
Rental income.....	430	369	405
Net fair value gains/(losses) on investment property.....	490	(141)	387
	920	228	792
Total investment return.....	12,801	15,421	5,148

Note:

(1) Gains/(losses) including interest income, excluding dividend income.

Investment return decreased by £2,620 million, or 17 per cent., to £12,801 million for the year ended 31 December 2017 from £15,421 million for the year ended 31 December 2016. Whilst investment return was positive in both periods, the reduction in 2017 was due to the reduction in yields being lower in 2017 than in 2016, generating a smaller fair value gain on debt securities.

Investment return increased by £10,273 million to £15,421 million for the year ended 31 December 2016 from £5,148 million for the year ended 31 December 2015. The increase reflects positive equity performance in the period, generating fair value gains on equity securities and interests in pooled investment funds, and the impact of a reduction in yields, which generated fair value gains on debt securities respectively.

Fee income

Fee income increased by £14 million, or 2 per cent., to £633 million for the year ended 31 December 2017 from £619 million for the year ended 31 December 2016. This increase principally reflects the growth in annual management charges in line with increasing AUA.

Fee income increased by £19 million, or 3 per cent., to £619 million for the year ended 31 December 2016 from £600 million for the year ended 31 December 2015. The increase principally reflects the growth in annual management charges in line with increasing AUA.

Other income

Other income decreased by £2 million, or 7 per cent., to £28 million for the year ended 31 December 2017 from £30 million for the year ended 31 December 2016. Other income decreased by £13 million, or 30 per cent., to income of £30 million for the year ended 31 December 2017 from income of £43 million for the year ended 31 December 2016.

Total net revenue

As a result of the foregoing factors, total net revenue of Standard Life Assurance decreased by £2,538 million, or 14 per cent., to £15,516 million for the year ended 31 December 2017 from £18,054 million for the year ended 31 December 2016. Total net revenue of Standard Life Assurance increased by £10,185 million to £18,054 million for the year ended 31 December 2016 from £7,869 million for the year ended 31 December 2015.

Net insurance benefits and claims

Net insurance benefits and claims decreased by £357 million, or 8 per cent., to £3,917 million for the year ended 31 December 2017 from £4,274 million for the year ended 31 December 2016. This decrease was primarily due to claims in the UK business reducing over time due to a reduction in the size of Standard Life Assurance's older style book of business.

Net insurance benefits and claims increased by £313 million, or 8 per cent., to £4,274 million for the year ended 31 December 2016 from £3,961 million for the year ended 31 December 2015. The increase principally reflects higher maturities in the Germany Heritage With Profits Fund in 2016.

Change in reinsurance assets

Change in reinsurance assets increased by £441 million to a £567 million reduction in reinsurance assets for the year ended 31 December 2017 from a £126 million reduction for the year ended 31 December 2016. As the reinsurance business runs off a reduction in reinsurance assets is expected. However, in 2016 the reduction was somewhat offset by the relatively large reduction in yields in 2016.

Change in reinsurance assets decreased by £437 million to a £126 million reduction in reinsurance assets for the year ended 31 December 2016 from £563 million for the year ended 31 December 2015. As noted above a reduction in reinsurance assets is expected as the business runs off but the reduction in 2016 was somewhat offset by the relatively large reduction in yields in 2016.

Change in insurance and participating contract liabilities

Change in insurance and participating contract liabilities increased by £3,456 million to a credit of £1,392 million for the year ended 31 December 2017 from a debit of £2,064 million for the year ended 31 December 2016.

Change in insurance and participating contract liabilities decreased by £3,831 million to a debit of £2,064 million for the year ended 31 December 2016 from a credit of £1,767 million for the year ended 31 December 2015.

The change in insurance and participating contract liabilities line includes the impact of net outflows in this older class of business leading to a decrease in liabilities. In 2016, the impact of net outflows was offset by the impact of higher investment gains and the relatively large yield reduction leading to an increase in liabilities.

Change in non-participating investment contract liabilities

Change in non-participating investment contract liabilities increased by £97 million, or 1 per cent., to £8,873 million for the year ended 31 December 2017 from £8,776 million for the year ended 31 December 2016.

Change in non-participating investment contract liabilities increased by £5,400 million to £8,776 million for the year ended 31 December 2016 from £3,376 million for the year ended 31 December 2015.

These increases were primarily due to investment performance on the assets underlying the non-participating investment contract business.

Change in unallocated divisible surplus

Change in unallocated divisible surplus decreased by £45 million, or 42 per cent., to £61 million for the year ended 31 December 2017 from £106 million for the year ended 31 December 2016.

Change in unallocated divisible surplus decreased by £214 million to a debit of £106 million for the year ended 31 December 2016 from a credit of £108 million for the year ended 31 December 2015.

Change in third party interest in consolidated funds

Change in third party interest in consolidated funds increased by £1,093 million to £1,537 million for the year ended 31 December 2017 from £444 million for the year ended 31 December 2016.

Change in third party interest in consolidated funds increased by £157 million, or 54 per cent., to £444 million for the year ended 31 December 2016 from £287 million for the year ended 31 December 2015.

These increases were primarily due to the impact of positive investment return which enhanced the third party share of the consolidated investment funds.

Expenses under arrangements with reinsurers

Expenses under arrangements with reinsurers decreased by £307 million, or 60 per cent., to £202 million for the year ended 31 December 2017 from £509 million for the year ended 31 December 2016. This relates to the deposit back arrangement with Canada Life and equates to passing back to Canada Life the investment return on the debt securities in the deposit back. The decrease in 2017 is due to 2016 having higher investment return on the debt securities in the deposit back, due to the higher reduction in yields in 2016.

Expenses under arrangements with reinsurers increased by £467 million to £509 million for the year ended 31 December 2016 from £42 million for the year ended 31 December 2015. The increase in 2016 is due to the reduction in yields in 2016.

Administrative expenses

Administrative expenses increased by £30 million, or 3 per cent., to £1,075 million for the year ended 31 December 2017 from £1,045 million for the year ended 31 December 2016.

Administrative expenses decreased by £114 million to £1,045 million for the year ended 31 December 2016 from £1,159 million for the year ended 31 December 2015. The decrease principally reflects lower commission expenses, investment management expenses and staff costs in 2016.

Provision for annuity sales practices

In the year ended 31 December 2016 a provision of £175 million was created as the FCA's review into the sale of non-advised annuities determined that some of the sales that Standard Life Assurance made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity.

The provision for historic annuity sales practices increased by £100 million in the year ended 31 December 2017, following further analysis work and an update to assumptions based on sample testing following the receipt of the FCA redress calculator in early 2018.

Finance costs

Finance costs were £25 million for the years ended 31 December 2017 and 31 December 2016.

Finance costs decreased by £2 million to £25 million for the year ended 31 December 2016 from £27 million for the year ended 31 December 2015.

Profit before tax

As a result of the foregoing factors, Standard Life Assurance's profit before tax increased by £41 million, or 8 per cent., to £551 million for the year ended 31 December 2017 from £510 million for the year ended 31 December 2016.

Standard Life Assurance's profit before tax increased by £181 million, or 55 per cent., to £510 million for the year ended 31 December 2016 from £329 million for the year ended 31 December 2015.

Total tax expense

Total tax expense decreased by £64 million, or 24 per cent., to £207 million for the year ended 31 December 2017 from £271 million for the year ended 31 December 2016. The decrease principally reflects a lower policyholder tax charge in line with the reduction in investment return in 2017.

Total tax expense increased by £151 million to £271 million for the year ended 31 December 2016 from £120 million for the year ended 31 December 2015. The increase principally reflects a higher policyholder tax charge in line with the increase in investment return in 2016.

Profit for the year attributable to net parent investment

As a result of the foregoing factors, the profit for the year attributable to the owners of Standard Life Assurance increased by £126 million, or 79 per cent., to £286 million for the year ended 31 December 2017 from £160 million for the year ended 31 December 2016. Profit for the year attributable to the owners of Standard Life Assurance increased by £30 million, or 23 per cent., to £160 million for the year ended 31 December 2016 from £130 million for the year ended 31 December 2015.

Profit for the year attributable to Non-controlling interest – Subordinated notes

Profit for the year attributable to the subordinated notes remained constant at £34 million in the years ended 31 December 2017, 31 December 2016 and 31 December 2015. The subordinated notes have been classified as non-shareholders' equity under IFRS with interest payments being treated as an appropriation of profit attributable to holders of the notes.

Profit for the year attributable to Non-controlling interest – Other

Non-controlling interest decreased by £21 million to £24 million for the year ended 31 December 2017 from £45 million for the year ended 31 December 2016. This item is driven by the performance of investment funds in which third parties have a holding.

Non-controlling interest was £45 million for the year ended 31 December 2016 and for the year ended 31 December 2015. This item is driven by the performance of investment funds in which third parties have a holding.

Operating profit for Standard Life Assurance for the years ended 31 December 2017, 2016 and 2015

Operating profit as presented by Standard Life Assurance is a non-GAAP financial measure and is not a measure of financial performance under IFRS. Standard Life Assurance presents operating profit because it is less affected by short-term external market impacts than IFRS measures of performance and therefore in Standard Life Assurance's view it provides a better basis for assessing trends in the operational performance of Standard Life Assurance over time. Operating profit represents the normalised long-term investment return in that it excludes short-term fluctuations in investment returns and other items considered to be non-operating by management. Operating profit should not be considered in isolation as an alternative to profit or loss for the year before tax or other data presented in the financial statements as indicators of financial performance. As it is not determined in accordance with IFRS, operating profit may not be comparable to other similarly titled measures of performance of other companies.

Operating profit is based on expected investment returns on financial investments backing owners and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside adjusted profit.

Operating profit is presented before the deduction of the following non-operating items:

- amortisation and impairment of acquired intangible assets;
- finance costs attributable to owners;
- provision for annuity sales practices;
- other non-operating items, which include:
- gains or losses on the disposal of subsidiaries, associates or joint ventures;
- the financial impacts of mandatory regulatory change;

- integration, restructuring or other significant one-off projects; and
- any other items which, in the Directors' view, should be excluded by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

For a reconciliation of operating profit to IFRS profit for the year attributable to owners, see the section headed "Reconciliation of Standard Life Assurance's operating profit for the years ended 31 December 2017, 2016 and 2015" below.

Analysis of Standard Life Assurance's operating profit

The following table is an analysis of Standard Life Assurance's operating profit for the years ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
	2017	2016	2015
	(£ million)		
Fee based revenue.....	790	748	704
Spread/risk margin.....	148	110	129
Operating income	938	858	833
Operating expenses	(611)	(548)	(550)
Capital management.....	39	53	43
Operating profit before adjusting items	366	363	326

Fee based revenue

Fee based revenue increased by £42 million, or 6 per cent., to £790 million for the year ended 31 December 2017 from £748 million for the year ended 31 December 2016, benefitting from higher opening AUA due to net inflows and market movements.

Fee based revenue increased by £44 million, or 6 per cent., to £748 million for the year ended 31 December 2016 from £704 million for the year ended 31 December 2015, benefitting from higher opening AUA.

Spread/risk margin

Spread/risk margin increased by £38 million, or 35 per cent., to £148 million for the year ended 31 December 2017 from £110 million for the year ended 31 December 2016. The increase was largely driven by the impact of operating assumption and actuarial reserving changes in the UK which provided a £79 million benefit (2016: £38 million), primarily from mortality assumption changes. The Europe spread/risk result was impacted by adverse mortality experience in Ireland and refinements to Standard Life Assurance's reserving methodology in Germany.

Spread/risk margin decreased by £19 million, or 15 per cent., to £110 million for the year ended 31 December 2016 from £129 million for the year ended 31 December 2015. In the UK, operating assumption and actuarial reserving changes provided a benefit of £38 million (2015: £43 million), primarily relating to mortality assumption changes. The 2016 result included the benefit of a £22 million payment from the Heritage With Profits Fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. This benefit was offset by reductions in other components of the spread/risk result, some of which are one-off or volatile in nature.

Operating expenses

Operating expenses increased by £63 million, or 11 per cent., to £611 million for the year ended 31 December 2017 from £548 million for the year ended 31 December 2016. The 2017 result includes a £31 million impairment of intangible assets, which arose due to the discontinuation of part of an IT transformation project and a £16 million cost of specific remediation. Investment expenses payable to Aberdeen Standard Investments also increased by £9 million in line with higher AUA.

Operating expenses reduced by £2 million to £548 million for the year ended 31 December 2016 from £550 million for the year ended 31 December 2015.

Capital management

The capital management result decreased by £14 million, or 26 per cent., to £39 million for the year ended 31 December 2017 from £53 million for the year ended 31 December 2016. The decrease is attributable to a lower expected return on the assets backing subordinated debt and a reduction in the IAS 19 Pension Scheme net interest credit, reflecting lower opening yields.

The capital management result increased by £10 million, or 23 per cent., to £53 million for the year ended 31 December 2016 from £43 million for the year ended 31 December 2015. The increase is as a result of favourable movements in the IAS 19 Pension Scheme net interest credit, reflecting the higher opening pension scheme surplus in the UK defined benefit scheme.

Reconciliation of Standard Life Assurance's operating profit for the years ended 31 December 2017, 2016 and 2015

The following table reconciles Standard Life Assurance's operating profit before tax to IFRS profit after tax for the years ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
	2017	2016	2015
		(£ million)	
Operating profit before adjusting items	366	363	326
Adjusted for the following items:			
Investment return variances and economic assumption changes on long-term business.....	135	50	8
Variance on owners' funds	(3)	26	(7)
Provision for annuity sales practices	(100)	(175)	—
Other	(10)	(12)	(103)
Profit before finance costs attributable to owners	388	252	224
Finance costs attributable to owners.....	(20)	(20)	(20)
Profit attributable to non-controlling interests – other.....	24	45	45
Profit before tax attributable to equity holders profits	392	277	249
Shareholder tax.....	(48)	(38)	(40)
Profit after tax attributable to net investment	344	239	209

Investment return variances and economic assumption changes

Investment return variances and economic assumption changes increased by £85 million to £135 million for the year ended 31 December 2017 from £50 million for the year ended 31 December 2016. This variance largely relates to investment variances on assets and liabilities in relation to Standard Life Assurance's annuity business.

Investment return variances and economic assumption changes increased by £42 million to £50 million for the year ended 31 December 2016 from £8 million for the year ended 31 December 2015. This variance largely relates to investment variances on assets and liabilities in relation to Standard Life Assurance's annuity business.

Variance on owners' funds

Variance on owners' funds decreased by £29 million to a negative variance on owners' funds of £3 million for the year ended 31 December 2017 compared to a positive variance on owners' funds of £26 million for the year ended 31 December 2016. The 2016 result was favourable due to the relatively large reduction in yields in 2016, which gave investment gains on the assets backing subordinated debt.

Variance on owners' funds increased by £33 million to a positive variance on owners' funds of £26 million for the year ended 31 December 2016 as compared to a negative variance on owners'

funds of £7 million for the year ended 31 December 2015. The positive variance is driven by favourable investment variances on the assets backing subordinated debt, impacted by a sharp fall in yields in 2016.

Provision for annuity sales practices

In the year ended 31 December 2016 a provision of £175 million was created as the FCA's review into the sale of non-advised annuities determined that some of the sales that Standard Life Assurance made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity.

The provision for historic annuity sales practices increased by £100 million in the year ended 31 December 2017, following further analysis work and an update to assumptions based on sample testing following the receipt of the FCA redress calculator in early 2018.

Other items

Other items decreased by £2 million, or 17 per cent., to £10 million for the year ended 31 December 2017 from £12 million for the year ended 31 December 2016.

Other items decreased by £91 million, or 88 per cent., to £12 million for the year ended 31 December 2016 from £103 million for the year ended 31 December 2015. The 2015 result included restructuring expenses of £44 million in relation to the closure of SLIDAC's branches in Singapore and Dubai. The remainder of the reduction primarily reflects the 2015 result having included higher costs relating to the restructuring of the UK defined benefit scheme.

Finance costs attributable to owners

Finance costs attributable to owners have remained stable, reflecting the ongoing cost of the subordinated debt liabilities. The finance costs were £20 million for the years ended 31 December 2017, 31 December 2016 and 31 December 2015.

Profit attributable to non-controlling interests – other

Profit attributable to non-controlling interest – other, decreased by £21 million, or 47 per cent., to £24 million for the year ended 31 December 2017 from £45 million for the year ended 31 December 2016 and 31 December 2015. This item is driven by the performance of investment funds in which third parties have a holding.

Shareholder tax

Shareholder tax increased by £10 million, or 26 per cent., to a £48 million charge for the year ended 31 December 2017 compared to a charge of £38 million for the year ended 31 December 2016, in line with higher profits.

Shareholder tax decreased by £2 million, or 5 per cent., to a £38 million charge for the year ended 31 December 2016 compared to a charge of £40 million for the year ended 31 December 2015.

Regulatory capital requirements

The following table sets out a reconciliation from the Solvency II balance sheet to the Solvency II Own Funds for Standard Life Assurance.

	Year ended 31 December 2017	
	(£ million)	
Assets	Audited	161,079
Technical provisions	Unaudited	146,140
<i>BEL</i>	<i>Audited</i>	145,942
<i>Risk Margin</i>	<i>Unaudited</i>	1,433
<i>TMTP</i>	<i>Unaudited</i>	(1,235)
Other liabilities.....	Audited	8,783
Excess of assets over liabilities	Unaudited	6,156
Subordinated debt.....	Audited	1,023
RFF restriction	Unaudited	(921)
Standard Life Assurance Own Funds	Unaudited	6,258

On a Solvency II basis, using the internal model approved by the PRA for the insurance companies included within Standard Life Assurance, as at 31 December 2017 Standard Life Assurance had a SCR of £3,148 million (unaudited).

Contingent liabilities

At the request of the FCA, SLAL is conducting a past business review of non-advised annuity sales (with a purchase price above a minimum threshold) to customers eligible to receive an enhanced annuity from 1 July 2008 until 31 May 2016. The purpose of the review is to identify whether these customers received sufficient information about enhanced annuities to make the right decisions about their purchase, and, where appropriate, provide redress to customers who have suffered loss as a result of not having received sufficient information. In relation to this review, the FCA is carrying out an investigation and it is possible that the FCA may impose a financial penalty on Standard Life Assurance. At this stage it is not possible to determine an estimate of the financial effect, if any, of this contingent liability.

In the normal course of business, Standard Life Assurance is exposed to certain legal issues, which involve litigation and arbitration. As at 31 December 2017, Standard Life Assurance has a number of contingent liabilities in this regard, none of which are considered by the Directors to be material.

Capitalisation and dividends

Capitalisation

As Standard Life Assurance is not a separate legal group and has not previously prepared standalone financial statements, it is not meaningful to disclose share capital or an analysis of reserves. The net assets of Standard Life Assurance are represented by the cumulative investment of the Standard Life Aberdeen group in Standard Life Assurance and disclosed as net parent investment.

Dividends

SLAL declared dividends to its parent of £312 million in respect of 2017, £180 million in respect of 2016 and £170 million in respect of 2015. Dividends are paid by reference to excess shareholder cash over planned expenditure and capital requirements. The increase in the 2017 dividend was primarily due to higher profits than in previous years.

Quantitative and qualitative disclosures about market risk

Quantitative and qualitative disclosures about market risk are included in Note 34 – Risk management of the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 contained in Part IX (“*Financial Information of Standard Life Assurance*”) of the Acquisition Prospectus, which is incorporated by reference as described in Part X (“*Documents Incorporated by Reference*”) of this Prospectus.

Critical accounting policies

The critical accounting policies of Standard Life Assurance are set out in Note 1 of the combined historical financial information of Standard Life Assurance as at and for the years ended 31 December 2017, 2016 and 2015 contained in Part IX (“*Financial Information of Standard Life Assurance*”) of the Acquisition Prospectus, which is incorporated by reference as described in Part X (“*Documents Incorporated by Reference*”) of this Prospectus.

PART VIII—UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Phoenix Shares. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Old Phoenix Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their New Phoenix Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the New Phoenix Shares and any dividends paid on them. The tax position of certain categories of Old Phoenix Shareholders who are subject to special rules (such as persons acquiring their New Phoenix Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1.1 Acquisition of New Phoenix Shares

1.1.1 Taxation of Income

The Scheme should not be treated as involving a distribution subject to UK tax as income.

1.1.2 Taxation of Chargeable Gains

For the purposes of UK taxation of chargeable gains (“CGT”), the issue of New Phoenix Shares to Old Phoenix Shareholders in consideration for the cancellation of their Old Phoenix Shares should be treated as a reorganisation of share capital. A number of conditions must be met in order for such treatment to apply. In particular, the Scheme must be a scheme carried out in pursuance of a compromise or arrangement under a provision which “corresponds” to Part 26 of the Companies Act. HMRC have confirmed that this condition is satisfied. Accordingly, Old Phoenix Shareholders should not be treated as making a disposal of all or part of their holding of Old Phoenix Shares and no liability to CGT should arise. Instead, the New Phoenix Shares acquired and the Old Phoenix Shares cancelled will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Old Phoenix Shares.

1.1.3 New Phoenix Reduction of Capital

The New Phoenix Reduction of Capital should not have any UK tax consequences for Old Phoenix Shareholders. It should not result in a disposal by any Old Phoenix Shareholders of any of their New Phoenix Shares, either on the basis that there is no disposal as a general matter or because the New Phoenix Reduction of Capital is treated as a reorganisation of the share capital of New Phoenix.

1.1.4 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No stamp duty or SDRT will be payable by Old Phoenix Shareholders in relation to the cancellation of the Old Phoenix Shares and Old Phoenix Depository Interests and the issue of New Phoenix Shares under the Scheme.

1.2 Income from New Phoenix Shares

New Phoenix is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of an Old Phoenix Shareholder.

1.2.1 UK resident individual Old Phoenix Shareholders

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the “nil rate band”) for the first £2,000 of dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes “dividend income” includes UK and non UK source dividends and certain other distributions in respect of shares.

An individual Old Phoenix Shareholder who is resident for tax purposes in the UK and who receives a dividend from New Phoenix will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Old Phoenix Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Old Phoenix Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of an Old Phoenix Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

1.2.2 UK resident corporate Old Phoenix Shareholders

It is likely that most dividends paid on the New Phoenix Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

1.2.3 UK resident exempt Old Phoenix Shareholders

UK resident Old Phoenix Shareholders who are not liable to UK tax on dividends, including exempt pension funds and charities, are not entitled to any tax credit in respect of dividends paid by New Phoenix.

1.2.4 Non-UK resident Old Phoenix Shareholders

No tax credit will attach to any dividend paid by New Phoenix. An Old Phoenix Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. An Old Phoenix Shareholder who is resident outside the UK for tax purposes should consult his or her own tax adviser concerning his or her tax position on dividends received from New Phoenix.

1.3 Disposal of New Phoenix Shares

1.3.1 UK resident Old Phoenix Shareholders

A disposal or deemed disposal of New Phoenix Shares by an Old Phoenix Shareholder may, depending upon the Old Phoenix Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

1.3.2 Non-UK resident Old Phoenix Shareholders

Old Phoenix Shareholders who are not resident in the UK will not generally be subject to CGT on the disposal or deemed disposal of New Phoenix Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Old Phoenix Shareholder, a permanent establishment) in connection with which the New Phoenix Shares are used, held or acquired. Non-UK tax resident Old Phoenix Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Old Phoenix Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as Treaty non-resident for a period of five years or less and who disposes of all or part of his or her New Phoenix Shares during that period may be liable to capital gains tax on his or her return to the UK, subject to any available exemptions or reliefs.

1.4 Stamp Duty and SDRT

1.4.1 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given will generally be payable on an instrument transferring New Phoenix Shares. The liability to pay stamp duty is generally satisfied by the purchaser or transferee. A charge of SDRT will also arise on an unconditional agreement to transfer New Phoenix Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay SDRT falls on the purchaser or

transferee (although it may not always be accounted for by the purchaser or transferee in practice. An exemption from stamp duty is available on an instrument transferring New Phoenix Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

1.4.2 New Phoenix Shares transferred through paperless means including CREST

Paperless transfers of New Phoenix Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The liability to pay SDRT falls on the purchaser (but as noted above, the tax may not always be accounted for by the purchaser in practice). Under the CREST system, no stamp duty or SDRT will arise on a transfer of New Phoenix Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

1.4.3 New Phoenix Shares held through clearance systems or depositary receipt arrangements

Special rules apply where New Phoenix Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. On such issue or transfer (with subsequent transfers within the clearance service or transfers of depositary receipts then being free from stamp duty or SDRT). Following litigation, HMRC confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. This view has not yet been reflected in a change in the UK rules, but it was confirmed in the Autumn 2017 Budget that the Government intend to continue this approach following Brexit. HMRC's view has been that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. Further litigation indicates that this view is not correct (at least in respect of certain transfers of legal title to clearance services), but HMRC have not yet confirmed whether they will cease applying the charge. **Accordingly, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or SDRT charge in any circumstances.**

The statements in this paragraph 1.4 apply to any holders of New Phoenix Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

1.5 Inheritance Tax

The New Phoenix Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold New Phoenix Shares, bringing them within the charge to inheritance tax. Old Phoenix Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any New Phoenix Shares through trust arrangements.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PART IX—ADDITIONAL INFORMATION

1. RESPONSIBILITY

New Phoenix and the Directors, whose names appear on page 55 (“*New Phoenix Directors, Company Secretary and Advisers*”) of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of New Phoenix and the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION AND REGISTERED OFFICE

New Phoenix was incorporated and registered in England and Wales on 5 October 2018 as a public company limited by shares under the Companies Act with the registered number 11606773.

New Phoenix’s registered office and its principal place of business is at Juxon House, 100 St Paul’s Churchyard, London EC4M 8BU, United Kingdom. New Phoenix’s telephone number is 0203 567 9100.

The principal legislation under which New Phoenix operates are the Companies Act and regulations made thereunder. The New Phoenix Shares are issued pursuant to the terms of the Articles and the Companies Act.

The share capital of New Phoenix on incorporation was £50,000.20, divided into two ordinary shares of £0.10 each (the “**New Phoenix Subscriber Shares**”), and 50,000 redeemable shares of £1.00 each. No further shares have been issued since incorporation.

3. SHARE CAPITAL

3.1 Latest Practicable Date

The issued and fully paid share capital of New Phoenix as at the Latest Practicable Date is as follows:

Class of New Phoenix Shares	Number	Nominal Amount
Ordinary shares of £0.10 each	2	£0.20
Redeemable shares of £1.00 each	50,000	£50,000

Shortly prior to the Scheme Effective Date, the 50,000 redeemable shares will be redeemed and cancelled by New Phoenix. Upon the occurrence of the Scheme Effective Date, the New Phoenix Subscriber Shares will not be cancelled and the allocation of New Phoenix Shares to which the holders of the New Phoenix Subscriber Shares would otherwise each be entitled pursuant to the Scheme will be reduced by one to reflect the New Phoenix Subscriber Shares that they already hold.

The proposed issued and fully paid share capital of New Phoenix as it is expected to be immediately following the Scheme Effective Date is as follows:

Class of New Phoenix Shares	Number	Nominal Amount
Ordinary shares of £0.10 each	721,170,388	£72,117,038.80

3.2 Shareholder authorities passed at the General Meeting

At a general meeting of New Phoenix on 15 October 2018 (the “**New Phoenix General Meeting**”), the holders of the Subscriber Shares passed resolutions that:

3.2.1 conditional on and with effect from Admission, the New Phoenix Articles be adopted as the articles of association of New Phoenix in substitution for and to the exclusion of the New Phoenix Incorporation Articles;

3.2.2 conditional on and with effect from the Scheme Effective Date, and subject to the passing of resolution 3.2.10 below, the Directors be generally empowered pursuant to section 570 and section 573 of the Companies Act to allot equity securities (as defined in the Companies Act) for cash, pursuant to the authority conferred by resolution 3.2.10 below in the notice of the meeting as if section 561(1) of the Companies Act did not apply to the allotment. This power:

- 3.2.2.1 expires (unless previously renewed, varied or revoked by New Phoenix in a general meeting) at the end of the next annual general meeting of New Phoenix after the date on which this resolution is passed or, if earlier, at the close of business on the date which is 15 months after the date of the New Phoenix General Meeting, but New Phoenix may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and
- 3.2.2.2 shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under the resolution in paragraph 3.2.10.1(b) below, by way of a rights issue only):
- (a) to the ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (b) to people who hold other equity securities, if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities,
- and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- 3.2.2.3 in the case of the authority granted under the resolution in paragraph 3.2.10.1(a) below, shall be limited to the allotment of equity securities for cash otherwise than pursuant to paragraph (b) up to an aggregate nominal amount of £3,604,000.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Companies Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 3.2.10 below' were omitted.

- 3.2.3 conditional on and with effect from the Scheme Effective Date, and subject to the passing of resolution 3.2.10 below and the resolution in paragraph 3.2.2 above and in addition to any power given to it pursuant to resolution above, the Directors be generally empowered pursuant to section 570 and section 573 of the Companies Act to allot equity securities (as defined in the Companies Act) for cash, pursuant to the authority conferred by resolution 3.2.10 below as if section 561(1) of the Companies Act did not apply to the allotment. This power:

- 3.2.3.1 expires (unless previously renewed, varied or revoked by New Phoenix in a general meeting) at the end of the next annual general meeting of New Phoenix after the date on which this resolution is passed (or, if earlier, at the close of business on the date which is 15 months after the date of the New Phoenix General Meeting), but New Phoenix may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and
- 3.2.3.2 in the case of the authority granted under the resolution in paragraph 3.2.10.1(a) below, shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £3,604,000, and provided that the allotment is for the purposes of financing (or refinancing, if the power is used within six months of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of the notice of the meeting.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Companies Act as if in the first paragraph of this resolution the words 'pursuant to the authority conferred by resolution 3.2.10 below' were omitted.

- 3.2.4 conditional on and with effect from the Scheme Effective Date, New Phoenix will be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act) of New Phoenix Shares, each in the capital of New Phoenix, subject to the following conditions:

- (a) the maximum aggregate number of New Phoenix Shares authorised to be purchased is 72,089,069;
 - (b) the minimum price (exclusive of expenses) which may be paid for each New Phoenix Share is £0.10 (being the nominal value of each New Phoenix Share);
 - (c) the maximum price (exclusive of expenses) which may be paid for each New Phoenix Share is the higher of: (i) an amount equal to 105 per cent. of the average of the middle market quotations of a New Phoenix Share as derived from the London Stock Exchange Daily Official List for the five Business Days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of a New Phoenix Share and the highest current independent bid for a New Phoenix Share on the London Stock Exchange trading system; and
 - (d) the authority shall expire at the earlier of the close of the annual general meeting of New Phoenix to be held in 2019, or close of business on the date which is 18 months after the date of the New Phoenix General Meeting;
- 3.2.5 conditional on the Scheme becoming effective, New Phoenix's share premium account will be cancelled;
- 3.2.6 a general meeting of New Phoenix, other than an annual general meeting, may be called on not less than 14 clear days' notice;
- 3.2.7 for the purposes of section 175 of the Companies Act and article 4 of the New Phoenix Incorporation Articles, the interests of the Directors which conflict, or possibly may conflict, directly or indirectly, with the interests of New Phoenix, as set out in the conflicts schedule annexed to the notice of the New Phoenix General Meeting, be and are in all respects approved and authorised;
- 3.2.8 for the purposes of section 177 of the Companies Act and article 16 of the Model Articles for Public Companies, which form part of the New Phoenix Incorporation Articles, the other directorships of the Directors, as set out in the conflicts schedule annexed to the notice of the New Phoenix General Meeting are, to the extent they result in the relevant Director being in any way, directly or indirectly, interested in a proposed transaction or arrangement with New Phoenix, in all respects approved and authorised;
- 3.2.9 the directors be unconditionally authorised pursuant to section 551 of the Companies Act to allot shares in New Phoenix pursuant to and in accordance with the terms of the Scheme, up to an aggregate nominal amount of £72,500,000, for a period expiring (unless previously renewed, varied or revoked by New Phoenix in general meeting) on 29 March 2019;
- 3.2.10 conditional on and with effect from the Scheme Effective Date, in addition to the authority given to them pursuant to the resolution in paragraph 3.2.9 above, the Directors be generally authorised pursuant to section 551 of the Companies Act to:
- 3.2.10.1 allot shares in New Phoenix, and to grant rights to subscribe for or to convert any security into shares in New Phoenix:
 - (a) up to an aggregate nominal amount of £24,029,689.60; and
 - (b) comprising equity securities (as defined in the Companies Act) up to an aggregate nominal amount of £48,059,379.2 (including within such limit any shares issued or rights granted under paragraph 3.2.10.1(a) above) in connection with an offer by way of a rights issue:
 - (i) to holders of New Phoenix Shares in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to people who are holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities;
- and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

for a period expiring (unless previously renewed, varied or revoked by New Phoenix in a general meeting) at the end of the next annual general meeting of New Phoenix after the date on which this resolution is passed (or, if earlier, at the close of business on the date which is 15 months after the date of the New Phoenix General Meeting); and

- 3.2.10.2 make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of this authority and the Directors may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired;
- 3.2.11 Ernst & Young LLP be appointed as New Phoenix's auditor to hold office until the conclusion of the next annual general meeting of New Phoenix to be held in 2019;
- 3.2.12 the Directors be authorised to determine the amount of the auditor's remuneration;
- 3.2.13 conditional on Admission, New Phoenix, and any company which is a subsidiary of New Phoenix at any time during the period for which this resolution has effect, be generally authorised to:
 - 3.2.13.1 make political donations to political parties and/or independent election candidates;
 - 3.2.13.2 make political donations to political organisations other than political parties; and
 - 3.2.13.3 incur political expenditure,provided that in relation to each of 3.2.13.1, 3.2.13.2 and 3.2.13.3 above any such donations or expenditure made by New Phoenix or a subsidiary of New Phoenix shall not exceed £100,000 per company, and that the total amount of all such donations and expenditure made by all companies to which this authority relates shall not exceed £100,000 in aggregate.

This authority shall expire at the earlier of the close of the annual general meeting of New Phoenix held in 2019 or at the close of business on the date which 18 months from the date of the New Phoenix General Meeting.

3.3 **Board resolution**

Shortly before the Scheme Effective Date, the Board will, pursuant to the authority described in paragraph 3.2.2 above, resolve to allot and issue the New Phoenix Shares required to fulfil the obligations to deliver New Phoenix Shares under the Scheme.

3.4 **Share or loan capital**

Save as disclosed in this Prospectus, including in paragraphs 7 ("*Interests of Major Shareholders*") and paragraph 12 ("*Material Contracts*") below:

- (a) no share or loan capital of New Phoenix has, within three years of the date of this Prospectus, been issued or agreed to be issued or is now proposed to be issued (other than pursuant to the Scheme), fully or partly paid, either for cash or for a consideration other than cash, to any person;
- (b) no commissions, discounts, brokerages or other special terms have been granted by New Phoenix in connection with the issue or sale of any share or loan capital of any such company; and
- (c) no share or loan capital of New Phoenix is under option or agreed conditionally or unconditionally to be put under option.

3.5 **Shares**

Shareholders have voting rights for the election of the Directors and all other matters requiring shareholder action. Shareholders are entitled to one vote per share on matters to be voted on by Shareholders and also are entitled to receive such dividends, if any, as may be declared from time to time by the Board in its discretion out of funds legally available therefore. There is no cumulative voting with respect to the election of the Directors, with the result that the holders of more than 50 per cent. of the shares voted for the election of the Directors can elect all of the Directors.

Other than as provided in the Articles, the Shareholders have no conversion, pre-emption or other subscription rights, and there are no sinking fund or redemption provisions applicable to the shares. For information on Shareholders' pre-emption rights, see paragraph 15 ("*Pre-emption rights*") below.

The Shares are in registered form and may be held in certificated form in CREST.

3.6 Continuing obligations of the FCA

New Phoenix will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in section 1166 of the Companies Act)) apply to the issue of shares in the capital of New Phoenix except to the extent that such provisions are disapplied, as referred to in paragraph 3.5 above.

3.7 Redemption of New Phoenix Lender Warrants

Original terms of the Lender Warrants

On 2 September 2009, Old Phoenix issued 5 million warrants over its shares to certain entities providing finance to the Group (the "**Lender Warrants**"). These warrants entitled the holder to purchase one 'B' ordinary share at a price of £15 per share, subject to adjustment. Following Old Phoenix's premium listing on 5 July 2010, the Lender Warrants related to ordinary shares in Old Phoenix rather than 'B' ordinary shares.

On 20 July 2018, the instrument governing the terms of the Lender Warrants (the "**Warrant Instrument**") was amended to reduce the redemption trigger price from £18.97 to £0.01, increase the redemption price from €0.01 to £0.0112, and remove the cashless exercise option. Following this amendment to the Warrant Instrument, on 20 July 2018 Old Phoenix issued a notice to Lenders calling the Lender Warrants for redemption, with the redemption period ending at 6:00 a.m. on 23 August 2018. All Lender Warrants that remained unexercised at 6:00 a.m. on 23 August 2018 were cancelled in accordance with the terms of the amended Warrant Instrument, and the amount of £0.0112 per cancelled Lender Warrant was paid by Old Phoenix to the holder of the relevant Lender Warrant.

Accordingly, as at the date of this Prospectus there are no longer any outstanding Lender Warrants in respect of Old Phoenix Shares.

3.8 CREST and Shares

The New Phoenix Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of New Phoenix Shares (of any class in uncertificated form) and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Phoenix Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where New Phoenix Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3.9 CREST and Old Phoenix Depositary Interests

Old Phoenix has entered into depositary arrangements to enable investors to settle and pay for interests in the Shares through the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non UK incorporated companies, such as Old Phoenix, cannot themselves be held electronically (i.e., in uncertificated form) or transferred in the CREST system. However, depositary interests, representing the securities, can be dematerialised and settled electronically. The Old Phoenix Depositary holds, through a custodian, the Old Phoenix Shares and issues dematerialised depositary interests representing the underlying Old Phoenix Shares which are held on trust for the holders of the depositary interests.

Through the custodian nominated by the Old Phoenix Depositary (the "**Custodian**"), the Old Phoenix Depositary holds the beneficial title to certain Old Phoenix Shares on trust for participating members to whom it issues the dematerialised depositary interests.

The Old Phoenix Depositary Interests are independent securities constituted under English law which are held and transferred through the CREST system.

The Old Phoenix Depositary Interests have been created pursuant to and issued on the terms of the Deed Poll. Prospective holders of Old Phoenix Depositary Interests should note that they will have no rights in respect of the underlying Old Phoenix Shares or the Old Phoenix Depositary Interests representing them against Euroclear UK & Ireland Limited or its subsidiaries.

Although Old Phoenix's share register shows the Custodian as the legal holder of the Old Phoenix Shares, the beneficial interest in the Old Phoenix Shares remains with the Old Phoenix DI Holder, who has the benefit of all the rights attaching to the Old Phoenix Shares as if the Old Phoenix DI Holder were named on the certificated share register itself.

Under the Deed Poll, the Old Phoenix Depositary may require any holder of Old Phoenix Depositary Interests to disclose information as to the capacity in which it owns Old Phoenix Depositary Interests and the nature of its interests. In addition, the Disclosure Guidance and Transparency Rules apply to holders of Old Phoenix Depositary Interests in the same manner as if they held legal title to the Old Phoenix Shares represented by their Old Phoenix Depositary Interests.

Each Old Phoenix Depositary Interest is treated as one Old Phoenix Share for the purposes of determining the rights attaching to that Old Phoenix Depositary Interest, for example, eligibility for any dividends. The Depositary Interests cannot have a separate listing on the Official List. The Old Phoenix Depositary Interests are capable of being traded and Settlement of Old Phoenix Depositary Interests is within the CREST system in the same way as any other CREST securities.

The documents relating to the Old Phoenix Depositary Interests are described in paragraph 13 (“*Depositary Contracts*”) below.

4. ARTICLES OF ASSOCIATION

New Phoenix was incorporated with the New Phoenix Incorporation Articles, which are basic articles of association suitable for a closely held company which is not admitted to trading. Accordingly, in anticipation of Admission, the Subscriber Shareholders resolved on 15 October 2018 that, conditional upon and with effect from Admission, the New Phoenix Articles be adopted as the articles of association of New Phoenix.

The New Phoenix Articles are available for inspection at the address specified in paragraph 22 (“*Documents Available for Inspection*”) below.

Set out below is a summary of the provisions of the New Phoenix Articles.

4.1 Share rights

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

Subject to the provisions of the Companies Act, and without prejudice to any rights attached to any existing shares or class of shares: (i) any New Phoenix Share may be issued with such rights or restrictions as New Phoenix may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine; and (ii) New Phoenix Shares may be issued which are to be redeemed or are liable to be redeemed at the option of New Phoenix or the holder and the Board may determine the terms, conditions and manner of redemption of such shares provided that it does so before the shares are allotted.

The 50,000 redeemable shares of £1.00 each issued by New Phoenix on incorporation carry no rights to receive any dividend or distribution of profits, or to attend, speak, or vote at any general meeting of New Phoenix and are redeemable at the option of New Phoenix.

4.2 Voting rights

Subject to any rights or restrictions attached to any New Phoenix Shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every New Phoenix Share of which the person is the holder.

No member shall be entitled to vote at any general meeting in respect of a New Phoenix Share unless all moneys presently payable by the member in respect of that share have been paid.

If, at any time, the Board is satisfied that any member, or any other person appearing to be interested in New Phoenix Shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to New Phoenix the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material respect, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the New Phoenix Shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

4.3 Dividends and other distributions

Subject to the provisions of the Companies Act, New Phoenix may, by ordinary resolution, declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of New Phoenix available for distribution.

If the share capital is divided into different classes, the Board may also pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer preferential rights with regard to dividends (provided no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear); and pay at intervals settled by it any dividend payable at a fixed rate if it appears to the board that the profits available for distribution justify the payment.

Every dividend shall, at any point prior to its payment, be cancellable or deferrable by the board if such cancellation or deferral is required by an applicable law or regulation (including, without limitation, to meet any applicable capital requirement) or if the board considers, in its sole discretion, that it would be appropriate or prudent to cancel or defer any such dividend. If the Board acts in good faith it shall not incur any liability to the members of New Phoenix or any of them in respect of any decision by the Board to cancel or defer a dividend.

The Board may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution, such sums as they think proper as reserve or reserves which shall, in the absolute discretion of the Board, be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied.

Except as otherwise provided by the rights and restrictions attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of the date on which a call is payable shall be treated for these purposes as paid on the share.

A general meeting declaring a dividend may, on the recommendation of the board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets, including without limitation paid up shares or debentures of another body corporate. The board may make any arrangements it thinks fit to settle any difficulty arising in connection with the distribution.

The Board may, if authorised by an ordinary resolution of New Phoenix, offer any holder of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of all or any dividend.

Any dividend that has remained unclaimed for twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by New Phoenix.

No dividend or other moneys payable in respect of a share shall bear interest against New Phoenix unless otherwise provided by the rights attached to the share.

Except as provided by the rights and restrictions attached to any class of shares, the New Phoenix Shareholders will, under general law, be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of New Phoenix and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

4.4 Variation of rights

Subject to the provisions of the Act, the rights attached to any class of shares may be varied or abrogated with the written consent of the New Phoenix Shareholders of three quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the New Phoenix Shareholders.

4.5 Liens, calls on shares and forfeiture

New Phoenix shall have a first and paramount lien on every New Phoenix Share (not being a fully paid share) for all moneys payable to New Phoenix (whether presently or not) in respect of that share. New Phoenix may sell, in such manner as the Board determines, any share on which New Phoenix has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with, the share may be sold.

Subject to the terms of allotment of a share, the Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to New Phoenix the amount called on his or her shares.

If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid.

If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid, together with any interest which may have accrued and any costs, charges and expenses incurred by New Phoenix by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with, the shares in respect of which the call was made will be liable to be forfeited. If that notice is not complied with, any share in respect of which it was sent may, at any time before the payment required by the notice has been made, be forfeited by a resolution of the Board.

4.6 Transfer of shares

A member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in New Phoenix from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- is in respect of one class of share only; and
- is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with New Phoenix.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Uncertificated Securities Regulations 2001, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

4.7 Alteration of share capital

The New Phoenix Articles do not restrict New Phoenix's ability to increase, consolidate or sub-divide its share capital. Therefore, subject to the Companies Act, New Phoenix may by ordinary resolution increase, consolidate or sub-divide its share capital.

4.8 Purchase of own shares

The New Phoenix Articles do not restrict New Phoenix's ability to purchase its own shares. Therefore, subject to the Companies Act and without prejudice to any relevant special rights attached to any class of shares, New Phoenix may purchase any of its own shares of any class in any way and at any price (whether at par, or above or below par).

4.9 General meetings

The Board shall convene and New Phoenix shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act. The Board may call general meetings whenever and at such times and places as it shall determine. The New Phoenix Articles permit the Board to determine that a general meeting shall be held (wholly or partly) by electronic means.

4.10 Directors

4.10.1 Number of directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than five but shall not be subject to any maximum in number.

4.10.2 *Appointment of Directors*

Directors may be appointed by ordinary resolution of New Phoenix Shareholders or by the Board.

4.10.3 *No share qualification*

A Director shall not be required to hold any shares in the capital of New Phoenix by way of qualification.

4.10.4 *Annual retirement of Directors*

At every annual general meeting all the Directors at the date of notice convening the annual general meeting shall retire from office. A retiring Director shall be eligible for appointment.

4.10.5 *Remuneration of Directors*

The emoluments of any Director holding executive office for his or her services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the New Phoenix Articles) shall not exceed in aggregate £2,000,000 per annum or such higher amount as the members of New Phoenix may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee for that service (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board.

In addition to any remuneration which the Directors are entitled to under the New Phoenix Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of New Phoenix or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of New Phoenix or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his or her family or any person who is or was dependent on him or her.

4.10.6 *Permitted interests of Directors*

Provided that he or she has disclosed to the Board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Companies Act apply, in which case no such disclosure is required), a Director notwithstanding his or her office:

4.10.6.1 may be a party to, or otherwise interested in, any transaction or arrangement with New Phoenix or in which New Phoenix is otherwise (directly or indirectly) interested;

4.10.6.2 may act by himself or herself or for his or her firm in a professional capacity for New Phoenix (otherwise than as auditor), and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;

4.10.6.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which New Phoenix is (directly or indirectly) interested as a shareholder or otherwise or with which he or she has such relationship at the request or direction of New Phoenix; and

4.10.6.4 shall not, by reason of his or her office, be accountable to New Phoenix for any remuneration or other benefit which he or she derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate, the acceptance, entry into or existence of which has been approved by the Board or which he or she is permitted to hold or enter into by virtue of the Articles.

4.10.7 *Restrictions on voting*

Except as provided otherwise by the Articles, a Director shall not vote at a meeting of the Board or a committee of the Board on any resolution of the Board concerning a matter in which he or she has an interest (other than by virtue of interests in securities of the Company) which can reasonably be regarded as likely to give rise to a conflict with the interests of New Phoenix, unless that interest arises only because the resolution concerns one or more of the following matters:

- 4.10.7.1 the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or any other person at the request of, or for the benefit of, New Phoenix or any of its subsidiary undertakings;
- 4.10.7.2 the giving of a guarantee, security or indemnity in respect of a debt or obligation of New Phoenix or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- 4.10.7.3 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of New Phoenix or any of its subsidiary undertakings for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting of which he or she is to participate;
- 4.10.7.4 a contract, arrangement, transaction or proposal concerning any other body corporate in which he or she or any person connected with him or her is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he or she and any persons connected with him or her do not to his or her knowledge hold an interest (as that term is used in sections 820 to 825 of the Companies Act) representing one per cent. or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) of such body corporate (or any other body corporate through which his or her interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be likely to give rise to a conflict with the interests of New Phoenix in all circumstances);
- 4.10.7.5 a contract, arrangement, transaction or proposal for the benefit of employees of New Phoenix or of any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- 4.10.7.6 a contract, arrangement, transaction or proposal concerning any insurance which New Phoenix is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

4.10.8 *Indemnity of Directors and officers*

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of New Phoenix (other than any person (whether an officer or not) engaged by New Phoenix as auditor) shall be indemnified out of the assets of New Phoenix against any liability incurred by him or her for negligence, default, breach of duty or breach of trust in relation to the affairs of New Phoenix, provided that this Article shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Companies Act.

Application of the City Code

The articles of association of Old Phoenix include certain provisions intended to incorporate the provisions of the City Code. The New Phoenix Articles do not contain equivalent provisions, on the basis that New Phoenix will, following Admission, be directly subject to the provisions of the City Code, including the rules regarding mandatory takeover offers set out in the City Code.

Under Rule 9 of the City Code, when: (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the City Code), carry 30 per cent. or more of the voting rights of a company subject to the City Code; or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more

than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash at the highest price paid by him or any person acting in concert with him for shares in the company within the preceding 12 months for all of the remaining equity share capital of the company.

5. DIRECTORS AND SENIOR MANAGERS

5.1 Directors

The following table lists the names, ages and positions of the Directors. Clive Bannister and James McConville were appointed as directors of New Phoenix on New Phoenix's incorporation on 5 October 2018. The remaining Directors were appointed as directors of New Phoenix on 15 October 2018:

Name	Age	Position
Nicholas Lyons.....	59	Chairman and Nomination Committee Chairman
Clive Bannister	60	Group Chief Executive Officer
James McConville	62	Group Finance Director and Group Director, Scotland
Alastair Barbour.....	65	Senior Independent Non-Executive Director and Audit Committee Chairman
Campbell Fleming	53	Non-Executive Director
Karen Green.....	51	Independent Non-Executive Director
Wendy Mayall	60	Independent Non-Executive Director
Barry O'Dwyer	47	Non-Executive Director
John Pollock.....	60	Independent Non-Executive Director and Risk Committee Chairman
Belinda Richards	60	Independent Non-Executive Director
Nicholas Shott.....	67	Independent Non-Executive Director
Kory Sorenson	49	Independent Non-Executive Director and Remuneration Committee Chairman

The business address of each of the Directors is Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.

5.1.1 Directors' biographies

Nicholas Lyons

Chairman

Nicholas Lyons was appointed Chairman of the board of directors of Phoenix Group Holdings and Chairman of the Nomination Committee of Phoenix Group Holdings with effect from 31 October 2018. Nicholas Lyons joined JP Morgan in 1982, where he worked for 12 years in Debt and Equity Capital Markets and Mergers and Acquisitions. He spent eight years at Lehman Brothers, as a Managing Director in their European Financial Institutions Group, ending his executive career in 2003 as Global Co-Head of Recruitment. Mr Lyons has held a number of positions on the boards of other financial institutions including the Pension Insurance Corporation, where he was the Senior Independent Director from 2016 until July 2018. He also held positions on the boards of the Temple Bar Investment Trust, Catlin Group Limited, Friends Life Group Limited and Friends Life Holdings plc. Mr Lyons is an Alderman in the City of London Corporation and has recently joined the board of The British United Provident Association Limited.

Clive Bannister

Group Chief Executive Officer

Clive Bannister joined the Group in February 2011 as Group Chief Executive Officer of Phoenix Group Holdings. Prior to this, Mr Bannister was Group Managing Director of Insurance and Asset Management at HSBC Holdings plc. He joined HSBC in 1994 and held various leadership roles in planning and strategy in the Investment Bank (USA) and was Group General Manager and CEO of HSBC Group Private Banking. He started his career at First National Bank of Boston and prior to working at HSBC was a partner in Booz Allen Hamilton in the Financial Services Practice providing strategic support to financial institutions including leading insurance companies, banks and investment banks. Mr Bannister is also Chairman of the Museum of London.

James McConville

Group Finance Director and Group Director, Scotland

James McConville was appointed to the board of directors of Phoenix Group Holdings as Group Finance Director with effect from 28 June 2012. Between April 2010 and December 2011, Mr McConville was Chief Financial Officer of Northern Rock plc. Prior to that, between 1988 and 2010, he worked for Lloyds Banking Group plc (formerly Lloyds TSB Group plc) in a number of senior finance and strategy related roles, latterly as Finance Director of Scottish Widows Group and Director of Finance for the Insurance and Investments Division. During 2011 and 2012, Mr McConville was a Non-Executive Director of the life businesses of Aegon UK. In 2014, Mr McConville joined the board of Tesco Personal Finance plc as a Non-Executive Director. Mr McConville qualified as a Chartered Accountant whilst at Coopers and Lybrand.

Alastair Barbour

Senior Independent Non-Executive Director

Alastair Barbour has over 30 years of audit experience with KPMG, where he worked across the full spectrum of financial services clients from large general insurers and reinsurers to the life assurance and investment management sector, working on a range of operational and strategic issues. Mr Barbour is the former Head of Financial Services, Scotland for KPMG. He retired from KPMG in 2011 to build a Non-Executive career. He is a Director and Audit Committee Chairman of RSA Insurance Group plc and Liontrust Asset Management plc (both LSE-listed companies). He is also a Director and Audit Committee Chairman of CATCo Reinsurance Opportunities Fund Ltd, a Bermuda-based investment company listed on the LSE and of The Bank of N. T. Butterfield & Son Limited, a group listed on the New York Stock Exchange and in Bermuda. Mr Barbour was appointed to the board of directors of Phoenix Group Holdings on 1 October 2013 and was appointed Senior Non-Executive Independent Director on 2 May 2018. He is Chairman of the Board Audit Committee and a member of the Board Nomination Committee and Risk Committee.

Campbell Fleming

Non-Executive Director

Campbell Fleming is the Global Head of Distribution at Aberdeen Standard Investments, the asset management business of Standard Life Aberdeen. He joined Aberdeen Asset Management in August 2016 from Columbia Threadneedle Investments where he was the Chief Executive – EMEA and Global COO for four years. Mr Fleming is the Chair of the Investment Association Trade Committee and previously held senior positions at JP Morgan Asset Management. Mr Fleming was appointed to the board of directors of Phoenix Group Holdings on 31 August 2018.

Karen Green

Independent Non-Executive Director

Karen Green is the former Chief Executive of Aspen UK, which comprised the UK insurance companies' global US-listed insurer and reinsurer, Aspen Insurance Holdings and was a member of the Aspen Group Executive Committee for 12 years. She also held a number of other senior positions including as Group Head of Corporate Development, Strategy, and Office of the Group CEO. She remains Deputy Chairman of Aspen Managing Agency Limited, which conducts Aspen's interests at Lloyd's of London and continues to act for the Aspen Group on a wide range of corporate development activities. Prior to that, she held various senior private equity and corporate finance roles from 1997 to 2005 at GE Capital and then MMC Capital, gaining substantial M&A experience, having worked previously at Baring Brothers and Schroders. Ms Green is a Council Member of Lloyd's of London. She is also a Vice President of the Insurance Institute of London. Ms Green was appointed to the board of directors of Phoenix Group Holdings with effect from 1 July 2017.

Wendy Mayall

Independent Non-Executive Director

Wendy Mayall has over thirty years of asset management experience, including as Group Chief Investment Officer and later consultant at Liverpool Victoria from 2012 to 2015, having previously been Chief Investment Officer for Unilever's UK pension fund from 1996 to 2011 and holding management responsibility for Unilever's pension funds globally. From 2006 to 2009, Mrs Mayall was the Chair of the Investment Committee of the Mineworkers Pension Scheme, a British government

appointment to one of the largest government backed pension schemes in the UK. Mrs Mayall is a non-executive director of Aberdeen Global Funds (Luxembourg) and Old Mutual Wealth Oversight Council. She is also the Senior Independent Director and audit committee Chair of Fidelity Investments Life Insurance Company Limited and Chair of the Funding Committee for TPT Retirements Solutions. Mrs Mayall was appointed to the board of directors of Phoenix Group Holdings with effect from 1 September 2016.

Barry O'Dwyer

Non-Executive Director

Barry O'Dwyer is the Head of UK for Standard Life Aberdeen. Prior to the sale of Standard Life Assurance to Phoenix, he was the CEO of Standard Life Aberdeen's Pensions & Savings businesses. Mr O'Dwyer initially worked at Standard Life between 1988 and 2008 and has held several senior roles at Standard Life since re-joining the company in 2013. A Fellow of the Institute of Actuaries, Mr O'Dwyer has 30 years of experience in the insurance industry, in a career which has also included senior roles at Prudential and HBOS. Mr O'Dwyer was appointed to the board of directors of Phoenix Group Holdings on 31 August 2018.

John Pollock

Independent Non-Executive Director

John Pollock had a career in life assurance at the Legal & General Group from 1980 to 2015, including as an executive director of Legal & General Group plc from 2003 to 2015. Mr Pollock held numerous senior roles, gaining wide strategic and technical experience, finally as Chief Executive Officer of LGAS (L&G Assurance Society), one of Legal and Generals' three primary business units. Prior to Mr Pollock's retirement from Legal and General in 2015, he held positions as Deputy Chair of the FCA Practitioner Panel, Chairman of investment platform Cofunds, and as a non-executive director of the Cala Homes Group. Mr Pollock was appointed to the board of directors of Phoenix Group Holdings with effect from 1 September 2016.

Belinda Richards

Independent Non-Executive Director

Belinda Richards has held senior executive positions at KPMG, EY, and latterly Deloitte from 2000 to 2010 where she was a senior corporate finance Partner and the Global Head of Merger Integration and Separation Advisory Services. She is now an experienced non-executive director, currently on the boards of WM Morrison Supermarkets plc, Avast plc, The Monks Investment Trust plc and Schroder Japan Growth Fund Plc. Previously, she has also been on the boards of Aviva UK Life & Pensions, Grainger plc and Balfour Beatty plc. Ms Richards was appointed to the board of directors of Phoenix Group Holdings with effect from 1 October 2017.

Nicholas Shott

Independent Non-Executive Director

Nicholas Shott is an investment banker, who has been European Vice Chairman of Lazard since 2007 and Head of UK Investment Banking at Lazard since 2009. Mr Shott joined Lazard in 1991 and became a partner in 1997. He also serves as a Non-Executive Director on the board of the Home Office. Mr Shott was appointed to the board of directors of Phoenix Group Holdings with effect from 1 September 2016.

Kory Sorenson

Independent Non-Executive Director

Kory Sorenson is currently a Non-Executive Director and Chairman of the Audit Committee of SCOR SE, and a Non-Executive Director of Pernod Ricard SA and ProMetic Life Sciences Inc., a member of the supervisory board of UNIQA Insurance Group AG and a member of the supervisory board of the privately-owned Bank Gutmann AG. Ms Sorenson has over 25 years of experience in the financial services sector, most of which has been focused on insurance and banking. She was a Non-Executive Director of Aviva Insurance Limited, Managing Director, Head of Insurance Capital Markets of Barclays Capital and also held senior positions in the financial institutions divisions of Credit Suisse, Lehman Brothers and Morgan Stanley. She began her career in the finance department of Total SA. Ms Sorenson was appointed to the board of directors of Phoenix Group Holdings with

effect from 1 July 2014 and is Chairman of the Remuneration Committee and a member of the Board Nomination Committee.

5.1.2 *Other directorships/partnerships of the Board*

In respect of each Director, details are set out below of the companies (not including any member of the Group) of which such Director has been a member of the administrative, management or supervisory bodies or partner at any time in the five years prior to the date of this Prospectus:

Name	Current directorship/partnership	Previous directorship/partnership
Nicholas Lyons	The British United Provident Association Limited Clipstone Logistics REIT plc Future Fuels No.1 LLP	Catlin Group Limited Dawson 2012 Limited Dawson Investments (UK) Limited Dawson Trustees Limited Friends Life Group Limited Friends Life Holdings plc Miller Insurance Holdings Limited Pension Insurance Corporation Group Limited Pension Insurance Corporation plc PFIH Limited Price Forbes & Partners Limited Temple Bar Investment Trust plc
Clive Bannister	Doorfield Property Management Limited Dreamchasing Punter Southall Group Limited Rougemont Management Limited Unigestion Holding SA	Ignis Asset Management Limited ⁽²⁾ Ignis Fund Managers Limited ⁽²⁾ Ignis Investment Services Limited ⁽²⁾
James McConville	Tesco Personal Finance Group Limited Tesco Personal Finance plc ⁽¹⁾	Ignis Asset Management Limited ⁽²⁾ Ignis Fund Managers Limited ⁽²⁾ Ignis Investment Services Limited ⁽²⁾
Alastair Barbour	Bank of N.T. Butterfield & Son Limited CATCo Reinsurance Fund Limited CATCo Reinsurance Opportunities Fund Ltd Liontrust Asset Management plc Markel CATCo Reinsurance Fund Ltd RSA Insurance Group plc Scottish Equitable Policyholders Trust Limited	Standard Life European Private Equity Trust plc
Campbell Fleming	21 Aberdeen Standard Investments Limited Aberdeen Asset Managers Limited Aberdeen Asset Investments Limited Aberdeen Investment Solutions Limited Finca Santa Teresa Limited Fleming Flagship Limited Moy Sheep Farms LLP The Gael Syndicate LLP ⁽³⁾ The Heather Club Limited The Truelove Foundation	ADT Nominees Limited Convivo Asset Management Limited Sackville Property (GP) Limited Sackville SPF IV (GP) No.1 Limited Sackville SPF IV (GP) No.2 Limited Sackville SPF IV Property (GP) Limited Sackville SPF IV (GP) No.3 Limited Sackville Tandem Property (GP) Limited Sackville TIPP Property (GP) Limited Sackville TPEN Property (GP) Limited Sackville TSP Property (GP)

Name	Current directorship/partnership	Previous directorship/partnership
		Limited Sackville UK Property Select II (GP) Limited Sackville UK Property Select II (GP) No.1 Limited Sackville UK Property Select II (GP) No.2 Limited Sackville UK Property Select II (GP) No.3 Limited Sackville UKPEC1 Leeds (GP) Limited Sackville UKPEC2 Galahad (GP) Limited Sackville UKPEC3 Croxley (GP) Limited Sackville UKPEC4 Brentford (GP) Limited Sackville UKPEC5 Kensington (GP) Limited Tam UK Holdings Limited TC Financing Limited Threadneedle Asset Management (Nominees) Limited Threadneedle Asset Management Finance Limited Threadneedle Asset Management Holdings Limited Threadneedle Asset Management Limited Threadneedle Capital Management Limited Threadneedle Holdings Limited Threadneedle International Limited Threadneedle Investment Advisors Limited Threadneedle Investments Limited Threadneedle Investment Services Limited Threadneedle Management Services Limited Threadneedle Navigator ISA Manager Limited Threadneedle Pensions Limited Threadneedle Portfolio Managers Limited Threadneedle Portfolio Services Limited Threadneedle Property Investments Limited Threadneedle Unit Trust Manager Limited
Karen Green.....	Aspen Managing Agency Limited Aspen Risk Management Limited Aspen Underwriting Limited Council of Lloyd's Ffolkes Solutions Ltd	Aspen European Holdings Limited Aspen Insurance UK Limited Aspen Insurance UK Services Limited International Underwriting Association of London
Wendy Mayall.....	Aberdeen Alpha Fund Aberdeen Global Fund Aberdeen Global II Aberdeen Islamic SICAV Fund Aberdeen Liquidity Fund (Lux)	Aberdeen UK Tracker Trust PLC Highway Insurance Company Limited Highway Insurance Group Limited Liverpool Victoria Insurance

Name	Current directorship/partnership	Previous directorship/partnership
	Fil Life Insurance Limited Fidelity Investments Life Insurance Company Old Mutual Wealth Oversight Council TPT Retirement Solutions	Company Limited Liverpool Victoria General Insurance Group Limited
Barry O'Dwyer.....	Elevate Portfolio Services Limited Standard Life Savings Limited Standard Life Savings Nominees Limited	Arts & Business Scotland Focus Solutions Group Limited Standard Life Aberdeen plc Standard Life Assurance Limited Standard Life Client Management Limited
John Pollock.....	None	Cala 1 Limited Cala Group (Holdings) Limited Cofunds Limited Legal & General Group PLC Legal & General Holdings No.2 Limited Legal & General Insurance Limited Legal & General International (Holdings) Limited Legal & General International Limited Legal & General Overseas Holdings Limited Legal & General Partnership Services Limited Legal and General Assurance Society Limited Legal and General Partnership Holdings Limited Lucida Limited
Belinda Richards.....	Avast plc Monks Investment Trust Public Limited Company Schroder Japan Growth Fund plc WM Morrison Supermarkets PLC	Aviva Administration Limited Aviva Annuity UK Limited Aviva Life & Pensions UK Limited Aviva Life Holdings UK Limited Aviva Life Services UK Limited Balfour Beatty PLC Friends Life and Pensions Limited Friends Life Group Limited Friends Life Holdings PLC Friends Life Limited Grainger PLC Undershaft FAL Limited
Nicholas Shott.....	28 Smith Street Limited Home Office Lazard & Co., Holdings Limited Lazard & Co., Services Limited Lazard & Co., Limited Old Bailey 2005 LLP	None
Kory Sorenson	Bank Gutmann AG Chateau Troplong Mondot Pernod Ricard SA ProMetic Life Sciences Inc. SCOR SE	Aviva Insurance Limited Institut Pasteur

Name	Current directorship/partnership	Previous directorship/partnership
	SCOR Reinsurance Company (US) SCOR Global Life Americas Reinsurance Company Uniqa Insurance Group AG	

Notes:

- (1) James McConville is an independent non-executive director of Tesco Personal Finance plc. On 1 October 2018 the FCA announced that it had fined Tesco Personal Finance plc £16,400,000 for failing to exercise due skill, care and diligence in protecting its personal current account holders against a cyber attack which took place in November 2016. The fine was made against Tesco Personal Finance plc itself, and not against James McConville.
- (2) The Director ceased to be a director of this company upon the completion of the divestment of Ignis Asset Management.
- (3) An application for strike-off of The Gael Syndicate LLP was submitted to Companies House in 16 June 2018.

5.2 Conflicts of interest and other matters

New Phoenix is not aware of any conflicts of interest between any duties owed by the Directors to New Phoenix and their private interests or other duties, except for the following:

- Gerald Watson and James McConville are the holders of the New Phoenix Subscriber Shares; and
- Barry O'Dwyer and Campbell Fleming have been nominated to the Board by Standard Life Aberdeen under the terms of the Relationship Agreement. Both of these Directors will continue in their roles with Standard Life Aberdeen.

During the five years immediately prior to the date of this Prospectus, except as disclosed under paragraph 5.1.2 ("*Other directorships/partnerships of the Board*") above, none of the Directors has:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations whilst acting in his capacity as member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of senior management of a company;
- received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or
- been appointed as (i) a member of the administrative, management or supervisory bodies of New Phoenix, or (ii) a member of senior management of New Phoenix, pursuant to an arrangement or understanding with major shareholders, customers, suppliers or others.

There are no family relationships between any of the Directors, or between any of the Directors and the Senior Managers.

5.3 Senior Managers

Executive management of the Group is led by the Group Chief Executive Officer, Clive Bannister, who is supported by the Executive Committee. The Executive Committee oversees strategy matters relating to the implementation of the Group's strategy.

Clive Bannister (60)

Group Chief Executive Officer

- Leads the development of the Group's strategy for agreement by the Board;
- leads and directs the Group's businesses in delivery of the Group strategy and business plan;
- leads the Group to safeguard returns for policyholders and grow shareholder value;
- embeds a risk-conscious Group culture which recognises policyholder obligations in terms of service and security; and
- manages the Group's key external stakeholders.

James McConville (62)

Group Finance Director and Group Director, Scotland

- Leads and delivers the Group's financial business and strategy;
- leads and delivers the Group's debt strategy and related treasury matters;

- ensures the Group's finances and capital are managed and controlled;
- ensures that the Group has effective processes in place to enable reporting obligations (internal and external) to be met;
- supports the Group Chief Executive Officer in managing the Group's key external stakeholders and investor relations activity;
- maximises shareholder value through clear, rigorous assessment of business opportunities;
- leads and delivers the Phoenix Group and Standard Life Assurance transition including synergy benefits;
- represents the Group as 'Platform Manager' providing leadership, counsel and support to the Standard Life CEO and Group Director, Open business and Functional teams based in Scotland;
- leads and delivers the lobbying and engagement programme for key stakeholders in Scotland including The Scottish Government;
- maintains and deputises for the CEO as necessary in Scotland; and
- maintains relationships with senior Standard Life Aberdeen management as the Group's senior Scottish based manager.

Andy Moss (54)

Chief Executive, Phoenix Life and Group Director, Heritage Business

- Leads development and delivery of the Phoenix Life business strategy, including the continued integration of life businesses;
- leads the Phoenix Life business to optimise outcomes for customers in terms of both value and security; and
- ensures that Phoenix Life deploys capital efficiently and effectively, with due regard to regulatory requirements, the risk universe and strategy.

Susan McInnes (55)

Chief Executive, Standard Life and Group Director, Open Business

- Leads development and delivery of the Standard Life business strategy including ensuring Customer proposition is evolved to ensure it continues to meet the market need;
- focusses on a business model which ensures good outcomes for customers, shareholders and all other stakeholders;
- ensures that Standard Life deploys capital efficiently and effectively, with due regard to regulatory requirements, the risk universe and strategy.

Stephen Jefford (55)

Group Human Resources Director

- Leads the implementation of the Group's employee strategy in order to recruit, retain, motivate and develop high quality employees;
- provides guidance and support on all HR matters to the Group Chief Executive Officer, the Executive Committee, the Board and Remuneration Committee; and
- delivers HR services to the Group.

Antonios Kassimiotis (51)

Group Chief Operating Officer

- Leads development and delivery of the Group's operating platforms in line with regulatory requirements, the risk universe and strategy;
- ensures the delivery of the Group's information technology strategy;
- leads the management of the Group's long-term outsourcing arrangements; and
- ensures that the Group's procurement activities and shares services are efficient and effective.

John McGuigan (58)*Group Customer Director*

- Leads the Group's Customer Function to drive operational and experience delivery for the Group's customer base;
- sets standards and policies for customer management and interaction; and
- provides customer oversight, complaint handling and remediation activity.

Jonathan Pears (50)*Group Chief Risk Officer*

- Ensures that the firm has in place an effective risk-management system that comprises of the right strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on risk exposures, both at an individual and at an aggregated level; and
- leads the Group's Risk function and structures it in an appropriate way to facilitate the implementation of this risk management system.

Rakesh Thakrar (42)*Deputy Group Finance Director*

- Leads on the Group's Annual Report and Accounts, ORSA and Pillar 3 reporting;
- manages the Group's financial plans and management information in line with strategy; and
- contributes to the effective management of the Group's balance sheet and financial plan (including M&A); and
- leads on all financial aspects of any M&A.

Simon True (49)*Group Corporate Development Director and Group Chief Actuary*

- Supports the Group Chief Executive Officer in the formulation of the strategy for the Group;
- leads implementation of the Group's strategy as regards any potential acquisition or disposal;
- ensures that capital is managed efficiently across the Group;
- manages the Group's solvency position;
- leads the development of the Group's investment strategy; and
- identifies and delivers opportunities to enhance shareholder value across the Group.

Quentin Zentner (52)*General Counsel*

- Leads provision of legal advice to the Board, other Group company boards, the Executive Committee and senior management;
- oversees and coordinates maintenance of, and adherence to, appropriate corporate governance procedures across the Group;
- designs and implements a framework to manage legal risk within the Group, including compliance by Group companies and staff with relevant legal obligations; and
- designs and implements a whistleblowing framework within the Group.

5.3.1 Senior Managers' biographies**Clive Bannister**

See paragraph 5.1.1 ("*Directors' biographies*") above, for Mr Bannister's biography.

James McConville

See paragraph 5.1.1 ("*Directors' biographies*") above, for Mr McConville's biography.

Andy Moss

Andy Moss was appointed to the role of Chief Executive of Phoenix Life on 19 May 2014 having previously been Phoenix Life Finance Director responsible for planning and target setting, statutory and regulatory reporting and financial control for all of the Phoenix Life Companies. Prior to that Mr Moss was Deputy Finance Director of the Resolution Life business having started in the Group as Head of Finance at Britannic in 2004. Before joining the Group, Mr Moss held a variety of roles across Nationwide Life Ltd, KPMG and Eagle Star Group.

Stephen Jefford

Stephen Jefford was appointed Group Human Resources Director in October 2016. Mr Jefford had previously worked within the Group as Head of HR at Ignis Asset Management, leaving in 2013. Prior to this role Mr Jefford has held a number of senior roles in HR across Financial Services, predominantly at HSBC where he was Head of HR for Europe and the Middle East between 2007 and 2010. Mr Jefford is a member of the CIPD and has an MBA from CASS Business School and undergraduate degrees from Bristol University and the Open University.

Antonios Kassimiotis

Tony Kassimiotis was appointed to the role of Group Chief Operating Officer on 21 March 2018, having previously been Managing Director of Operations for Phoenix Life. As Managing Director of Operations for Phoenix Life, Mr Kassimiotis' responsibilities included the management of the Group's long-term BPO outsourcing contracts, the development of the Group's IT, strategic and operating platforms, along with the delivery of the business transformation agenda. Prior to that, Mr Kassimiotis was COO for Pearl, having started with Pearl Group as its Director of IT. Before joining the Group, Mr Kassimiotis held a variety of senior operational and IT management roles across retail, life & pensions and banking sectors, having worked for Coles Myer Ltd, Colonial Mutual, Commonwealth Bank of Australia and the AMP Group.

John McGuigan

John McGuigan joined Phoenix Group following the acquisition of Standard Life Assurance in 2018, and holds the role of Group Customer Director. In this role, John has responsibility for the service and experience delivery for the combined customer base for the newly enlarged Group. Prior to joining Standard Life Assurance, John held a senior role at Telefonica in Munich, Germany. In addition to his executive role, John is Vice Chair of Scottish Financial Enterprise and Non-Executive Director at Castle Rock Edinvar Housing Association Limited which is an Edinburgh based housing association.

Susan McInnes

Susan McInnes was appointed to the role of Chief Executive of Standard Life on 3 September 2018. She joined the Group following the acquisition of the Life Business of Abbey National in 2007 and was appointed Chief Risk Officer in March 2018. She became Customer Director in 2008 having responsibility for the service and product delivery to over 6 million customers including the on-boarding of the Abbey Life and AXA Wealth customers. Prior to joining the Group, Ms McInnes held a number of operational roles in insurance and retail banking.

Jonathan Pears

Jonathan Pears was appointed to the role of Group Chief Risk Officer of Phoenix Group on 31 August 2018. He previously served as Chief Risk Officer for Standard Life. Prior to joining Risk, Jonathan was Chief Actuary with responsibility for the Actuarial function including the management of Standard Life's with profits funds, investment strategy and capital management. Over his 22 years at Standard Life, Jonathan has held a variety of roles in Finance, Actuarial, Marketing and Operations.

Rakesh Thakrar

Rakesh Thakrar has over 20 years' experience in the life assurance industry and financial services. He joined the Group in 2001, since when he has held a number of positions including senior finance and strategy-related roles and has been responsible for the Group's financial performance, internal and external reporting obligations and supporting the delivery of the Group's strategy. Before joining Phoenix, Mr Thakrar worked for Canada Life, gaining experience in a variety of financial-related areas.

Simon True

Simon True joined the Group on 1 May 2013 as Group Chief Actuary. Before joining the Group, Mr True ran the M&A team within Resolution Limited, having joined in 2008, and was actively involved in its creation through to its inclusion in the FTSE 100 following the acquisitions of Friends Provident, AXA UK (Life), and Bupa Health. Prior to Resolution Limited, Mr True was the Group Actuary at Resolution plc until the acquisition by Pearl Group Limited in 2008. Mr True had initially joined the Resolution Life Group in February 2005: his responsibilities included running the Corporate Development team responsible for merger & acquisition activity – including the merger with Britannic, and the acquisition of the Abbey National life companies. Preceding his involvement with the various incarnations of Resolution, Mr True spent 7 years at Commercial Union (now part of Aviva), latterly in the International Division, followed by a further 7 years as a senior consultant at Tillinghast-Towers Perrin.

Quentin Zentner

Quentin Zentner was appointed as General Counsel in December 2014, having previously held the role of Director, Life Legal since August 2010. Mr Zentner was previously General Counsel at Nikko Principal Investments Ltd, a Japanese private equity company and before that was a Corporate Partner at Pinsents Curtis. Quentin is a qualified solicitor.

5.3.2 *Other directorships/partnerships of the Executive Committee*

In respect of each Senior Manager, details are set out below of the companies and partnerships (not including any member of the Group) of which such Senior Manager has been a member of the administrative, management or supervisory bodies or partner at any time in the five years before the date of this Prospectus:

Name	Current	Previous
Clive Bannister ⁽¹⁾	See above	See above
James McConville ⁽²⁾	See above	See above
Stephen Jefford	PGS Nominee No 1 Ltd PGS Nominee No 2 Ltd PGL Pension Trustee Ltd	None
Antonios Kassimiotis.....	TK PARM Distribution Limited	Sculptura UK Limited TK PARM Limited
John McGuigan	Scottish Financial Enterprise Castle Rock Edinvar Housing Association Limited	None
Susan McInnes	None	None
Andy Moss	None	None
Jonathan Pears	None	None
Rakesh Thakrar	Mythili Megha Limited	None
Simon True.....	None	Christchurch Financial Solutions Limited
Quentin Zentner	P.A.T. (Pensions) Limited P.A.T. (Pensions) Nominee Company No.1 Limited P.A.T. (Pensions) Nominee Company No.2 Limited	None

Notes:

(1) For Clive Bannister's other directorships/partnerships, please see paragraph 5.1.2 ("*Other directorships/partnerships of the Board*") above.

(2) For James McConville's other directorships/partnerships, please see paragraph 5.1.2 ("*Other directorships/partnerships of the Board*") above.

5.3.3 *Conflicts of interest and other matters*

New Phoenix is not aware of any conflicts of interest between any duties owed by Senior Managers to New Phoenix and their private interests or other duties. New Phoenix has procedures in place to identify and manage conflicts that may arise.

During the five years immediately prior to the date of this Prospectus, except as disclosed under paragraph 5.3.2 ("*Other directorships/partnerships of the Executive Committee*") above, none of the Senior Managers has:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations whilst acting in his capacity as member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of senior management of a company;
- received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or

- been appointed as (i) a member of the administrative, management or supervisory bodies of New Phoenix, or (ii) a member of senior management of New Phoenix, pursuant to an arrangement or understanding with major shareholders, customers, suppliers or others.

There are no family relationships between any of the Senior Managers, or between any of the Senior Managers and the Directors.

5.3.4 *Share dealing code*

New Phoenix has adopted a share dealing code which is based on the Market Abuse Regulation.

5.4 **Corporate Governance Code**

New Phoenix recognises the importance of, and is committed to, high standards of corporate governance. Old Phoenix's compliance with the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time (the "**Governance Code**") is described on pages 48 to 55 of Old Phoenix's Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015, which are incorporated by reference into this Prospectus as set out in Part X ("*Documents Incorporated by Reference*").

An updated Governance Code released on 16 July 2018 will apply to New Phoenix with effect from the financial year beginning 1 January 2019. The Financial Reporting Council describes the updated Governance Code as placing emphasis on businesses building trust by forging strong relationships with key stakeholders, and calling for companies to establish a corporate culture that is aligned with the company purpose, business strategy, promotes integrity and values diversity. The main changes cover areas including workforce and stakeholders, culture, succession and diversity, and remuneration.

5.5 **Board and management of the Group**

Old Phoenix is a member of the FTSE 250 Index, having achieved a premium listing on the LSE in July 2010. The Board is committed to high standards of corporate governance and supports the Corporate Governance Code which sets standards of good practice for UK listed companies. New Phoenix, upon listing, is expected to be included in FTSE's UK Index Series.

5.6 **The Board**

The Board comprises the Non-Executive Chairman, the Group Chief Executive Officer, the Group Finance Director, and nine non-executive directors (the "**Non-Executive Directors**"), of which seven directors are considered to be independent. Summary biographical details of each of the Directors are described at paragraph 5.1.1 ("*Directors' biographies*") above. The Board considers that the following Directors are independent as they do not have any interest or business and other relationship which could, or could be perceived to, interfere materially with their ability to act in the best interests of New Phoenix: Alastair Barbour, Karen Green, Wendy Mayall, John Pollock, Belinda Richards, Nicholas Shott and Kory Sorenson. The Board has considered the criteria proposed by the Corporate Governance Code in assessing the independence of the Directors.

Non-Executive Directors are appointed for a term of three years (for which purpose their appointments with Old Phoenix are taken into account) (subject to annual re-election at the AGM), and any subsequent terms are considered by the Nomination Committee and the Board. All Directors are subject to a vote for re-election at the AGM and all current directors were elected or re-elected at the 2018 AGM.

The Board is responsible to the Shareholders for the overall governance and performance of the Group. The Board's role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board has a schedule of matters reserved for its consideration and approval. These matters include:

- Group strategy and business plans;
- major acquisitions, investments and capital expenditure;
- financial reporting and controls;
- dividend policy;
- capital structure;
- the constitution of Board committees;
- appointments to the Board and Board committees;

- senior executive appointments; and
- key Group policies.

Matters which are not reserved for the Board or its committees under their terms of reference, or for Shareholders in general meetings, are delegated to the Executive Committee under a schedule of delegated authorities approved by the Board.

New Phoenix is, and is to remain, tax resident in the UK and the Directors will operate governance in a manner consistent with that objective.

5.7 **The Chairman, Group Chief Executive Officer and Senior Independent Non-Executive Director**

There is a division of responsibility, approved by the Board, between the Chairman, Nicholas Lyons, who is responsible for the leadership and effective operation of the Board, and the Group Chief Executive Officer, Clive Bannister, who is responsible to the Board for the overall management and operation of the Group. The Chairman's other significant commitments are set out in his biographical details which appear at paragraph 5.1.1 ("*Directors' biographies*") above.

The Senior Independent Non-Executive Director, appointed by the Board, is Alastair Barbour. His role is to be available to Shareholders whose concerns are not resolved through the normal channels or when such channels are inappropriate. He is also responsible for leading the appraisal of the Chairman's performance by the Non-Executive Directors.

5.8 **Effectiveness of the Board**

In accordance with the Corporate Governance Code, an evaluation of the performance of the Board and that of its committees and individual Old Phoenix directors was undertaken during October and November 2017.

The process involved completion by the Old Phoenix directors of a questionnaire covering various aspects of board, committee and director effectiveness, followed by individual meetings with each Old Phoenix director, concluding in a Board report which was discussed by the Board in November 2017. The following areas were covered:

- Board performance;
- Board structure and composition, including diversity;
- Board dynamics and relationship;
- Board processes;
- Board committees;
- individual Old Phoenix director performances; and
- Old Phoenix director induction and training.

The output from the Board and individual Old Phoenix director reviews informed the review of the Board composition which led to the Board's recommendations to shareholders regarding re-election of directors at the 2018 AGM.

All Old Phoenix directors receive a tailored induction on joining the Board and benefit from an ongoing training programme.

5.9 **Operation of the Board**

The terms of appointment for the Directors state that they are expected to attend in person regular (at least six per year) and extraordinary Board meetings of New Phoenix and to devote appropriate preparation time ahead of each meeting. The Non-Executive Directors hold meetings with the Chairman without the Executive Directors being present.

5.10 **Board's committees**

The Board has delegated specific responsibilities to four standing committees of the Board.

5.9.1 ***Audit Committee***

Alastair Barbour is the chairman of the Audit Committee. The other members are Belinda Richards, John Pollock and Karen Green.

The composition of the Audit Committee is in accordance with the requirements of the Governance Code that the Audit Committee should consist of at least three independent non-executive directors of whom at least one has recent and relevant financial experience. The Audit Committee met seven times during 2017.

The Audit Committee is responsible for making recommendations to the Board on such matters as the appointment of the external auditors and their terms of engagement and for reviewing the performance, objectivity and independence of the external auditors. The Audit Committee is also responsible for assessing the effectiveness of the internal audit function. The Audit Committee receives and reviews the Annual Report and Accounts and other related financial disclosures, the ultimate responsibility for these matters remaining with the Board. It monitors the overall integrity of the financial reporting by New Phoenix and its subsidiaries and reviews compliance with legal and regulatory requirements and the effectiveness of the Group's internal controls. The terms of reference of the Audit Committee state that it shall meet the external auditor at least once a year without management being present.

New Phoenix has adopted a Charter of Statutory Auditor Independence, which requires both New Phoenix and the external auditors to take measures to safeguard the objectivity and independence of the external auditors. These measures include a prohibition regarding non-audit services in respect of specific areas, such as secondments to management positions, or which could create a conflict or perceived conflict. It also includes details of the procedures for the rotation of the external audit engagement partner.

5.9.2 *Nomination Committee*

Nicholas Lyons is the chairman of the nomination committee of the Board (the “**Nomination Committee**”). The other members are Alastair Barbour, Nicholas Shott and Kory Sorenson. The composition of the Nomination Committee is in accordance with the requirement of the Governance Code that a majority of its members should be independent non-executive directors. The Nomination Committee is responsible for considering: (i) the size, composition and balance of the Board, the retirement and appointment of Directors; and (ii) succession planning for the Board and senior management and making recommendations to the Board on these matters. The Nomination Committee (including Ian Cormack until he resigned from the Board on 2 May 2018) met six times in 2017.

The standard process used by the Nomination Committee for Board appointments involves the use of an external search consultancy to source candidates external to Phoenix (and may in the case of executive appointments also consider internal candidates). Detailed assessments of short-listed candidates are undertaken by the search consultancy, followed by interviews with Nomination Committee members and other Directors and the sourcing of references before the Nomination Committee recommends the appointments to the Board.

5.9.3 *Remuneration Committee*

Kory Sorenson is the chairman of the Remuneration Committee. The other members are Karen Green and Nicholas Shott. The composition of the Remuneration Committee is in accordance with the requirements of the Governance Code that the Remuneration Committee should consist of at least three independent non-executive directors. The Remuneration Committee met six times in 2017.

The Remuneration Committee is responsible for making recommendations to the Board on its remuneration and compensation plans, policies and practices and for determining, within agreed terms of reference, specific remuneration packages for the executive directors. These include pension rights and executive incentive schemes to encourage superior performance.

PricewaterhouseCoopers provide advice to the Remuneration Committee. PricewaterhouseCoopers are independent of New Phoenix.

5.9.4 *Risk Committee*

John Pollock is the chairman of the Risk Committee. The other members are Alastair Barbour, Belinda Richards and Wendy Mayall. The establishment of a Risk Committee is not a requirement of the Governance Code. However, the Board believes such a committee is important to ensure the robust oversight of the management of risk within the Group. The composition of the Risk Committee, all being independent non-executive directors, is in accordance with the final recommendations of the report by Sir David Walker, ‘A review of corporate governance in UK banks and other financial industry entities’. The Risk Committee met six times in 2017.

The Risk Committee advises the Board on risk appetite and tolerance in setting the future strategy, taking account of the Board's overall degree of risk aversion, the current financial situation of New Phoenix and, drawing on assessment by the Audit Committee, its capacity to manage and control risks within the agreed strategy. It advises the Board on all high-level risk matters. Details of the Risk Management Framework, for which the Risk Committee has oversight, are set out under the section headed "*The Group's Risk Management Framework*" in Part II ("*Business Overview of the Group – Risk management*") of this Prospectus.

6. DIRECTORS' AND SENIOR MANAGERS' INTERESTS

The interests of the Directors and the Senior Managers, and their immediate families, in the share capital of (i) Old Phoenix (all of which, unless otherwise stated, are beneficial); and (ii) of New Phoenix as they are expected to be immediately following Admission, are as follows:

Name	Shares beneficially held at immediately prior to Admission		Shares beneficially held immediately following Admission	
	Number of Old Phoenix Shares	Percentage of Old Phoenix issued share capital	Number of New Phoenix Shares	Percentage of New Phoenix Share Capital
Directors				
Clive Bannister	827,178	0.21%	827,178	0.21%
Alastair Barbour	9,716	0.00%	9,716	0.00%
Campbell Fleming	0	0.00%	0	0.00%
Karen Green	0	0.00%	0	0.00%
Nicholas Lyons	20,000	0.00%	20,000	0.00%
Wendy Mayall	30,000	0.00%	30,000	0.00%
James McConville	253,227	0.06%	253,227	0.06%
Barry O'Dwyer	0	0.00%	0	0.00%
John Pollock	14,666	0.00%	14,666	0.00%
Belinda Richards	0	0.00%	0	0.00%
Nicholas Shott	7,333	0.00%	7,333	0.00%
Kory Sorenson	3,204	0.00%	3,204	0.00%
Senior Managers				
Stephen Jefford	19,939	0.00%	19,909	0.00%
Antonios Kassimiotis	21,064	0.00%	21,064	0.00%
John McGuigan	0	0.00%	0	0.00%
Susan McInnes	15,539	0.00%	15,539	0.00%
Andy Moss	71,172	0.00%	71,172	0.00%
Jonathan Pears	0	0.00%	0	0.00%
Rakesh Thakrar	42,942	0.00%	42,942	0.00%
Simon True	92,302	0.02%	92,302	0.02%
Quentin Zentner	51,560	0.01%	51,560	0.01%

The Directors and the Senior Managers have the same voting rights as all other Shareholders.

Details of the Directors' and the Senior Managers' non-beneficial interests in the Shares subject to options and awards under the Old Phoenix Share Plans are set out in paragraphs 10.4 ("*Executive Directors*") and 10.5 ("*Senior Managers*") below.

Other than as disclosed in paragraphs 10.4 ("*Executive Directors*") and 10.5 ("*Senior Managers*") below, there are no other persons to whom any capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

Save as set out in this Part IX (“*Additional Information*”), it is not expected that any Director will have any interest in the share or loan capital of New Phoenix following Admission and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

7. INTERESTS OF MAJOR SHAREHOLDERS

Information provided to Old Phoenix pursuant to the Disclosure Guidance and Transparency Rules regarding its substantial Shareholders is published on a Regulatory Information Service and on Old Phoenix’s website.

As at the Latest Practicable Date, insofar as Old Phoenix has been notified in accordance with the Disclosure Guidance and Transparency Rules, the following persons are interested, directly or indirectly, in 3 per cent. or more (or 5 per cent. in the case of investment managers) of New Phoenix’s issued share capital and thus have a corresponding interest in New Phoenix’s issued share capital immediately following Admission.

Name	As at the Latest Practicable Date		Immediately following Admission	
	Number of Old Phoenix Shares	Percentage of Old Phoenix issued share capital	Number of New Phoenix Shares	Percentage of New Phoenix Share Capital ⁽²⁾
Standard Life Aberdeen plc ⁽¹⁾⁽²⁾	194,275,410	26.94%	194,275,410	26.94%
BlackRock, Inc ⁽³⁾	38,225,362	5.28%	38,225,362	5.28%

Notes:

- (1) This assumes that there is no additional issue of Old Phoenix Shares by Old Phoenix between the Latest Practicable Date and Admission, and no acquisition or disposal of Old Phoenix Shares by the Major Shareholders during that period.
- (2) This is the number of shares held by Standard Life Aberdeen plc and/or certain of its affiliates following completion of the Acquisition.
- (3) This is the number of shares that have been notified to New Phoenix by BlackRock, Inc.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

As at 31 October 2018 (being the Latest Practicable Date prior to the publication of this Prospectus), New Phoenix is controlled jointly by two natural persons, Gerald Watson and James McConville, and as a result of the Scheme, there will be change of control of New Phoenix.

8. DIRECTORS’ SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

It is intended that New Phoenix will comply with the terms of the Old Phoenix directors’ remuneration policy, as approved by Old Phoenix shareholders at the 2017 annual general meeting, with any necessary modifications to reflect the Scheme. In accordance with legislative requirements, Shareholders’ approval of New Phoenix’s directors’ remuneration policy will be sought at the 2019 annual general meeting.

Prior to the publication of this Prospectus, each of the executive Directors (“**Executive Directors**”) and Non-Executive Directors (including the Chairman) as at the date of this Prospectus entered into a new letter of appointment with New Phoenix relating to his or her appointment to the Board. Details of the letters are summarised below. In addition, each of the Executive Directors has a service agreement with PGMS, details of which are summarised below. Their appointment letters with New Phoenix are co-terminus with their service agreements and do not provide for any additional remuneration in respect of the appointment to the New Phoenix Board.

8.1 Service Agreements of the Executive Directors

The Executive Directors have entered into service agreements with PGMS. Details of these service agreements are set out below:

Name	Date of service agreement with PGMS	Commencement date of appointment to the Old Phoenix Board	Commencement date of employment	Expiry/Notice terms
Clive Bannister (Group Chief Executive Officer).....	7 February 2011	28 March 2011	7 February 2011	12 months
James McConville (Group Finance Director and Group Director, Scotland).....	28 May 2012	28 June 2012	6 June 2012	12 months

Details of the share options and awards held by Mr Bannister and Mr McConville are set out in paragraph 10.4 (“Employee Incentive Plans-Executive Directors”) below.

Each of Mr Bannister’s and Mr McConville’s aggregate remuneration in 2017 is set out in paragraph 9.1 below.

8.1.1 Clive Bannister’s Service Agreement

Mr Bannister’s service agreement will continue until terminated by either party giving 12 months’ notice to the other, subject to earlier termination for cause. Mr Bannister’s basic annual salary for 2018 is £700,000.

Mr Bannister’s service agreement provides that PGMS may terminate his employment by making a payment of a cash sum in lieu of notice equal to Mr Bannister’s basic salary (at the rate applicable on the date on which notice to terminate was first given by either party), plus the cost of the provision of private medical and health insurance, life insurance, and pension contributions payable for any unexpired portion of the notice period, less any required deductions (the “payment in lieu”).

As an alternative to the payment in lieu being paid as a lump sum, the Remuneration Committee may require the payment in lieu to be made in instalments (with 50 per cent. being paid on the termination date, 25 per cent. being paid six months following the termination date, and the remaining 25 per cent. being paid nine months following the termination date). If Mr Bannister finds alternative employment or engagement during the relevant periods, the amount of any outstanding instalments will be reduced by the amount of any basic salary or fees he receives from such employment or engagement. Payment of any such instalments would be subject to Mr Bannister using all reasonable endeavours to find suitable alternative employment and/or engagement.

On termination, Mr Bannister may be eligible for a payment under the Group’s severance policy, the amount of which would be dependent on his length of service at the time of termination. Mr Bannister is entitled to be considered for an annual discretionary bonus. The amount of any bonus (which is payable by PGMS) will be determined by the Remuneration Committee. For 2018, Mr Bannister’s bonus potential is 75 per cent. of salary for on target corporate and personal performance and 150 per cent. of salary for maximum performance. Any bonus payment will be subject to clawback if bonuses have been calculated on the basis of misstated or incorrect financial information. For the 2018 annual discretionary bonus, 40 per cent. of any bonus declared will be deferred under a deferred bonus share scheme into an award of Shares for a period of three years, subject to Mr Bannister’s continued employment. If Mr Bannister’s employment is terminated (other than by way of summary termination, in which case no bonus is payable on termination), the Remuneration Committee has the discretion to pay Mr Bannister a *pro rata* bonus for the year in which the employment ends, payable at the same time as for other executives participating in the same scheme.

Mr Bannister is entitled to receive a car allowance of £15,000 per annum (which is payable monthly, less any required deductions), and to be provided with private medical and health insurance and life insurance cover.

Mr Bannister is subject to a confidentiality undertaking without limitation in time and to non-competition, non-dealing, and non-solicitation restrictive covenants for a period of six months following termination of employment.

Mr Bannister is not a member of the standard life pension scheme operated for certain of the Group's London-based senior executives and management (the "**Group Personal Pension**") or any other pension funded by the Group. In lieu of any contribution by the Group to a pension, Mr Bannister receives a non-contractual monthly allowance of £10,252 which is not counted towards Mr Bannister's total remuneration for the purposes of calculating any bonus payments.

8.1.2 ***James McConville's Service Agreement***

Mr McConville's service agreement will continue until terminated by either party giving 12 months' notice to the other, subject to earlier termination for cause. Mr McConville's basic annual salary for 2018 is £440,000.

Mr McConville's service agreement provides that PGMS may terminate his employment by making a payment of a cash sum in lieu of notice equal to Mr McConville's basic salary (at the rate applicable on the date on which notice to terminate was first given by either party), plus the cost of the provision of private medical and health insurance, life insurance, and pension contributions payable for any unexpired portion of the notice period, less any required deductions (the "payment in lieu").

As an alternative to the payment in lieu being paid as a lump sum, the Remuneration Committee may require the payment in lieu to be made in instalments (with 50 per cent. being paid on the termination date, 25 per cent. being paid six months following the termination date, and with the remaining 25 per cent. being paid nine months following the termination date). If Mr McConville finds alternative employment or engagement during the relevant periods, the amount of any outstanding instalments will be reduced by the amount of any basic salary or fees he receives from such employment or engagement. Payment of any such instalments would be subject to Mr McConville using all reasonable endeavours to find suitable alternative employment and/or engagement.

On termination, Mr McConville may be eligible for a payment under the Group's severance policy, the amount of which would be dependent on his length of service at the time of termination.

Mr McConville is entitled to be considered for an annual discretionary bonus. The amount of any bonus (which is payable by PGMS) will be determined by the Remuneration Committee. For 2018, Mr McConville's bonus potential is 75 per cent. of salary for on target corporate and personal performance and 150 per cent. of salary for maximum performance. Any bonus payment will be subject to clawback if bonuses have been calculated on the basis of misstated or incorrect financial information. For the 2018 annual discretionary bonus, 40 per cent. of any bonus declared will be deferred under a deferred bonus share scheme into an award of Shares for a period of three years, subject to Mr McConville's continued employment. If Mr McConville's employment is terminated (other than by way of summary termination, in which case no bonus is payable on termination), the Remuneration Committee has the discretion to pay Mr McConville a *pro rata* bonus for the year in which the employment ends, payable at the same time as for other executives participating in the same scheme.

Mr McConville is entitled to receive a car allowance of £15,000 per annum (which is payable monthly, less any required deductions), and to be provided with private medical and health insurance and life insurance cover.

Mr McConville is subject to a confidentiality undertaking without limitation in time and to non-competition, non-dealing, and non-solicitation restrictive covenants for a period of six months following termination of employment.

Mr McConville is not a member of the Group Personal Pension or any other pension funded by the Group. In lieu of any contribution by the Group to a pension, Mr McConville receives a non-contractual monthly allowance of £6,444 which is not counted towards Mr McConville's total remuneration for the purposes of calculating any bonus payments.

8.2 Letters of appointment of the Chairman and Non-Executive Directors

The Chairman and the Non-Executive Directors have each entered into letters of appointment with New Phoenix on substantially the same terms as those with Old Phoenix. Details of these letters of appointment are set out below:

Non-Executive Director	Date of letter of appointment	Date of joining the Old Phoenix Board	New Phoenix appointment end date
Alastair Barbour	1 November 2018	1 October 2013	2 May 2019
Campbell Fleming.....	1 November 2018	31 August 2018	31 August 2021
Karen Green	1 November 2018	1 July 2017	1 July 2020
Nicholas Lyons	1 November 2018	31 October 2018	31 October 2021
Wendy Mayall.....	1 November 2018	1 September 2016	1 September 2019
Barry O'Dwyer	1 November 2018	31 August 2018	31 August 2021
John Pollock	1 November 2018	1 September 2016	1 September 2019
Belinda Richards.....	1 November 2018	1 October 2017	1 October 2020
Nicholas Shott	1 November 2018	1 September 2016	1 September 2019
Kory Sorenson.....	1 November 2018	1 July 2014	2 May 2019

The annual fee levels are £325,000 for the Chairman, £105,000 for the role of Non-Executive Director. The annual fee for the Senior Independent Director is £10,000 and Chairman of the Audit, Risk and Remuneration Committee is £20,000. In addition, £20,000 is payable where a Non-Executive Director also serves on the board of a subsidiary company and/or £10,000 payable for service on the Solvency II Model Governance Committee. Fees paid to each of the Chairman and the Non-Executive Director in 2017 are set out in paragraph 9.1 below.

The appointment of the Chairman and each Non-Executive Director is for an initial term of three years (and is renewable for a further three year term for which purpose their appointments with Old Phoenix are taken into account), unless terminated earlier by either party with notice, or by New Phoenix for cause. The appointment of the Chairman and each Non-Executive Director is also subject to re-election by New Phoenix in general meeting, the New Phoenix Articles, and continued satisfactory performance. If the Chairman or a Non-Executive Director is not re-elected by the Shareholders, their appointment terminates automatically not later than the end of the general meeting provided that the number of directors at the end of this meeting exceeds the minimum number of directors required by the New Phoenix Articles. If this is not the case then all the retiring directors who stood for re-appointment at the general meeting shall be deemed to have been re-appointed as directors and shall remain in office, but they may only act for the purpose of filling vacancies and convening further general meetings of New Phoenix and performing such duties as are appropriate to maintain New Phoenix as a going concern and to comply with New Phoenix's legal and regulatory obligations.

The Chairman and Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and no fees will be payable in respect of any unserved portion of the term of their appointment. Further, Non-Executive Directors are not entitled to participate in the Group's share, bonus or pension schemes.

The Chairman and each Non-Executive Director is entitled to reimbursement from New Phoenix of reasonable expenses incurred in the performance of their duties. The Chairman and each Non-Executive Director is subject to a confidentiality undertaking without limitation in time. The Chairman and Non-Executive Directors may, in certain circumstances, obtain independent professional advice in the furtherance of their duties as Directors at New Phoenix's expense.

8.3 Other service agreements or letters of appointment

Save as set out in paragraphs 8.1 and 8.2 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

9. DIRECTORS' AND SENIOR MANAGERS' REMUNERATION

9.1 Directors' Remuneration for the year ended 31 December 2017

Director	Fees/salary ⁽¹⁾	Benefits ⁽²⁾	Annual incentive ⁽³⁾	2017 Total
		(£)		
Clive Bannister	700,000	16,000	902,087	1,618,087
Alastair Barbour ⁽⁴⁾	150,000	3,055	—	153,055
Campbell Fleming ⁽⁵⁾	N/A	N/A	N/A	N/A
Karen Green ⁽⁶⁾	52,500	—	—	52,500
Nicholas Lyons ⁽⁷⁾	N/A	N/A	N/A	N/A
Wendy Mayall	117,826	—	—	117,826
James McConville	440,000	16,000	567,026	1,023,026
Barry O'Dwyer ⁽⁸⁾	N/A	N/A	N/A	N/A
John Pollock	136,410	—	—	136,410
Belinda Richards ⁽⁹⁾	26,250	—	—	26,250
Nicholas Shott	105,000	—	—	105,000
Kory Sorenson	116,410	—	—	116,410

Notes:

- (1) Where appropriate, this figure is *pro rata* to the period the individual was an Old Phoenix Director.
- (2) Benefits include car allowance, private medical insurance and life insurance, and reimbursements of expenses for travel and accommodation costs, as applicable.
- (3) Annual incentive amounts are presented inclusive of any amounts which must be deferred in shares for three years (i.e., 40 per cent. of the 2017 incentive award). Of the amounts presented above, £360,834 of Clive Bannister's incentive payment is subject to 3-year deferral delivered in shares, and £226,810 of James McConville's incentive payment is subject to similar deferral.
- (4) Alastair Barbour's fee shown for 2017 included £20,000 for serving on a subsidiary company board, £15,000 for chairing the Audit Committee and £10,000 for being a member of the Group's Model Governance Committee.
- (5) Campbell Fleming joined the Old Phoenix Board on 31 August 2018.
- (6) Karen Green joined the Old Phoenix Board on 1 July 2017.
- (7) Nicholas Lyons joined the Old Phoenix Board on 31 October 2018.
- (8) Barry O'Dwyer joined the Old Phoenix Board on 31 August 2018.
- (9) Belinda Richards joined the Old Phoenix Board on 1 October 2017.

9.2 Senior Managers' Remuneration

The aggregate amount of remuneration paid by Old Phoenix or its subsidiaries to the Senior Managers in the year ended 31 December 2017 was approximately £2.94 million. This amount comprises salary, annual bonus, car allowance, pension contributions and private medical insurance. In addition to the amount above, each Senior Manager is entitled to death in service benefit of four times base salary.

10. EMPLOYEE INCENTIVE PLANS

10.1 Old Phoenix Share Plans

In accordance with the terms of the Old Phoenix Share Plans, it is intended that, on the Scheme Effective Date, participants in the Old Phoenix Share Plans will be granted Replacement Awards over Old Phoenix Shares which will have substantially the same value as the Old Phoenix Shares which were subject to the original awards under their respective Old Phoenix Share Plans immediately before the Scheme Effective Date. The terms of the Old Phoenix Share Plans which will govern these Replacement Awards are as follows. No new awards will be granted under the Old Phoenix Share Plans following the Scheme Effective Date.

Details of the options and awards granted to the Executive Directors and Senior Managers under each of the Old Phoenix Share Plans are set out in paragraphs 10.4 ("*Employee Incentive Plans—Executive Directors*") and 5 ("*Employee Incentive Plans—Senior Managers*") below.

10.1.1 *The Old Phoenix Long-Term Incentive Plan*

10.1.1.1 Overview

The Old Phoenix LTIP was adopted on 2 July 2009 by the Old Phoenix Board, approved by Old Phoenix's shareholders with effect from 2 September 2009 and subsequently amended by the Remuneration Committee of Old Phoenix on 30 January 2013 and 21 January 2015. An eligible employee may be granted a

conditional share award (which entitles a participant to acquire or receive shares for no or only a nominal payment), a share option to acquire shares at a nil or nominal exercise price, an allocation of shares which may be forfeited in certain circumstances, or any combination of them (each an “**Old Phoenix LTIP Award**”).

The Old Phoenix LTIP provides that, in countries where an award or option involving real shares or an allocation of forfeitable shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used. This delivers a cash payment equal to the net benefit that a participant would have derived from the vesting or exercise of an Old Phoenix LTIP Award. In certain circumstances, share based awards may be satisfied (in whole or in part) in cash.

10.1.1.2 Eligibility

All of Old Phoenix’s employees, including its Executive Directors and those of its subsidiaries are eligible to participate in the Old Phoenix LTIP at the discretion of the Remuneration Committee.

10.1.1.3 Grant of Old Phoenix LTIP Awards

Subject to any applicable dealing restrictions, the Remuneration Committee may grant Old Phoenix LTIP Awards under the Old Phoenix LTIP at any time while Old Phoenix is listed on the Official List and admitted to trading on the LSE’s main market for listed securities. Grants may be made during the period of 42 days commencing on (i) the announcement of Old Phoenix’s results for any period, or (ii) at such other time as the Remuneration Committee considers that exceptional circumstances exist which justify a grant.

No payment is required for the grant of an LTIP Award.

No new awards will be granted under the Old Phoenix LTIP following the Scheme Effective Date.

10.1.1.4 Individual limits

The Remuneration Committee determines the appropriate level of grant for participants. However, the maximum number of shares under Old Phoenix LTIP Awards granted to a participant in any twelve month period will generally not have an aggregate market value, as measured at the date of grant, exceeding 300 per cent. of the participant’s base salary. In exceptional circumstances, such as recruitment or retention, a limit of up to 400 per cent. of annual base salary will apply. Market value is based on the average of the closing price of a share as derived from the Daily Official List for the three Dealing Days preceding the date of grant. When determining the size of any individual grant, the Remuneration Committee, as far as possible, takes into account the likely impact of dividend enhancement, as described below. Where a participant is required to bear the costs of his employer’s National Insurance Contributions on his Old Phoenix LTIP Award, the number of shares under his award may, at the discretion of the Remuneration Committee, be increased to reflect this, subject to the maximum limit referred to above.

10.1.1.5 Dividend enhancement

The number of shares which vest under an Old Phoenix LTIP Award is increased to reflect the value of dividends paid on shares during the vesting period.

10.1.1.6 Performance conditions

Old Phoenix LTIP Awards are subject to performance conditions imposed by the Remuneration Committee at the date of grant. Performance conditions are generally measured over a period of three years. The extent to which the performance conditions are satisfied will determine how many (if any) of the shares under an Old Phoenix LTIP Award a participant is entitled to acquire or in the case of an allocation of forfeitable shares, to retain. Performance conditions are not capable of being retested, so that any proportion of an Old Phoenix LTIP Award which does not vest on the normal vesting date will lapse or be forfeited (as applicable).

The specific performance conditions applicable to a grant of an Old Phoenix LTIP Award are determined by the Remuneration Committee at the date of grant. However, as a general matter, performance conditions will be demanding and stretching and, where appropriate, performance may be measured against a defined comparator group. Vesting levels are determined on a sliding scale by reference to achievement of the performance conditions. The Remuneration Committee may determine that an Old Phoenix LTIP Award should be subject to multiple conditions or that an Old Phoenix LTIP Award should be sub divided and that each part be subject to a different condition. The Remuneration Committee is required to give due regard to best practice and any applicable codes published by regulators when setting performance conditions.

The Remuneration Committee may set different performance conditions for Old Phoenix LTIP Awards granted in different years provided that, in the reasonable opinion of the Remuneration Committee, the targets are not materially less challenging in any year.

The Remuneration Committee may vary the performance conditions applying to existing Old Phoenix LTIP Awards if an event occurs which results in the conditions no longer being a fair measure of performance provided that, in the reasonable opinion of the Remuneration Committee, the new conditions are not materially less challenging than the original conditions would have been but for the event in question.

10.1.1.7 Release or exercise of LTIP Awards

Subject to satisfaction of the applicable performance conditions the vesting period for Old Phoenix LTIP Awards is three years after the date of their grant. For Old Phoenix LTIP Awards made to executive directors from 2015 onwards, a holding period applies so that any Old Phoenix LTIP Awards for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award date. Vested share awards are released to participants automatically within 30 days of the date the shares vest. Vested share options are exercisable up until the tenth anniversary of the date of grant, after which they lapse. Vested forfeitable shares will cease to be subject to the risk of forfeiture on vesting.

Old Phoenix LTIP Awards normally only vest if the participant remains in employment with Old Phoenix or any of its subsidiaries. If a participant leaves Old Phoenix during the vesting period, vested and unvested parts of the LTIP Awards will normally lapse or be forfeited. However, if the reason for leaving is death, injury, disability, ill health, redundancy or any other reason at the Remuneration Committee's discretion, Old Phoenix LTIP Awards will not lapse but will vest on the normal vesting date, to the extent that the Remuneration Committee determines that the performance conditions have been satisfied over the full vesting period but subject to a time pro rating reduction (based on the total number of complete months from the date of grant to the cessation of employment relative to a period of 36 months). Alternatively, the Remuneration Committee may, in its absolute discretion, determine that Old Phoenix LTIP Awards should vest on the date of cessation of employment, subject to the satisfaction of the performance conditions at that date and to a time pro rating reduction. In either circumstance, the Remuneration Committee may determine that the pro rating reduction should not apply at all or should apply to a lesser extent. In the event of a participant's death, an Old Phoenix LTIP Award will vest and the shares may be released or acquired by his or her personal representatives within twelve months of such event.

10.1.1.8 Corporate events

In the event of a change of control, scheme of arrangement or voluntary winding up, unvested Old Phoenix LTIP Awards will vest to the extent that the performance conditions have been satisfied at the time of the relevant event but subject to a time pro rating reduction (based on the number of complete months from the date of grant to the date of the relevant event relative to a period of 36 months). The Remuneration Committee may in its discretion disapply the application of time pro

rating or determine that pro rating should apply to a lesser extent. The Remuneration Committee may also allow or require Old Phoenix LTIP Awards to be exchanged for equivalent awards over shares in the acquiring company. In the event of an internal reorganisation which involves the creation of a new holding company, Old Phoenix LTIP Awards will not vest and will be replaced by equivalent awards over shares in the new holding company.

If a demerger, special dividend or other similar event or transaction occurs which would affect the market value of a share to a material extent, then the Remuneration Committee may determine that Old Phoenix LTIP Awards will vest as on a change of control.

10.1.1.9 Variation of share capital

In the event of any variation of share capital or reserves of Old Phoenix (including, but without limitation, by way of capitalisation issue, rights issue, sub division, consolidation or reduction) or the implementation by Old Phoenix of a demerger or payment of a super dividend which would otherwise materially affect the value of a LTIP Award) the Remuneration Committee may adjust the number of Old Phoenix Shares subject to Old Phoenix LTIP Awards (including vested shares in respect of which any Old Phoenix LTIP Award has been realised but Old Phoenix Shares have not been transferred to the participant) to such extent and in such manner as it thinks fit.

10.1.2 *The Old Phoenix Sharesave Scheme*

10.1.2.1 Overview

The Old Phoenix Sharesave Scheme was adopted on 2 July 2009 by the Old Phoenix Board, approved by Old Phoenix's shareholders with effect from 2 September 2009 and subsequently amended by the Remuneration Committee of Old Phoenix on 21 January 2015. The Old Phoenix Sharesave Scheme enables tax-favoured options to be granted over shares to UK resident employees. The Old Phoenix Sharesave Scheme was approved by HMRC on 24 December 2009.

10.1.2.2 Eligibility

All of Old Phoenix's employees and full-time Directors who are UK resident taxpayers are eligible to participate provided that the Remuneration Committee may require any such person to have completed a qualifying period of employment of up to five years, but may allow other employees to participate.

10.1.2.3 Grant of options

Options can only be granted to employees who enter into an approved savings contract with a designated bank or building society, under which monthly savings are made as deductions from pay. The participant must select the date on which his or her savings will be repaid to him (the maturity date) which may be three or five years after the start of the contract provided that the Board may choose to offer only one of those repayment dates.

Invitations to participate in the Old Phoenix Sharesave Scheme may be issued only during the period of 42 days commencing on any of the following: (i) the day following the announcement of Old Phoenix's results for any financial period; (ii) any changes to the legislation affecting savings-related share option schemes being announced, made or coming into effect; or (iii) a resolution by the Directors that exceptional circumstances have arisen which justify the grant of options.

No new options will be granted under the Old Phoenix Sharesave Scheme following the Scheme Effective Date.

10.1.2.4 Individual limits

A participant's aggregate monthly savings under all savings contracts linked to options granted under any share save scheme must not exceed the statutory maximum (currently £500). The Remuneration Committee can set a lower limit in relation to any particular grant.

The number of shares over which an option is granted is such that the total exercise price payable will correspond to the proceeds on maturity of the related savings contract (i.e., the total savings plus accrued interest).

10.1.2.5 Exercise price

The price per share payable upon the exercise of an option must not be less than 80 per cent. of the market value of a share on a date which is determined by the Board (but which may be earlier than 30 days prior to the date of grant or 42 days if applications for options are scaled down where this is an oversubscription for options). If the option is granted over Old Phoenix Shares which are admitted to trading on the LSE, market value will be the average of the middle market quotations of such a share on the relevant exchange for the three consecutive Dealing Days immediately prior to the applicable valuation date. If the option relates to new issue shares, the exercise price must not be less than the nominal value of a share.

10.1.2.6 Exercise of options

Options are normally only exercisable during the six month period following the maturity date of the relevant savings contract. Earlier exercise is permitted if the participant leaves employment in certain specified circumstances, otherwise options will lapse on the cessation of employment.

10.1.2.7 Leaving employment

Options lapse on cessation of employment with Old Phoenix or any subsidiary of Old Phoenix which has been nominated by the Board as a participating company for the purposes of the Old Phoenix Sharesave Scheme unless the participant ceases employment for a specified reason. The participant may exercise options within six months of ceasing employment by reason of injury or disability, redundancy, retirement, the sale of the business or subsidiary company in which the participant is employed or, if the option has been held for at least three years, ceasing employment for any other reason. In respect of options granted prior to 17 July 2013, a participant may exercise his or her options within six months of reaching age 60 even though he or she does not leave employment. The personal representatives of a participant who dies may exercise his or her options within 12 months of the date of his or her death or if he or she dies within six months after the maturity of the relevant savings contract, 12 months from that maturity.

10.1.2.8 Corporate events

In the event of a change of control of Old Phoenix as a result of a general offer, or if a court approves a compromise or scheme of arrangement of Old Phoenix, or if there is a winding-up, options will become exercisable within limited specified periods of such events to the extent that they are exercisable with accrued savings. New Phoenix will notify participants of the relevant corporate event so as to enable them to exercise their options or take other action. Alternatively, participants may be offered equivalent new options over shares in a new holding company in exchange for their existing options.

10.1.2.9 Variation of share capital

In the event of any variation of share capital or reserves of Old Phoenix (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction), the number of Old Phoenix Shares under option and/or the exercise price may be adjusted as the Board (or a duly authorised committee thereof) may determine, provided that: (i) HMRC gives prior approval; (ii) in respect of options under which Old Phoenix Shares are to be transferred, the person holding the Old Phoenix Shares to which the options relate has been given prior notification and gives their prior approval; (iii) the adjustment does not result in an increase to the aggregate exercise price of any option; and (iv) the adjustment does not have the effect of reducing the exercise price to less than the nominal value of a Share.

10.1.3 *The Old Phoenix Share Incentive Plan*

10.1.3.1 Overview

The Old Phoenix SIP was adopted on 2 July 2009 by the Old Phoenix Board, approved by Old Phoenix's shareholders with effect from 2 September 2009 and subsequently amended with effect from 17 July 2013. The Old Phoenix SIP received HMRC approval on 11 January 2012. The acquisition of Old Phoenix Shares under the Old Phoenix SIP may attract tax-favoured treatment for UK resident employees.

10.1.3.2 Eligibility

All of Old Phoenix's employees who are UK resident taxpayers would be eligible to participate in the Old Phoenix SIP provided they satisfy any minimum service requirement that is imposed. Old Phoenix may set a minimum service requirement but that requirement cannot exceed 18 months' service. All eligible employees must be invited to participate on similar terms.

There will be no further invitations to participate in the Old Phoenix SIP following the Scheme Effective Date.

10.1.3.3 Awards

In summary, the Old Phoenix SIP allows participants to acquire shares under the terms of three types of awards: (i) an award of free shares ("**Free Shares**"); (ii) the opportunity for employees to purchase shares with deductions from their pre-tax salary ("**Partnership Shares**"); and (iii) an award of free shares ("**Matching Shares**") to those employees who have purchased Partnership Shares.

These elements may be operated individually or in conjunction with each other except that Matching Shares may only be awarded in conjunction with Partnership Shares. In addition, employees can be required or allowed to reinvest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further shares ("**Dividend Shares**"). Any shares acquired under the Old Phoenix SIP must be held in a special trust on participants' behalf for a minimum period of time.

(a) Free Shares

Old Phoenix may provide Free Shares to eligible employees up to a maximum value set from time to time by HMRC. The current maximum value is £3,600 per employee per annum. If Old Phoenix wishes, the award of Free Shares can be based on the achievement of personal, team, divisional or corporate performance targets which must be notified to all relevant employees. Otherwise, Free Shares must be awarded to eligible employees on the same terms subject only to variation according to an employee's remuneration, length of service or hours worked.

(b) Partnership Shares

Old Phoenix may provide eligible employees with the opportunity to acquire Partnership Shares from their pre-tax salary up to a maximum value set from time to time by HMRC, currently the lesser of £1,800 per annum or 10 per cent. of salary. Salary for these purposes includes base salary and any bonus. Old Phoenix may set a minimum monthly deduction that may not be greater than £10. Old Phoenix Shares are acquired on behalf of employees within 30 days after each deduction at a price equal to the market value of such shares on the date they are acquired. Alternatively, deductions can be accumulated for up to 12 months. In this case, shares are acquired on behalf of employees within 30 days of the end of the accumulation period, by reference to the market value of the shares on either the date the accumulation period commenced or the date the shares are acquired.

(c) Matching Shares

Old Phoenix may award Matching Shares to those eligible employees who have purchased Partnership Shares. The Matching Shares must be offered on the same basis to all employees in such ratio as Old Phoenix may determine, but that ratio may not exceed two Matching Shares for every one Partnership Share purchased.

(d) Dividend Shares

Old Phoenix may either give eligible employees the opportunity, or may require them, to re-invest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further shares.

10.1.3.4 Holding period

Free Shares and Matching Shares must generally be held in the Old Phoenix SIP trust for a minimum period set by Old Phoenix, which may not be less than three years nor more than five years from the date on which such shares are allocated to employees. Partnership Shares are not subject to any specific holding period. Dividend Shares must generally be held in the Old Phoenix SIP trust for a minimum period of not less than three years.

10.1.3.5 Leavers

Old Phoenix can provide for Free Shares and Matching Shares to be forfeited if employees cease employment with the Group within a period of up to three years from the date on which the shares were allocated other than in specified circumstances including death, redundancy, disability, injury, retirement, or the sale of the business or subsidiary in which the participant is employed.

Employees may withdraw their Partnership Shares from the Old Phoenix SIP trust at any time. However, Old Phoenix may stipulate that Matching Shares will be subject to forfeiture if the corresponding Partnership Shares are withdrawn within a specified period (not exceeding three years) of their purchase. Old Phoenix may also stipulate that Free Shares and Matching Shares may be forfeited if an employee withdraws them from the Old Phoenix SIP trust within a specified period (not exceeding three years) from the date they were allocated. Forfeiture will not apply if the shares are withdrawn from the Old Phoenix SIP as a result of a change of control of the Group.

10.1.3.6 Corporate events

In the event of any reconstruction or takeover of Old Phoenix, employees may direct the trustee of the Old Phoenix SIP how to act in respect of any shares held on their behalf.

10.1.3.7 Capital raisings

Whenever rights to acquire shares or other rights of any nature are granted by Old Phoenix in respect of its Old Phoenix Shares held in the Old Phoenix SIP on behalf of participants, participants may instruct the trustee to take up all or part of the rights, to sell the rights and/or to allow all or part of the rights to lapse.

10.1.4 *The Old Phoenix Deferred Bonus Share Scheme*

10.1.4.1 Overview

The Old Phoenix DBSS was adopted by the Remuneration Committee of Old Phoenix on 1 February 2010 and subsequently amended by the Remuneration Committee on 12 January 2015, 13 March 2015, 18 August 2015 and 23 August 2016. The Old Phoenix DBSS allows all or part of an employee's annual bonus to be awarded on a gross of tax basis in the form of a deferred share award, which will vest subject to the employee remaining in employment during a fixed vesting period. Old Phoenix may not issue new shares to satisfy deferred share awards. Instead, it may provide monies to an employee benefit trust to enable the trust to purchase existing shares in the market to be used to satisfy the awards.

10.1.4.2 Grant and vesting of deferred share awards

Participants will be granted an award of shares having a market value equal to the gross of tax element of the annual bonus that is to be deferred. The deferred award will normally vest and become exercisable at the end of a vesting period specified by the Remuneration Committee at the date of grant (which may not be less than three years or longer than five years) and is generally anticipated to be three years subject to the participant's continued employment. The participant may exercise the deferred award during the six months after the end of the vesting period.

No new awards will be granted under the Old Phoenix DBSS following the Scheme Effective Date.

10.1.4.3 Clawback

If it is determined that a bonus to which a deferred award relates was calculated on the basis of misstated or incorrect financial information, that deferred award, to the extent that it is unvested, will lapse (unless the Remuneration Committee decides otherwise) in respect of such number of shares as have a value equal to the difference between the excess bonus and the bonus that would have been calculated on the basis of the restated financial information.

10.1.4.4 Cessation of employment

If a participant resigns or gives notice of his resignation or is dismissed summarily before the vesting date, his entitlement to the deferred share award will automatically lapse unless the Remuneration Committee, in its discretion, determines otherwise. If the Remuneration Committee exercises its discretion in favour of such a leaver, or if a participant's employment ceases for any other reason, the participant's deferred award will be capable of exercise during the six months following his cessation of employment (or 12 months in the event of his death). If a participant ceases employment by reason of retirement with the consent of Old Phoenix, he may exercise a deferred award during the six months following the original vesting date.

10.1.4.5 Corporate events

In the event of a takeover, scheme of arrangement or winding-up of Old Phoenix (not being an internal reorganisation) deferred share awards will vest and be exercisable for a limited period after the change of control. An internal reorganisation to create a new holding company will not result in the accelerated vesting of deferred share awards; they will be exchanged for equivalent awards over shares in the holding company and vest at the normal vesting date.

10.1.4.6 Variation of share capital

In the event of any variation of the share capital of Old Phoenix, a demerger involving Old Phoenix or a subsidiary of Old Phoenix, or the payment of a capital or other dividend or distribution which is of an unusual nature (and which, in the opinion of the Remuneration Committee, has a material impact on the value of an Old Phoenix Share), the Remuneration Committee may adjust, as it considers appropriate: (i) the number of Old Phoenix Shares that may be acquired on the exercise of a deferred share award; (ii) the price payable for the Old Phoenix Shares; and (iii) the number of Old Phoenix Shares which may be allotted or transferred pursuant to an award (where an award has been exercised or released but no Old Phoenix Shares have been allotted or transferred pursuant to that exercise).

10.2 New Phoenix Share Plans

The New Phoenix Board has approved the rules of the New Phoenix Share Plans which will govern the terms of awards that may be granted following the Scheme Effective Date.

The terms of the New Phoenix Share Plans (other than the New Phoenix Irish SIP and the New Phoenix Irish Sharesave Scheme) will be the same as those of the respective Old Phoenix Share Plans, except for the minor differences that reflect changes in regulatory, governance and market practices, as set out below in paragraphs 10.2.1 to 10.2.4.

The terms of the New Phoenix Irish SIP and the New Phoenix Irish Sharesave Scheme (the plans being subject to approval by the Irish Revenue Commissioner) are also set out below in paragraphs 10.2.5 and 10.2.6.

10.2.1 *The New Phoenix Long-Term Incentive Plan*

10.2.1.1 Awards (if any) will be granted on the fourth Dealing Day after the date on which New Phoenix announces its results for the full financial year, notwithstanding that a dealing restriction may then apply.

10.2.1.2 For the purpose of determining the aggregate market value of the shares under awards, market value is based on the average of the lower of the two prices shown in the Daily Official List as the closing price of the shares on the day plus one half

of the difference between those two figures for the three Dealing Days prior to the date of grant. Where the Remuneration Committee cannot grant or considers it inappropriate to grant an award to a particular employee during any financial year as a result of any dealing restrictions, the maximum total value of shares over which awards may be granted to that employee may be carried forward and be available for the next grants that the Remuneration Committee decides to make to that employee.

10.2.1.3 Buy-out awards may be granted to individuals (including Executive Directors) to replace elements of remuneration forfeited on leaving a previous employment in order to take up employment with the Group, without such award being subject to performance conditions or a holding period.

10.2.2 *The New Phoenix Sharesave Scheme*

For the purpose of determining the exercise price, market value will be the average of the lower of the two prices shown in the Daily Official List as the closing price of the shares on the day plus one half of the difference between those two figures for the three Dealing Days prior to the date of grant.

10.2.3 *The New Phoenix Share Incentive Plan*

For the purpose of determining the number of shares appropriated by an employee, market value will be the average of the lower of the two prices shown in the Daily Official List as the closing price of the shares on the day plus one half of the difference between those two figures for the three Dealing Days prior to the date of grant.

10.2.4 *The New Phoenix Deferred Bonus Share Scheme*

10.2.4.1 Awards (if any) will be granted on the fourth Dealing Day after the date on which New Phoenix announces its results for the full financial year, notwithstanding that a dealing restriction may then apply.

10.2.4.2 For the purpose of determining the aggregate market value of the shares under awards, market value is based on the average of the lower of the two prices shown in the Daily Official List as the closing price of the shares on the day plus one half of the difference between those two figures for the three Dealing Days prior to the date of grant.

10.2.5 *The New Phoenix Irish Share Incentive Plan*

10.2.5.1 Overview

The New Phoenix Irish Share Incentive Plan (“**New Phoenix Irish SIP**”) enables Irish resident employees to acquire shares in a tax-efficient manner. It is subject to approval by the Irish Revenue Commissioners.

10.2.5.2 Eligibility

All of New Phoenix’s employees who are Irish resident taxpayers will be eligible to participate in the New Phoenix Irish SIP provided they satisfy any minimum service requirement that is imposed. New Phoenix may set a minimum service requirement but that requirement cannot exceed three years’ service. All eligible employees must be invited to participate on similar terms.

10.2.5.3 Awards

In summary, the New Phoenix Irish SIP allows participants to acquire shares under the terms of four types of awards: (i) an award of free shares (“**Free Shares**”); (ii) if Free Shares are awarded, New Phoenix may, but is not required to, offer employees the opportunity to purchase additional shares with deductions from their pre-tax salary (“**Salary Forgone Shares**”); (iii) the opportunity for employees to purchase shares with deductions from their post-tax earnings (“**Partnership Shares**”); and (iv) an automatic award of free shares (“**Matching Shares**”) to those employees who have purchased Partnership Shares.

Any shares acquired under the New Phoenix Irish SIP must be held in a special trust on participants’ behalf for a minimum period of time.

(a) Free Shares

An award of Free Shares can be based on objective appraisal of individual performance under an employee-wide performance appraisal scheme or on the achievement of, team, divisional or corporate performance targets which must be notified to all relevant employees. Otherwise, Free Shares must be awarded to eligible employees on the same terms subject only to variation according to an employee's remuneration or length of service.

(b) Salary Forgone Shares

In tandem with an award of Free Shares, New Phoenix may provide eligible employees with the opportunity to acquire Salary Forgone Shares from their pre-tax salary. Salary for these purposes is base salary (excluding any bonus). Salary deductions may not exceed 7.5% of salary, and in all events may not exceed the value of the Free Shares awarded. New Phoenix may set a minimum monthly deduction that may not exceed the lesser of €127 or 1% of salary. New Phoenix Shares are acquired on behalf of employees at the same time or after the related Free Share have been allocated. Deductions may be accumulated for up to 12 months. In this case, shares are acquired on behalf of employees at the end of the accumulation period. Shares are acquired by reference to the market value of the shares at the time they are acquired.

(c) Partnership Shares

New Phoenix may provide eligible employees with the opportunity to acquire Partnership Shares from their post-tax earnings. Deductions may not exceed 7.5% of base salary (excluding any bonus). New Phoenix may set a minimum monthly deduction that may not exceed the lesser of €127 or 1% of salary. New Phoenix Shares are acquired on behalf of employees within 30 days after each deduction. Alternatively, deductions can be accumulated for up to 12 months. In this case, shares are acquired on behalf of employees within 30 days of the end of the accumulation period. Shares are acquired by reference to the market value of the shares at the time they are acquired.

(d) Matching Shares

New Phoenix must award Matching Shares to employees who have purchased Partnership Shares. The Matching Shares must be offered on the same basis to all employees in such ratio as New Phoenix may determine, but that ratio must be at least one Matching Share for each Partnership Share purchased.

10.2.5.4 Annual Individual Limit

The aggregate value, at the time of award, of all Free Shares, Salary Forgone Shares and Matching Shares allocated to an employee in a tax year may not exceed €12,700.

10.2.5.5 Holding periods

Free Shares, Salary Forgone Shares and Matching Shares generally must be held in the New Phoenix Irish SIP trust for a minimum period of three years in order to benefit from the favourable tax treatment offered by the New Phoenix Irish SIP. Partnership Shares must be held in the New Phoenix Irish SIP trust for two years.

10.2.5.6 Leavers

Employees who are awarded shares under the New Phoenix Irish SIP will retain them if they cease employment with the Group.

10.2.5.7 Corporate events

In the event of any reconstruction or takeover of New Phoenix, employees may direct the trustee of the New Phoenix Irish SIP how to act in respect of any shares held on their behalf.

10.2.5.8 Capital raisings

Whenever rights to acquire shares or other rights of any nature are granted by New Phoenix in respect of its New Phoenix Shares held in the New Phoenix Irish SIP on behalf of participants, participants may instruct the trustee to take up all or part of the rights, to sell the rights and/or to allow all or part of the rights to lapse.

10.2.6 *The New Phoenix Irish Sharesave Scheme*

10.2.6.1 Overview

The New Phoenix Irish Sharesave Scheme enables tax-favoured options over shares to be granted to Irish resident employees. The plan is subject to approval of the Irish Revenue Commissioners.

10.2.6.2 Eligibility

All of New Phoenix's employees and full-time Directors who are Irish resident taxpayers are eligible to participate provided that the Remuneration Committee may require any such person to have completed a qualifying period of employment of up to three years, but may allow other employees to participate.

10.2.6.3 Grant of options

Options can only be granted to employees who enter into a certified contractual savings scheme with a qualifying savings institution under which monthly savings are made as deductions from pay. The participant must select the date on which his or her savings will be repaid to him (the maturity date) which may be three or five years after the start of the contract provided that the Board may choose to offer only one of those repayment dates.

Invitations to participate in the New Phoenix Irish Sharesave Scheme may be issued only during the period of 42 days commencing on any of the following: (i) Admission, (ii) the day following the announcement of New Phoenix's results for any financial period; (iii) any changes to the legislation affecting savings-related share option schemes being announced, made or coming into effect; or (iv) a resolution by the Directors that exceptional circumstances have arisen which justify the grant of options.

10.2.6.4 Individual limits

A participant's aggregate monthly savings under all savings contracts linked to options granted under any approved share save scheme must not exceed the statutory maximum (currently €500). The Remuneration Committee can set a lower limit in relation to any particular grant.

The number of shares over which an option is granted is such that the total exercise price payable will correspond to the proceeds on maturity of the related savings contract (i.e., the total savings plus accrued interest).

10.2.6.5 Exercise price

Under the relevant legislation, the price per share payable upon the exercise of an option must not be less than 75 per cent. of the market value of a share on a date which is determined by the Board. For the purpose of determining the exercise price, market value will be the average of the two prices shown in the Daily Official List as the closing price of the shares on the day plus one half of the difference between those two prices, for the three Dealing Days prior to the date of grant. If the option relates to new issue shares, the exercise price must not be less than the nominal value of a share.

10.2.6.6 Exercise of options

Options are normally only exercisable during the six month period following the maturity date of the relevant savings contract. Earlier exercise is permitted if the participant leaves employment in certain specified circumstances, otherwise options will lapse on the cessation of employment.

10.2.6.7 Leaving employment

Options lapse on cessation of employment with Phoenix or any subsidiary of Phoenix which has been nominated by the Board as a participating company for the purposes of the New Phoenix Irish Sharesave Scheme unless the participant ceases employment for a specified reason. The participant may exercise options within six months of ceasing employment by reason of injury or disability, redundancy, retirement, the sale of the business or subsidiary company in which the participant is employed or, if the option has been held for at least three years, ceasing employment for any other reason. The personal representatives of a participant who dies may exercise his or her options within 12 months of the date of his or her death or if he or she dies within six months after the maturity of the relevant savings contract, 12 months from that maturity.

10.2.6.8 Corporate events

In the event of a change of control of New Phoenix as a result of a general offer, or if a court approves a compromise or scheme of arrangement of New Phoenix, or if there is a winding-up, options will become exercisable within limited specified periods of such events to the extent that they are exercisable with accrued savings. New Phoenix will notify participants of the relevant corporate event so as to enable them to exercise their options or take other action. Alternatively, participants may be offered equivalent new options over shares in a new holding company in exchange for their existing options.

10.2.6.9 Variation of share capital

In the event of any variation of share capital or reserves of New Phoenix (including, without limitation, by way of capitalisation issue, rights issue, sub-division, consolidation or reduction), the number of New Phoenix Shares under option and/or the exercise price may be adjusted as the Board (or a duly authorised committee thereof) may determine, provided that: (i) the adjustment does not result in the requirements of the legislation under which the New Phoenix Irish Sharesave Scheme is approved ceasing to be satisfied; (ii) after the adjustment, the aggregate market value of the shares comprised in any option and the aggregate exercise price of any option are substantially the same as they were immediately before the adjustment; (iii) the adjustment does not have the effect of reducing the exercise price to less than the nominal value of a share; and (iv) where an option subsists over unissued and issued shares, any adjustment must only be made if it can be made to both unissued and issued shares to the same extent.

10.3 Terms Applicable to all of the Share Plans

The terms below apply to all the Share Plans.

10.3.1 *Time limit for grants of options and awards*

Options and awards may not be granted more than ten years after the date the New Phoenix Share Plans were adopted by the Shareholders. No new awards will be granted under the Old Phoenix Share Plans following the Scheme Effective Date.

10.3.2 *Satisfaction of options and awards*

Options and awards (other than deferred awards granted under the Old Phoenix DBSS) may be satisfied by the issue of new shares or the transfer of existing shares.

10.3.3 *Overall plan limits*

New Phoenix may not grant options or awards under any of the New Phoenix Share Plans or any other share plans adopted by New Phoenix or any other company under its control if such grant would cause the aggregate number of shares issued or issuable pursuant to options or awards granted in the preceding ten years under those plans to exceed 10 per cent. of New Phoenix's issued ordinary share capital at the proposed date of grant.

In addition, New Phoenix may not grant options or awards under the New Phoenix LTIP, New Phoenix DBSS or any other discretionary share plan adopted by New Phoenix or any other company under its control if such grant would cause the aggregate number of shares

issued or issuable pursuant to options or awards granted in the preceding ten years under those plans to exceed 5 per cent. of New Phoenix's issued ordinary share capital at the proposed date of grant.

If options and awards are to be satisfied by a transfer of existing shares, the percentage limits stated above will not apply.

For the purpose of calculating the limits, shares in Old Phoenix issued pursuant to Old Phoenix Share Plans prior to the Scheme Effective Date are taken into account; however, any options or awards granted, or shares allocated through trust arrangements, under the Old Phoenix Share Plans before the premium listing which occurred on 5 July 2010, are not taken into account for the purposes of calculating the above limits.

10.3.4 *Other features of options and awards*

Options and awards are not transferable, except on death. Options and awards are not pensionable. Unless the Remuneration Committee determines otherwise, awards and options will lapse if a participant is declared bankrupt.

10.3.5 *Rights attaching to shares*

Any shares allotted when an option is exercised or an award vests will rank *pari passu* with shares then in issue (except for rights arising by reference to a record date prior to their allotment). At any time when the shares are admitted to listing on a recognised stock exchange, application will be made for any newly issued shares to be admitted to such listing and admitted to trading on the relevant exchange.

10.3.6 *Alterations to the Share Plans*

The Remuneration Committee may amend the Share Plans in any respect, provided that (save for the Old Phoenix DBSS) the prior approval of shareholders is obtained for any amendment to the advantage of participants to the following provisions: (i) the individuals who may participate in the plan; (ii) the limits on the number of shares available under the plan; (iii) the maximum entitlement of participants; and (iv) the basis for determining a participant's entitlement and the adjustment of options or awards on a variation of New Phoenix's share capital.

The requirement to obtain the prior approval of shareholders does not apply to any amendment to the Old Phoenix DBSS nor to any minor amendment of the Share Plans made: (i) to benefit the administration of the Share Plans; (ii) to take account of a change in legislation; (iii) or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants or for any company in the Group. Shareholder approval is also not required for any amendment to any performance conditions, provided that any such amendment is made on the basis referred to above under paragraph 10.1.1.6 ("*The Old Phoenix Long-Term Incentive Plan – Performance conditions*") below.

Amendments that would adversely affect subsisting rights are subject to specified limitations.

New Phoenix may modify or extend any of the Share Plans to apply in different jurisdictions, having regard to securities, exchange control and tax laws in such jurisdictions. Any such amendment must conform to the basic principles of the relevant plan and cannot enlarge the individual or overall limits applicable to that share plan.

10.4 Executive Directors

As at the date of this Prospectus, the interests of Clive Bannister and James McConville under the long-term share-based arrangements were as follows:

10.4.1 2015 Old Phoenix LTIP Awards

Details of the nil cost options granted in 2015 under the Old Phoenix LTIP to Mr Bannister and Mr McConville are set out in the table below.

	Number of Old Phoenix Shares under 2015 Old Phoenix LTIP Award	2015 Old Phoenix LTIP Awards Normal Vesting Date	Number of Old Phoenix Shares vested and remain unexercised as at the Latest Practicable Date
Clive Bannister.....	198,931	28 September 2018	169,669
James McConville.....	125,041	28 September 2018	106,646

The 2015 Old Phoenix LTIP Awards vested on 28 September 2018 based on the extent to which two performance conditions were satisfied. The vested awards held by Mr Bannister and Mr McConville will not be released for a further two-year holding period during which the awards will continue to accrue dividend equivalents. The unvested portion of the 2015 Old Phoenix LTIP Awards lapsed.

The performance condition attached to the first 40 per cent. of the shares comprised in an Old Phoenix LTIP Award were based on embedded value growth targets measured over the three financial years from 1 January 2015 to 31 December 2017. 25 per cent. of these shares would have vested if embedded value as calculated under the LTIP rules increased over the period by the relevant risk free rate plus 4 per cent., rising on a straight line basis to full vesting of this tranche of the Old Phoenix LTIP Award if embedded value increased by the relevant risk free rate plus 6 per cent. The performance condition attaching to the 40 per cent. of the shares comprised in the Old Phoenix LTIP Award were based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2015. 25 per cent. of the shares comprised in this tranche of an award would have vested if cash of £841 million was generated over the period, rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Awards if cash of £991 million was generated.

The performance condition attaching to the remaining 20 per cent. of the shares in the Old Phoenix LTIP Award were based on total shareholder return (“TSAR”) based on the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee considered whether the TSAR performance was reflective of the underlying financial performance. Further details of the performance outcome relating to the 2015 Old Phoenix LTIP Awards are described in the Annual Report and Accounts for the year ended 31 December 2017.

10.4.2 2016 Old Phoenix LTIP Awards

Details of the nil cost options granted in 2016 under the Old Phoenix LTIP to Mr Bannister and Mr McConville are set out in the table below.

	Number of Old Phoenix Shares under 2016 Old Phoenix LTIP Award	2016 Old Phoenix LTIP Awards Normal Vesting Date
Clive Bannister.....	187,634	2 June 2019
James McConville.....	117,940	2 June 2019

The 2016 Old Phoenix LTIP Awards were subject to two performance conditions. The performance condition attaching to the 50 per cent. of the shares comprised in the Old Phoenix LTIP Award were based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2016. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £949 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if cash of £1,049 million is generated.

The performance condition attaching to the remaining 50 per cent. of the shares in the Old Phoenix LTIP Award will be based on TSAR based on the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee must consider whether the TSAR performance is reflective of the underlying financial performance.

10.4.3 **2017 Old Phoenix LTIP Awards**

Details of the nil cost options granted in 2017 under the Old Phoenix LTIP to Mr Bannister and Mr McConville are set out in the table below.

	Number of Old Phoenix Shares under 2017 Old Phoenix LTIP Award	2017 Old Phoenix LTIP Awards Normal Vesting Date
Clive Bannister	117,627	24 March 2020
James McConville	111,651	24 March 2020

The 2017 Old Phoenix LTIP Awards were subject to two performance conditions. The performance condition attaching to the 50 per cent. of the shares comprised in the Old Phoenix LTIP Award will be based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2017. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,372 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if cash of £1,572 million is generated.

The performance condition attaching to the remaining 50 per cent. of the shares in the Old Phoenix LTIP Award will be based on TSAR based on the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee must consider whether the TSAR performance is reflective of the underlying financial performance.

10.4.4 **2018 Old Phoenix LTIP Awards**

Details of the nil cost options granted in 2018 under the LTIP to Mr Bannister and Mr McConville are set out in the table below.

	Number of Old Phoenix Shares under 2018 Old Phoenix LTIP Award	2018 Old Phoenix LTIP Awards Normal Vesting Date
Clive Bannister	198,956	21 March 2021
James McConville	125,058	21 March 2021

The 2018 Old Phoenix LTIP Awards are subject to three performance conditions. The performance condition attaching to the 40 per cent. of the shares comprised in the Old Phoenix LTIP Award is based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2018. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,474 million is generated over the period (with none vesting if below £1,474 million), rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if cash of £1,674 million is generated. 35 per cent. of the shares comprised in the Old Phoenix LTIP is based on return on adjusted shareholder

Solvency II Own Funds, whereby a return of 4 per cent. above the risk free rate will start to vest on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if a risk free rate of 6 per cent. is reached.

The performance condition attaching to the remaining 25 per cent. of the shares in the Old Phoenix LTIP Award will be based on TSR with zero vesting at the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee must consider whether the TSR performance is reflective of the underlying financial performance.

Once the performance conditions have been measured, the 2015, 2016, 2017 and 2018 Old Phoenix LTIP Awards will only vest if the Remuneration Committee is also satisfied that the levels of bank debt and associated interest costs have remained within parameters acceptable to the Remuneration Committee over the vesting period and that the Group has made progress considered to be reasonable by it in executing any strategy agreed by the Board on debt management and capital restructuring.

Old Phoenix LTIP Awards made to Executive Committee members from 2015 are subject to a holding period so that any Old Phoenix LTIP Awards for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award.

10.4.5 *Old Phoenix DBSS*

Details of the nil cost options granted on 2 June 2016, 24 March 2017 and 21 March 2018 under the DBSS to Mr Bannister and Mr McConville are set out in the table below.

	Number of Old Phoenix Shares under 2016 Old Phoenix DBSS Award	2016 Old Phoenix DBSS Awards Normal Vesting Date	Number of Old Phoenix Shares under 2017 Old Phoenix DBSS Award	2017 Old Phoenix DBSS Awards Normal Vesting Date	Number of Old Phoenix Shares under 2018 Old Phoenix DBSS Award	2018 Old Phoenix DBSS Awards Normal Vesting Date
Clive Bannister	42,773	24 March 2019	41,548	20 March 2020	51,277	15 March 2021
James McConville	28,115	24 March 2019	26,116	20 March 2020	32,232	15 March 2021

The Old Phoenix DBSS Awards are subject to no performance conditions other than remaining in employment within the Group up to the date of vesting.

10.5 *Senior Managers*

10.5.1 *2015 Old Phoenix LTIP Awards*

Details of the nil cost options granted in 2015 under the Old Phoenix LTIP to the following Senior Managers are set out in the table below.

	Number of Old Phoenix Shares under 2015 Old Phoenix LTIP Awards	2015 Old Phoenix LTIP Awards Normal Vesting Date	Number of Old Phoenix Shares vested and remain unexercised as at the Latest Practicable Date
Stephen Jefford	—	—	—
Antonios Kassimiotis.....	71,104	28 September 2018	54,532
John McGuigan	—	—	—
Susan McInnes.....	18,960	28 September 2018	0
Andrew Moss.....	74,660	28 September 2018	57,261
Jonathan Pears.....	—	—	—
Rakesh Thakrar	24,866	28 September 2018	0
Simon True	76,526	28 September 2018	58,692
Quentin Zentner.....	52,143	28 September 2018	39,989

The 2015 Old Phoenix LTIP Awards vested on 28 September 2018 based on the extent to which two performance conditions were satisfied. The vested awards held by Mr Moss, Mr True and Mr Zentner will not be released for a further two-year holding period during which the awards will continue to accrue dividend equivalents. The unvested portion of the 2015 Old Phoenix LTIP Awards lapsed.

The performance condition attached to the first 40 per cent. of the shares comprised in an Old Phoenix LTIP Award were based on embedded value growth targets measured over the three financial years from 1 January 2015 to 31 December 2017. 25 per cent. of these shares would have vested if embedded value as calculated under the Old Phoenix LTIP rules increased over the period by the relevant risk free rate plus 4 per cent., rising on a straight line basis to full vesting of this tranche of the Old Phoenix LTIP Award if embedded value increased by the relevant risk free rate plus 6 per cent. The performance condition attaching to the 40 per cent. of the shares comprised in the Old Phoenix LTIP Award were based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2015. 25 per cent. of the shares comprised in this tranche of an award would have vested if cash of £841 million was generated over the period, rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Awards if cash of £991 million was generated.

The performance condition attaching to the remaining 20 per cent. of the shares in the Old Phoenix LTIP Award were based on TSR based on the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee considered whether the TSR performance was reflective of the underlying financial performance. Further details of the performance outcome relating to the 2015 Old Phoenix LTIP Awards are described in the Annual Report and Accounts for the year ended 31 December 2017.

10.5.2 2016 Old Phoenix LTIP Awards

Details of the nil cost options granted in 2016 under the Old Phoenix LTIP to the following Senior Managers are set out in the table below.

	Number of Old Phoenix Shares under 2016 Old Phoenix LTIP Awards	2016 Old Phoenix LTIP Awards Normal Vesting Date
Stephen Jefford.....	31,343	25 October 2019
Antonios Kassimiotis	67,067	2 June 2019
John McGuigan.....	—	—
Susan McInnes	17,883	2 June 2019
Andrew Moss	77,127	2 June 2019
Jonathan Pears	—	—
Rakesh Thakrar	23,472	2 June 2019
Simon True.....	72,180	2 June 2019
Quentin Zentner	51,418	2 June 2019

The 2016 Old Phoenix LTIP Awards were subject to two performance conditions. The performance condition attaching to the 50 per cent. of the shares comprised in the Old Phoenix LTIP Award were based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2016. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £949 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if cash of £1,049 million is generated.

The performance condition attaching to the remaining 50 per cent. of the shares in the Old Phoenix LTIP Award will be based on TSR based on the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee must consider whether the TSR performance is reflective of the underlying financial performance.

10.5.3 2017 Old Phoenix LTIP Awards

Details of the nil cost options granted in 2017 under the Old Phoenix LTIP to the following Senior Managers are set out in the table below.

	Number of Old Phoenix Shares under 2017 Old Phoenix LTIP Awards	2017 Old Phoenix LTIP Awards Normal Vesting Date
Stephen Jefford	29,628	24 March 2020
Antonios Kassimiotis	63,490	24 March 2020
John McGuigan	—	—
Susan McInnes	17,988	24 March 2020
Andrew Moss	79,363	24 March 2020
Jonathan Pears	—	—
Rakesh Thakrar	22,720	24 March 2020
Simon True.....	69,868	24 March 2020
Quentin Zentner	50,791	24 March 2020

The 2017 Old Phoenix LTIP Awards were subject to two performance conditions. The performance condition attaching to the 50 per cent. of the shares comprised in the Old Phoenix LTIP Award will be based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2017. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,372 million is generated over the period, rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if cash of £1,572 million is generated.

The performance condition attaching to the remaining 50 per cent. of the shares in the Old Phoenix LTIP Award will be based on TSR based on the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee must consider whether the TSR performance is reflective of the underlying financial performance.

10.5.4 2018 Old Phoenix LTIP Awards

Details of the nil cost options granted in 2017 under the Old Phoenix LTIP to the following Senior Managers are set out in the table below.

	Number of Old Phoenix Shares under 2018 Old Phoenix LTIP Awards	2018 Old Phoenix LTIP Awards Normal Vesting Date
Stephen Jefford	32,684	21 March 2021
Antonios Kassimiotis	63,949	21 March 2021
John McGuigan	—	—
Susan McInnes	31,264	21 March 2021
Andrew Moss	79,937	21 March 2021
Jonathan Pears	—	—
Rakesh Thakrar	35,527	21 March 2021
Simon True.....	74,608	21 March 2021
Quentin Zentner	55,423	21 March 2021

The 2018 Old Phoenix LTIP Awards are subject to three performance conditions. The performance condition attaching to the 40 per cent. of the shares comprised in the Old Phoenix LTIP Award is based on cash generation targets measured over the three financial years of Old Phoenix starting 1 January 2018. 25 per cent. of the shares comprised in this tranche of an award will vest if cash of £1,474 million is generated over the period (with none vesting if below £1,474 million), rising on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if cash of £1,674 million is generated. 35 per cent. of

the shares comprised in the Old Phoenix LTIP is based on return on adjusted shareholder Solvency II Own Funds, whereby a return of 4 per cent. above the risk free rate will start to vest on a straight line basis to full vesting of this tranche of an Old Phoenix LTIP Award if a risk free rate of 6 per cent. is reached.

The performance condition attaching to the remaining 25 per cent. of the shares in the Old Phoenix LTIP Award will be based on TSR with zero vesting at the median performance against the constituents of the FTSE 250 (excluding investment trusts) rising on a *pro rata* basis until full vesting for upper quartile performance. In addition, the Remuneration Committee must consider whether the TSR performance is reflective of the underlying financial performance.

Once the performance conditions have been measured, the 2015, 2016, 2017 and 2018 Old Phoenix LTIP Awards will only vest if the Remuneration Committee is also satisfied that the levels of bank debt and associated interest costs have remained within parameters acceptable to the Remuneration Committee over the vesting period and that the Group has made progress considered to be reasonable by it in executing any strategy agreed by the Board on debt management and capital restructuring.

Old Phoenix LTIP Awards made to Executive Committee members from 2015 are subject to a holding period so that any Old Phoenix LTIP Awards for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award.

10.5.5 *Old Phoenix DBSS*

Details of the nil cost options granted in 2016, 2017 and 2018 under the Old Phoenix DBSS to the following Senior Managers are set out in the table below.

	Number of Old Phoenix Shares under 2016 Old Phoenix DBSS Award	2016 Old Phoenix DBSS Awards Normal Vesting Date	Number of Old Phoenix Shares under 2017 Old Phoenix DBSS Award	2017 Old Phoenix DBSS Awards Normal Vesting Date
Stephen Jefford	—	—	2,473	20 March 2020
Antonios Kassimiotis.....	11,324	24 March 2019	11,938	20 March 2020
John McGuigan	—	—	—	—
Susan McInnes.....	5,149	24 March 2019	5,394	20 March 2020
Andrew Moss.....	18,826	24 March 2019	20,564	20 March 2020
Jonathan Pears.....	—	—	—	—
Rakesh Thakrar	6,760	24 March 2019	7,080	20 March 2020
Simon True	13,783	24 March 2019	15,184	20 March 2020
Quentin Zentner.....	7,854	24 March 2019	8,632	20 March 2020

	Number of Shares under 2018 DBSS Award	2018 DBSS Awards Normal Vesting Date
Stephen Jefford	9,555	15 March 2021
Antonios Kassimiotis	12,698	15 March 2021
John McGuigan	—	—
Susan McInnes	5,753	15 March 2021
Andrew Moss	28,595	15 March 2021
Jonathan Pears	—	—
Rakesh Thakrar	6,863	15 March 2021
Simon True.....	21,111	15 March 2021
Quentin Zentner	11,560	15 March 2021

The vesting of Old Phoenix DBSS awards are subject to no performance conditions other than remaining in employment within the Group up to the date of vesting.

10.5.6 *Old Phoenix Sharesave Scheme*

The Group invites on an annual basis all employees to participate in the Group's Sharesave Scheme. Details of the share options granted under the Old Phoenix Sharesave Scheme to Senior Managers are set out in the table below

	Number of Old Phoenix Shares under the 2014 Old Phoenix Sharesave Grant	Normal Exercise Date	Number of Old Phoenix Shares under the 2016 Old Phoenix Sharesave Grant	Normal Exercise Date	Number of Old Phoenix Shares under the 2017 Old Phoenix Sharesave Grant	Normal Exercise Date
Stephen Jefford.....	—	—	—	—	3,171	1 June 2020
Antonios Kassimiotis	—	—	—	—	—	—
John McGuigan.....	—	—	—	—	—	—
Susan McInnes	—	—	1,564	1 June 2019	1,585	1 June 2020
Andrew Moss	—	—	1,564	1 June 2019	1,585	1 June 2020
Jonathan Pears	—	—	—	—	—	—
Rakesh Thakrar	3,247	1 June 2019	—	—	1,585	1 June 2020
Simon True.....	—	—	—	—	3,171	1 June 2020
Quentin Zentner	—	—	—	—	—	—

10.5.7 *Old Phoenix Share Incentive Plan*

The Old Phoenix SIP was launched on 14 March 2012, with shares being acquired on a monthly basis. Details of the share awards held in trust under the Old Phoenix SIP on behalf of Senior Managers as at Latest Practicable Date are set out in the table below and cover the awards purchased or acquired (as applicable) on a monthly basis between May 2012 and May 2018:

	Total number of Old Phoenix Shares held in the Old Phoenix SIP
Stephen Jefford.....	532
Antonios Kassimiotis.....	—
John McGuigan.....	—
Susan McInnes	1,955
Andrew Moss.....	3,088
Jonathan Pears	—
Rakesh Thakrar.....	2,778
Quentin Zentner	—

11. SUBSIDIARIES AND CORPORATE STRUCTURE

11.1 Corporate structure

Following the occurrence of the Scheme Effective Date, New Phoenix will be the principal operating and holding company of the Group.

11.2 Significant subsidiary and associated undertakings of New Phoenix

Following the occurrence of the Scheme Effective Date, the principal subsidiaries and subsidiary undertakings of New Phoenix will be as follows:

Wholly-owned subsidiaries

Name	Country of incorporation and registered office	Percentage of ownership interest and voting power	Primary field of activity
Abbey Life Assurance Company Limited.....	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Insurance company
Impala Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
PA (GI) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Insurance company
Pearl Group Holdings (No. 1) Limited	Juxon House 100 St Paul's Churchyard London EC4M 8BU United Kingdom	100 per cent.	Holding company
Pearl Group Holdings (No. 2) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
Pearl Group Management Services Limited.....	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Service company
Pearl Group Services Limited.	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Service company
Pearl Life Holdings Limited...	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
PGH (LCA) Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
PGH (LCB) Limited.....	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
Phoenix Group Holdings (Old Phoenix)	c/o Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104, Cayman Islands	100 per cent.	Holding company
Phoenix Life Assurance Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG	100 per cent.	Insurance company

Name	Country of incorporation and registered office	Percentage of ownership interest and voting power	Primary field of activity
	United Kingdom		
Phoenix Life Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
Phoenix Life Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Insurance company
Phoenix Unit Trust Managers Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Management of unit trusts
Phoenix Wealth Holdings Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Holding company
Phoenix Wealth Services Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Service company
Standard Life Assets and Employee Services Limited.....	Standard Life House 30 Lothian Road Edinburgh, EH1 2DH United Kingdom	100 per cent.	Provision of staff and support services
Standard Life Assurance Limited	30 Lothian Road Edinburgh, EH1 2DH United Kingdom	100 per cent.	Insurance company
Standard Life International d.a.c.	90 St. Stephen's Green Dublin D2 Ireland	100 per cent.	Life assurance
Standard Life Lifetime Mortgages Limited	Standard Life House 30 Lothian Road Edinburgh, EH1 2DH United Kingdom	100 per cent.	Mortgage finance
Standard Life Master Trust Co. Ltd	Standard Life 1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Trustee company
Standard Life Pension Funds Limited	Standard Life House 30 Lothian Road Edinburgh, EH1 2DH United Kingdom	100 per cent.	Life assurance
SunLife Limited	1 Wythall Green Way Wythall, Birmingham B47 6WG United Kingdom	100 per cent.	Distribution company

Name	Country of incorporation and registered office	Percentage of ownership interest and voting power	Primary field of activity
Veignet Limited	Standard Life House 30 Lothian Road Edinburgh, EH1 2DH United Kingdom	100 per cent.	Development and distribution of technology

Investment

Name	Country of incorporation and registered office	Class and percentage of ownership interest and voting power	Primary field of activity
UK Commercial Property Trust Limited.....	Trafalgar Court, Les Banques St., Peter Port, Guernsey	44.76 per cent.	Commercial property company

For a full list of Old Phoenix's interests in subsidiaries and joint ventures prior to the Acquisition please see Note H at pages 170 to 177 in the notes to the consolidated financial statements in the Annual Report and Accounts for the year ended 31 December 2017, which are incorporated by reference into this Prospectus as set out in Part X ("*Documents Incorporated by Reference*").

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) (i) have been entered into by Old Phoenix or another member of the Group within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Group or (ii) have been entered into prior to such period and contain provisions under which a member of the Group has an obligation or entitlement which is material to the Group.

12.1 Standard Life Assurance Acquisition Agreements

12.1.1 SLAL Share Purchase Agreement

On 23 February 2018, Old Phoenix (as buyer) and Standard Life Aberdeen (as seller) entered into a share purchase agreement, which was amended and restated on 28 May 2018 and on 31 August 2018 (the "**Share Purchase Agreement**"). Under its terms the entire share capital of SLAL was transferred to Old Phoenix 31 August 2018.

The total consideration for the Acquisition comprised (i) the sum of £1,971,117,775; (ii) the issue of the Acquisition Shares by Old Phoenix to Standard Life Aberdeen at completion of the Acquisition; and (iii) any payment made by Old Phoenix to Standard Life Aberdeen pursuant to the Purchase Price Adjustment but less any payment from Standard Life Aberdeen to Phoenix via the "locked box" mechanism.

Old Phoenix and Standard Life Aberdeen have given each other certain customary representations and warranties in relation to the Acquisition and the issue of the Acquisition Shares.

Under the Share Purchase Agreement, Standard Life Aberdeen has indemnified Old Phoenix and the Group against employment liabilities arising prior to completion of the Acquisition. Old Phoenix has indemnified Standard Life Aberdeen and members of the Standard Life Aberdeen Group against employment liabilities arising following completion of the Acquisition or as a result of its failure to provide Standard Life Aberdeen with information about measures in connection with the transfer of employees.

Standard Life Aberdeen has indemnified Old Phoenix and the Group against the Pensions Regulator using its statutory powers to require them to pay any money into or otherwise financially support any Standard Life Aberdeen defined benefits pension scheme as a result of acquiring SLAL and its subsidiaries. Standard Life Aberdeen has also indemnified Old Phoenix against certain potential pensions liabilities of SLAL and its subsidiaries arising in Ireland and against the risk of any pensions liabilities arising in Germany in respect of a former employee.

Standard Life Aberdeen has further indemnified Phoenix:

- in respect of losses arising from certain alleged conduct issues in connection with the German and Austrian businesses. Old Phoenix will not be able to claim under this indemnity until any associated provision in the SLAL accounts has been fully utilised;
- for losses arising under the indemnities provided by SLAL in respect of assumption reinsurance and business transfer transactions between 2004 and 2015 relating to Standard Life Aberdeen's historic Canadian business;
- in connection with the expected recapitalisation of SLIDAC as part of SLAL's Brexit planning which involves undertaking a Part VII transfer of the Irish and German branch policies to SLIDAC; and
- in connection with potential adverse lapse experience in relation to certain UK unit-linked products within the non-profit fund.

For a description of certain other indemnities given by Standard Life Aberdeen in favour of Old Phoenix, please see the description of the Deed of Indemnity at paragraph 13.3.2 ("*SLAL Deed of Indemnity*") below.

The indemnities are subject to specific and overall caps on liability and Standard Life Aberdeen's total liability in respect of all claims relating to the Acquisition is not to exceed £2.93 billion. This includes claims pursuant to the core warranties (e.g. related to Standard Life Aberdeen's title to the shares) in the Share Purchase Agreement but excludes claims pursuant to the Transitional Services Agreement, the Client Service and Proposition Agreement, the Investment Management Agreement and the Trade Mark Licence Agreement. A sub-cap of £730 million applies to other claims in relation to the Acquisition, including pursuant to non-core warranty claims, the Tax Deed and the Deed of Indemnity described at paragraph 13.3.2 ("*SLAL Deed of Indemnity*") below.

The Share Purchase Agreement anticipates that Old Phoenix will continue to pursue its stated strategy of acquiring new businesses. Assets may be acquired by way of acquisition activity, or in connection with reinsurance, bulk purchase agreements, or similar activities.

If the acquired assets are of a class of asset already managed by a subsidiary of Standard Life Aberdeen for a life company owned by Old Phoenix, then provided that: (i) the existing assets are not subject to underperformance; (ii) any costs associated with transferring the mandate for the acquired assets are paid by a subsidiary of Standard Life Aberdeen; and (iii) a fee proposal is made which is equivalent to that which applies to the existing assets, then, following the completion and satisfaction of any appropriate governance processes, arrangements shall be made for the transfer of such mandate.

If the acquired assets are of a class of asset that is not already managed by a subsidiary of Standard Life Aberdeen for a life company owned by Old Phoenix, then provided that: (i) a subsidiary of Standard Life Aberdeen can properly demonstrate that it has the capability and track record to manage such assets; (ii) any costs associated with transferring the mandate for the acquired assets are paid by a subsidiary of Standard Life Aberdeen; and (iii) a competitive fee proposal is made, then, following the completion and satisfaction of any appropriate governance processes, arrangements shall be made for the transfer of such mandate.

Under the Share Purchase Agreement, there may be an adjustment to the price paid by Old Phoenix in respect of the Acquisition (the "**Purchase Price Adjustment**"). It is anticipated that the assets currently managed by Standard Life Aberdeen for the Group and Standard Life Assurance shall continue under Standard Life Aberdeen's management, subject to the terms of the existing investment management agreements, as amended from time to time. In addition, assets used to support the new business distributed under the Client Service and Proposition Agreement will be managed by Standard Life Aberdeen.

The Purchase Price Adjustment provides that certain types of withdrawals of assets can trigger increases in the consideration paid by Old Phoenix for Standard Life Assurance under the Share Purchase Agreement. The adjustment will be commensurate to the projected value of fees lost by Standard Life Aberdeen as a result of the withdrawal, taking into account the likely run-off profile of the withdrawn assets. Each year the aggregate value of these adjustments shall be paid by Old Phoenix to Standard Life Aberdeen. This means that, when

a relevant asset withdrawal occurs, a matching adjustment will become due at the end of the year, and an adjustment will be due in every subsequent year for the duration of the term of the Purchase Price Adjustment (which is ten years from completion of the Acquisition and each party has limited termination rights). Those subsequent adjustments will decline to match the projected theoretical run-off profile of the withdrawn assets. The exception to this is that if a relevant withdrawal with a value over £1 billion occurs then an immediate adjustment will become due (in other words, the adjustment is not aggregated with all other adjustments at the end of the year and the single payment will be equal to the future value of all adjustments due in respect of that withdrawal for the remainder of the ten-year term of the purchase price adjustment).

Where Old Phoenix acquires new businesses, and those businesses include assets which subsequently become managed by Standard Life Aberdeen, the Purchase Price Adjustment due in any year will be reduced to reflect the value of the fees due to Standard Life Aberdeen in that year in respect of those assets.

12.1.2 ***SLAL Deed of Indemnity***

On completion of the Acquisition, Standard Life Aberdeen and SLAL entered into a deed of indemnity (the “**SLAL Deed of Indemnity**”). Under the SLAL Deed of Indemnity, Standard Life Aberdeen provided an indemnity to Old Phoenix in respect of certain liabilities arising out of the FCA-mandated, and Standard Life Aberdeen’s voluntary, review and redress programme in respect of SLAL’s historical non-advised sales of pension annuities, and the FCA’s ongoing investigation of historical non-advised annuity sales practices. The aggregate liability of Standard Life Aberdeen for the matters covered by the SLAL Deed of Indemnity is capped at £155 million. This cap counts towards the sub-cap of £730 million that is described at paragraph 13.3.1 (“*SLAL Share Purchase Agreement*”) above.

The SLAL Deed of Indemnity applies to the extent that SLAL’s unutilised balance sheet provision as at completion of the Acquisition (together with an additional reserve) is insufficient. In the event that SLAL’s exposure is less than this provision (and reserve), SLAL shall pay the balance of such provision (and reserve) to Standard Life Aberdeen, together with any interest that may have accrued on such sum.

SLAL has the benefit of insurance that is expected to respond to the indemnified matters. Under the SLAL Deed of Indemnity, SLAL will be required (without prejudice to its rights under the SLAL Deed of Indemnity) to make any available claims under this insurance, with Standard Life Aberdeen taking the benefit of any recoveries.

The parties have set up a monitoring committee, which consists of representatives from Old Phoenix, Standard Life Aberdeen and SLAL. The monitoring committee oversees the management of costs, assists Standard Life Aberdeen in monitoring its liability and assists with setting up any redress programmes. SLAL is obliged to provide periodic updates, correspondence and other materials related to the indemnified matters to the monitoring committee.

The SLAL Deed of Indemnity expires four years from completion of the Acquisition.

12.1.3 ***Tax Deed***

On completion of the Acquisition on 31 August 2018, Old Phoenix and Standard Life Aberdeen entered into a deed of tax covenant (the “**Tax Deed**”). Under the Tax Deed, Standard Life Aberdeen provides Old Phoenix with customary protections in relation to certain tax liabilities of SLAL and SLAL’s subsidiaries, including certain tax risks in connection with the restructuring of Standard Life Assurance and the Brexit contingency planning. Claims under the Tax Deed are subject to certain exclusions and limitations, including certain financial limitations as described at paragraph 13.3.1 (“*SLAL Share Purchase Agreement*”) above.

12.1.4 ***Transitional Services Agreement***

On 31 August 2018, SLESL and SLAESL entered into a transitional services agreement (the “**Transitional Services Agreement**”).

Under the Transitional Services Agreement, SLESL has agreed to continue to provide certain services or procure that certain services are provided to SLAESL and certain third party beneficiaries for a specified period. In addition, certain transitional services are being provided by SLAESL to SLESL and certain other companies within Standard Life Aberdeen’s retained

group on a reverse basis for a specified period (the services to be provided or procured by SLESL or SLAESL being the “**Services**”). The majority of Services are being provided by SLAESL back to SLESL and certain other companies within the retained Standard Life Aberdeen group.

The Transitional Services Agreement is effective for an initial period of three years from completion of the Acquisition. Either party can request extensions to the provision of a Service for a further term (the parties to discuss and agree such extension in good faith).

12.1.5 *Client Service and Proposition Agreement*

On 31st August 2018, SLAL, SLIDAC, and SLAESL entered into the client service and proposition agreement with certain subsidiaries of Standard Life Aberdeen (the “**Client Service and Proposition Agreement**”).

SLAL continues to manufacture certain workplace products, drawdown products, individual pension products and onshore bond products, and SLIDAC continues to manufacture certain offshore bond products. These products continue to be made available by members of the Standard Life Aberdeen group, including via its retained platform businesses where applicable. Standard Life Aberdeen group also markets and distributes these in-scope products in the UK. The Standard Life Aberdeen group is the exclusive distributor of SLAL’s and SLIDAC’s in-scope products. The parties have rights of first refusal in relation to, in the case of SLAL and SLIDAC, insured products (and certain new products) and, in the case of the Standard Life Aberdeen group, non-insured long-term savings products, advisory services, products sold as part of the Workplace proposition and the provision of marketing services.

The Client Service and Proposition Agreement can be terminated on customarily limited terms. Absent such termination, it has a rolling term.

12.1.6 *Trade Mark Licence Agreement*

On 31 August 2018, SLESL (as licensor) and SLAL (as licensee) entered into a trade mark licence agreement (the “**Trade Mark Licence Agreement**”). The licence granted relates to a variety of “Standard Life” trade marks and other related marks. The licensed marks include word marks, stylised marks and logos and includes registrations in the UK, Germany, Ireland and the EU. The licence is granted on a non-exclusive basis in relation to the business of Standard Life Assurance, save that the license is granted on an exclusive basis with respect to the specific products listed in the Client Service and Proposition Agreement. The licence is granted in relation to the UK, Germany, Austria and Ireland.

SLAL has indemnified SLESL in relation to losses arising due to SLAL’s use of the licensed marks. The licence is perpetual subject to termination rights arising in favour of SLESL upon (i) SLAL’s material breach, (ii) SLAL’s insolvency, (iii) where the licence relates to the activities under the Client Service and Proposition Agreement, the termination or expiry of the Client Service and Proposition Agreement and (iv) SLAL challenging the validity of the licensed marks.

12.1.7 *Investment Management Agreement*

Standard Life Investments Limited (“**SLI**”) was appointed in July 2006 to manage substantially all of Standard Life Assurance’s investment portfolio. On completion of the Acquisition on 31 August 2018, an amended and restated investment management agreement was entered into between SLAL and SLI (the “**Investment Management Agreement**”) on substantially the same terms as the investment management agreement in agreed form at the time of signing of the Share Purchase Agreement. Pursuant to the Investment Management Agreement, SLI continues to serve as the investment manager of Standard Life Assurance’s investment portfolio.

The terms on which SLI originally served as investment manager of Standard Life Assurance’s portfolio were of an intra-group nature. The Investment Management Agreement amends and restates the commercial terms so that they are substantially the same as the existing investment management arrangements that are in place between certain members of the Group and certain investment management entities within the Standard Life Aberdeen group. In particular, SLI retains broad discretion to manage Standard Life Assurance’s

investment portfolio (to the extent allocated to it) provided it does so within the pre-agreed investment guidelines. However, Standard Life Assurance reserves the right to give execution instructions in relation to the investment portfolio in certain circumstances.

Standard Life Assurance also retains certain rights to withdraw assets from SLI's management, including: (i) in circumstances where required by applicable law, to comply with a direction from a regulatory body or to meet a request from a customer of Standard Life Assurance; (ii) in circumstances where the withdrawal is required to satisfy *bona fide* cash requirements of the Group; and (iii) on three months' written notice where a withdrawal is required in connection with a Part VII transfer under FSMA. In addition, Standard Life Assurance may withdraw assets in connection with certain asset classes up to an aggregate fixed amount in each year of the Investment Management Agreement. Standard Life Assurance also has withdrawal rights where any of the assets have suffered consistent underperformance against a relevant benchmark (as determined in accordance with the Investment Management Agreement). Subject to certain conditions, Standard Life Assurance may also withdraw assets on 30 days' written notice, where Standard Life Assurance considers such withdrawal necessary to protect the interests of policyholders.

Pursuant to the Investment Management Agreement, SLI shall indemnify Standard Life Assurance against any losses and liabilities arising from negligence, breach of the Investment Management Agreement, breach of its duty of care, wilful default or fraud on the part of SLI or any delegate or its or their officers, employees or agents. Standard Life Assurance shall indemnify SLI against all, losses, costs, claims, damages, liabilities and expenses incurred by SLI in consequence of Standard Life Assurance's fraud, wilful default or negligence.

The Investment Management Agreement may be terminated by either party on three years' written notice. The agreement also includes customary early termination rights in circumstances where either party becomes insolvent or subject to equivalent or similar creditor arrangements, SLI ceases to hold appropriate regulatory permissions to continue to serve as an investment manager, it is necessary to terminate the agreement to comply with a legal or regulatory requirement or either party is in material breach of the agreement.

12.1.8 **Relationship Agreement**

On 31 August 2018, Standard Life Aberdeen and Old Phoenix entered into a relationship agreement to govern Standard Life Aberdeen's holding of Old Phoenix Shares and the continuing relationship between the parties following completion of the Acquisition (the "**Relationship Agreement**"). Under the Relationship Agreement, Standard Life Aberdeen undertakes to enter into a new relationship agreement with New Phoenix on substantially the same terms as the Relationship Agreement, and Standard Life Aberdeen and New Phoenix intend to enter into such agreement on or around the Scheme Effective Date.

The Relationship Agreement ceases to be effective if: (i) the Old Phoenix Shares are no longer listed on the premium listing segment of the Official List and admitted to trading on the Main Market; or (ii) Standard Life Aberdeen and its subsidiary undertakings (excluding any member of the Group) (the "**Standard Life Aberdeen Group Members**") cease to be interested in aggregate in at least 10 per cent. of the Old Phoenix Shares from time to time (excluding Old Phoenix Shares held by Standard Life Aberdeen for the purposes of providing asset management services to a person other than Standard Life Aberdeen or any of its associates (excluding any of its subsidiary undertakings from time to time) ("**Asset Management Shares**")).

As a result of Standard Life Aberdeen's direct and indirect (as a result of its investment management business) shareholding in Old Phoenix, Standard Life Aberdeen and Old Phoenix are "acting in concert" for the purposes of the City Code and Standard Life Aberdeen will also be a "related party" of Old Phoenix for the purposes of Listing Rule 11.

12.1.8.1 Board composition and Board committees

Under the Relationship Agreement, subject to compliance with applicable law or regulations, for so long as the aggregate holding of Old Phoenix Shares by all Standard Life Aberdeen Group Members (excluding any Asset Management Shares) (the "**Standard Life Aberdeen Group Holding**") is: (i) at least 15 per cent. of the Shares, Standard Life Aberdeen shall be entitled to appoint (and remove and reappoint) two non-executive directors to the Board; and

(ii) at least 10 per cent. of the Shares (but less than 15 per cent.), Standard Life Aberdeen shall be entitled to appoint (and remove and reappoint) one non-executive director to the Board.

The Relationship Agreement provides that:

- (a) all transactions or relationships between a Standard Life Aberdeen Group Member and any member of the Group must be conducted at arm's length and on normal commercial terms;
- (b) no Standard Life Aberdeen Group Member shall take any action that would have the effect of preventing Old Phoenix from carrying on an independent business as its main activity or preventing Old Phoenix from complying with its obligations under the Listing Rules; and
- (c) any members of the Board nominated by Standard Life Aberdeen shall be deemed to have an interest in any matter in respect of which the Chairman determines that there is a material conflict between the interests of any Standard Life Aberdeen Group Member or director nominated by Standard Life Aberdeen on the one hand and the interests of any member of the Group on the other, in each case, in relation to the relevant matter. In relation to such matter, information provided to the Board shall not be provided to the members of the Board nominated by Standard Life Aberdeen unless, in the case of commercial negotiations between Old Phoenix and a Standard Life Aberdeen Group Member, adequate information barriers are in place to prevent any information being shared with any individuals acting on behalf of a Standard Life Aberdeen Group Member if to do so would materially disadvantage Old Phoenix or advance Standard Life Aberdeen's ability to negotiate with Old Phoenix.

12.1.8.2 Standstill

Under the Relationship Agreement, Standard Life Aberdeen undertakes that, for a period of two years following completion of the Acquisition and subject to customary exemptions, it will not (and will procure (so far as it is legally able to do so) that each other Standard Life Aberdeen Group Member will not) purchase, receive or otherwise obtain Old Phoenix Shares, or agree to do any of the above if such action would result in:

- (a) the Standard Life Aberdeen Group Holding increasing above 24.9 per cent. of Old Phoenix's total issued share capital;
- (b) if the Standard Life Aberdeen Group Holding has already increased above 24.9 per cent. with the prior written consent of Old Phoenix, any increase in the Standard Life Aberdeen Group Holding; or
- (c) the aggregate of the Standard Life Aberdeen Group Holding and the Asset Management Shares (the "**Aggregate Holding**") representing an interest in Old Phoenix Shares which (taken together with Old Phoenix Shares in which persons acting in concert are interested) carries 30 per cent. or more of the rights attaching to Old Phoenix Shares to vote at general meetings of Old Phoenix (the "**Aggregate Limit**").

The Relationship Agreement further provides that this standstill shall remain in effect for a period of six months following any time at which the key provisions of the Relationship Agreement cease to be effective due to the Standard Life Aberdeen Group Holding falling below 10 per cent. of the Shares.

12.1.8.3 Disposal of Old Phoenix Shares and orderly marketing

The Relationship Agreement contains lock-up provisions pursuant to which Standard Life Aberdeen undertakes for a period of 12 months from the date of the Relationship Agreement, subject to the exemptions outlined below, that neither it, nor any other Standard Life Aberdeen Group Member will dispose in any way, or agree to dispose in any way, of its interests in any Shares in such a way that reduces the Standard Life Aberdeen Group Holding.

After the expiry of the lock-up period, the Standard Life Aberdeen Group Members are entitled to sell Old Phoenix Shares under an exemption or provided that:

- (a) no Standard Life Aberdeen Group Member shall transfer (or agree to transfer) Old Phoenix Shares if Standard Life Aberdeen has actual knowledge or a reasonable expectation when committing to the transfer that such transfer would result in any person holding (together with its persons acting in concert) 30 per cent. or more of the Old Phoenix Shares; and
- (b) Standard Life Aberdeen notifies Old Phoenix in advance of its initial disposal of Old Phoenix Shares and of any disposal of more than five per cent. of the Old Phoenix Shares and takes into account any reasonable representations made by Old Phoenix regarding the impact of the proposed disposal on the maintenance of an orderly market in the Old Phoenix Shares.

The lock-up restrictions in the Relationship Agreement shall not apply:

- (a) if a majority of the Old Phoenix directors not appointed by Standard Life Aberdeen have given their consent to the relevant transaction;
- (b) to any disposal by Standard Life Aberdeen that is necessary to ensure that the Aggregate Holding is not at any time equal to or greater than the Aggregate Limit;
- (c) in the event of an intervening court order;
- (d) to the acceptance of an offer (in accordance with the Old Phoenix Articles or applicable law or regulation) made to Shareholders (or to all Shareholders other than the offeror and/or any persons acting in concert with the offeror) to acquire all the Old Phoenix Shares (other than any Old Phoenix Shares already owned by the offeror and any person acting in concert with the offeror) or to the execution of an irrevocable undertaking to accept such offer;
- (e) to any actions pursuant to a compromise or arrangement under the Cayman Companies Law, or applicable law from time to time between Old Phoenix and its creditors (or any class of them) or between Old Phoenix and its members (or any class of them) and which is agreed to by the requisite majority of the members (or class of members) of creditors (or class of creditors), as the case may be, and sanctioned by the relevant authorities;
- (f) to the acceptance of an offer by Old Phoenix to purchase its own shares which is made on identical terms to the holders of shares of the same class and otherwise complies with applicable law; and
- (g) to any transfer by Standard Life Aberdeen to a Standard Life Aberdeen Group Member provided that: (i) in the event that any transferee under this exemption ceases, prior to the expiry of the lock-up period, to be a Standard Life Aberdeen Group Member, such transferee shall transfer the transferred Old Phoenix Shares back to Standard Life Aberdeen; and (ii) the transferee shall enter into a deed of adherence to be bound by the restrictions of the Relationship Agreement.

12.1.8.4 Key Old Phoenix undertakings

Old Phoenix undertakes that it shall not undertake any redemption or purchase of its own Old Phoenix Shares or any other reduction in its share capital:

- (a) without the prior written consent of Standard Life Aberdeen if such action would or might reasonably be expected to result in any Standard Life Aberdeen Group Member being obliged to make an offer (in accordance with the Old Phoenix Articles or applicable law or regulation) to Shareholders (or to all Shareholders other than the relevant Standard Life Aberdeen Group Member and/or any persons acting in concert with it) to acquire all the Old Phoenix Shares (other than any Old Phoenix Shares already owned by the relevant Standard Life Aberdeen Group Member and/or any persons acting in concert with it); or
- (b) in the event that the Aggregate Holding is less than 20 per cent. of Old Phoenix's total issued share capital, without obtaining the prior written consent of Standard Life Aberdeen (such consent not to be unreasonably withheld or delayed) if such action would or might reasonably be expected to result in the Aggregate Holding increasing to or exceeding 20 per cent. of Old Phoenix's total issued share capital.

If Old Phoenix wishes to issue new Old Phoenix Shares for cash subscription and the participation by any Standard Life Aberdeen Group Member in such subscription would or might reasonably be expected to result in the circumstances described in paragraphs 12.1.8.4(a) or in 12.1.8.4(b), then the parties will discuss in good faith ways of facilitating the Standard Life Aberdeen Group's participation in such subscription which would not result in the circumstances described in paragraphs 12.1.8.4(a) or in 12.1.8.4(b) above.

Old Phoenix undertakes to procure that the Board will not exercise any of its powers under articles 150 and 250 to 259 of the Old Phoenix Articles (the "**Takeover Provisions**") that relate to takeover offers for Old Phoenix against any Standard Life Aberdeen Group Member, or against any person deemed by the Board to be acting in concert with any Standard Life Aberdeen Group Member, without first consulting with Standard Life Aberdeen and allowing it: (i) a reasonable opportunity to make representations to the Board in respect of any such proposed exercise; and (ii) a reasonable period to sell down any Excess Shares (as defined in the Old Phoenix Articles). Old Phoenix agrees that no Standard Life Aberdeen Group Member shall be treated as holding or interested in any Asset Management Shares for the purposes of the Takeover Provisions (provided that the Aggregate Holding is not at any time equal to or greater than the Aggregate Limit). Old Phoenix has agreed that it shall not exercise its powers under Article 253 (or any other Article) to determine that the voting rights attached to any Asset Management Share be incapable of being exercised. The Takeover Provisions in the Old Phoenix Articles will cease to be relevant if the Scheme is approved and becomes effective as New Phoenix will become the new holding company of the Group. For information on the New Phoenix Articles and the Application of the City Code, see paragraph 4 "*Articles of Association*" above.

12.2 **Abbey Life Sale and Purchase Agreement**

On 28 September 2016, PLHL and Old Phoenix entered into a sale and purchase agreement (the "**Abbey Life SPA**") with, among others, Deutsche Bank for the acquisition of Abbey Life (the "**Abbey Life Acquisition**").

PLHL has undertaken in the Abbey Life SPA to indemnify Deutsche Holdings No. 4 Ltd ("**Deutsche Holdings**") and its group against any losses arising after completion of the Abbey Life Acquisition under the defined benefits pension scheme sponsored by ALAC, including losses resulting from the use of the statutory moral hazard powers of the Pensions Regulator against Deutsche Bank's group to order money to be paid into that scheme. The indemnity is capped at £150 million and the potential powers of the Pensions Regulator are time limited by the periods set out in the Pensions Act 2004.

Deutsche Holdings has given an indemnity in favour of PLHL in respect of losses, liabilities or costs that ALAC or other target companies may incur relating to ALAC or another target company being treated as making unauthorised payments to certain members in respect of whom ALAC or another target company has a contractually vested annuity and was unable to trace at the time of the contractual vesting date, subject to the limitations outlined below. For a description of certain other indemnities given by Deutsche Holdings in favour of PLHL, see paragraph 12.3 "*Abbey Life Deed of Indemnity*" below.

Deutsche Holdings' total liability in respect of all claims relating to the Abbey Life Acquisition by PLHL is not to exceed the consideration of £935 million paid to Deutsche Holdings net of any adjustments. This includes claims pursuant to the tax covenant, core warranties (e.g., related to Deutsche Holdings' title to the shares) and core covenants (e.g., related to transfer of the shares, Deutsche Holdings' parental guarantee and pre completion conduct) in the Abbey Life SPA. A sub-cap of £320 million applies to other claims in relation to the Abbey Life Acquisition, including pursuant to non-core warranty claims and the Abbey Life Deed of Indemnity.

Old Phoenix has guaranteed PLHL's obligations under the Abbey Life SPA so that if PLHL does not, or cannot, meet those obligations, then Old Phoenix has to meet them.

Deutsche Bank has guaranteed Deutsche Holdings' obligations under the Abbey Life SPA so that if Deutsche Holdings does not, or cannot, meet those obligations, then Deutsche Bank has to meet them.

12.3 **Abbey Life Deed of Indemnity**

On 30 December 2016, Deutsche Holdings, Deutsche Bank, ALAC and PLHL entered into a deed of indemnity (the "**Abbey Life Deed of Indemnity**"). Under the Abbey Life Deed of Indemnity, Deutsche

Holdings provided an indemnity to PLHL with respect to (i) the FCA's investigation into ALAC's fair treatment of long-standing customers between 1 December 2008 and 31 December 2015 resulting from the FCA's thematic review (TR 16/2); and (ii) the issues arising from the FCA's thematic review into annuity sales practices (TR 14/20). The FCA investigation referred to in (i) has been closed and Old Phoenix are awaiting formal confirmation from the FCA of this.

Deutsche Holdings' liability under the Abbey Life Deed of Indemnity is limited to £175 million. Deutsche Bank has guaranteed the due and punctual performance of Deutsche Holdings' obligations under the Abbey Life Deed of Indemnity.

The Abbey Life Deed of Indemnity will expire six years from the date of the agreement (in respect of the long standing customer investigation) and eight years from the date of the agreement (in respect of the annuity sales investigation). Deutsche Holdings also has certain other termination rights.

The Abbey Life Deed of Indemnity provides for risk sharing between Deutsche Holdings and PLHL, subject to the liability limit of £175 million.

Deutsche Holdings' share in relation to the FCA's long standing customer investigation is as follows:

- *Fines*: Deutsche Holdings is liable for 100 per cent. of all fines;
- *Customer redress*: Deutsche Holdings is liable for 60 per cent. of any amounts up to £10 million; 80 per cent. of any amounts in excess of £10 million and up to £30 million; and 90 per cent. of any amounts in excess of £30 million;
- *Professional fees*: Deutsche Holdings is liable for 80 per cent. of certain professional fees; and
- *Redress programme costs*: Deutsche Holdings is liable for 80 per cent. of certain redress programme costs.

The Deutsche Holdings share in relation to the annuity sales investigation is as follows:

- *Fines*: Deutsche Holdings is liable for 100 per cent. of all fines;
- *Customer redress*: Deutsche Holdings is liable for 90 per cent. of all amounts for customer redress;
- *Professional fees*: Deutsche Holdings is liable for 80 per cent. of certain professional fees; and
- *Redress programme costs*: Deutsche Holdings is liable for 80 per cent. of certain redress programme costs.

The parties operate a monitoring committee which consists of representatives from Deutsche Holdings, Deutsche Bank, PLHL and ALAC. The monitoring committee oversees the management of costs, assist Deutsche Holdings in monitoring its liability and assist with setting up any redress programmes. ALAC is obligated to provide periodic updates, correspondence and other materials under the FCA investigations to the monitoring committee.

12.4 Revolving Credit Agreement

Old Phoenix (as guarantor and, from 28 February 2017, as borrower), PGH Capital (as borrower) and Commerzbank Finance & Covered Bond S.A. (formerly known as Commerzbank International S.A.) (as agent), among others, are party to the Revolving Credit Agreement. Under the Revolving Credit Agreement, the lenders have made available a multicurrency revolving loan facility in an aggregate principal amount equal to £900 million.

As a result of the amendment and restatement in March 2016, the Revolving Credit Agreement became a £650 million unsecured revolving credit facility, maturing in June 2020. On 9 November 2016, the facility made available under the Revolving Credit Agreement was fully repaid before being drawn down again on 28 December 2016. On the same date, PGH Capital drew down a further £250 million tranche of this facility to finance part of the Abbey Life Acquisition, again increasing borrowing under the Revolving Credit Agreement to £900 million. On 29 December 2016, £50 million of the facility made available under the Revolving Credit Agreement was repaid. On 31 August 2018, Old Phoenix drew down £295 million from the £900 million facility in connection with the Acquisition, which was fully repaid on 24 September 2018.

The final maturity date of the facility under the Revolving Credit Agreement is 30 June 2022, following the exercise of two extension options, with the first being effective on 30 March 2017 and the second being effective on 27 February 2018. There are no mandatory or target amortisation payments associated with the facility (but the facility is subject to customary event-driven mandatory prepayment obligations) and the current applicable interest rate would be LIBOR plus 1.10 per cent.,

with the margin linked to the credit rating of the senior unsecured and unsubordinated debt of Old Phoenix and/or, following the Scheme Effective Date, New Phoenix.

The Revolving Credit Agreement was amended to (among other matters) permit the Acquisition (and certain other factors relating to the Acquisition) and to provide that the unsecured revolving credit facility made available under the Revolving Credit Agreement would be available on a customary certain funds basis in connection with the Acquisition. Such amendments became effective on 2 May 2018.

New Phoenix will accede as an additional guarantor and as an additional borrower under the Revolving Credit Agreement on or after the Scheme Effective Date. Following such date (and subject to the terms of the Revolving Credit Agreement), Old Phoenix may elect to resign as guarantor and/or a borrower under the Revolving Credit Agreement.

12.5 Acquisition Facility Agreement

Old Phoenix (as guarantor and as borrower) and Natwest Markets plc (formerly known as The Royal Bank of Scotland plc) (as agent), among others, are party to the Acquisition Facility Agreement. Under the Acquisition Facility Agreement, the lenders made available a sterling term loan facility in an aggregate principal amount equal to £600 million on a customary certain funds basis for the purposes of the Acquisition. The facility is available to be drawn until 30 June 2019. The unutilised commitments under the facility remain available for utilisation on a customary (but not certain funds) basis for the general corporate purposes of the Group. The final maturity date of the facility under the Acquisition Facility Agreement is twelve months after the completion of the Acquisition. Old Phoenix is entitled to request two six-month extensions to the term of the facility (which would together extend the maturity date to 24 months after the completion of the Acquisition). Each such six-month extension option is conditional only on there being no continuing event of default.

There are no mandatory or target amortisation payments associated with the facility, but the facility is subject to customary event-driven mandatory prepayment obligations, including an obligation to repay the facility from the net cash proceeds of any debt issued by Old Phoenix (or, following its accession as a borrower, New Phoenix) in the debt capital markets, subject to certain exceptions. The applicable interest for the first six-month period following the completion of the Acquisition is LIBOR plus 0.50 per cent., with the applicable margin increasing on each six-month anniversary of the completion of the Acquisition.

New Phoenix will accede as an additional guarantor and as an additional borrower under the Acquisition Facility Agreement on or after the Scheme Effective Date. Following such date (and subject to the terms of the Acquisition Facility Agreement), Old Phoenix may elect to resign as guarantor and/or a borrower under the Acquisition Facility Agreement.

If Old Phoenix and/or New Phoenix determine that the commitments made available under the Acquisition Facility Agreement are no longer required by the Group, all or any part of such commitments may be cancelled (and such cancellation may take effect either before or after the Scheme Effective Date). If a cancellation in full occurs in advance of the Scheme Effective Date, New Phoenix will not accede to the Acquisition Facility Agreement.

12.6 The Pearl Scheme Agreements

On 27 November 2012, PGH2 entered into an agreement with the trustee of the Pearl Scheme setting out a contractual framework for contributions to the Pearl Scheme (the “**2012 Pensions Agreement**”).

The remaining contribution payments under the 2012 Pensions Agreement are £40 million to the scheme each year from 2017 until 2021 (inclusive) and it was agreed in June 2017 that future contributions will be paid on a monthly basis. These contributions can be increased and further contributions may become payable after 2021 in certain circumstances, if the scheme is not anticipated to meet two agreed funding targets. The funding targets are to reach full funding on the technical provisions basis by 30 June 2022 and to reach full funding on a gilts flat basis by 30 June 2031.

There is a sharing mechanism that, in certain circumstances, allows for an acceleration of the contributions to be paid to the Pearl Scheme. This mechanism shall cease to apply if the trustees cease to follow an agreed investment strategy.

For the purposes of the 2012 Pensions Agreement, the “**Gilts Based Deficit**” is the scheme deficit calculation on a basis linked to UK government securities.

Charges over the shares of PLAL, PGS and PGS2 Limited that were granted to the trustee of the Pearl Scheme under the predecessor of the 2012 Pensions Agreement remain in place. The value of the security claim guaranteed under the share charges is the lower of the £600 million and 100 per cent. of the Gilts Based Deficit revalued every three years. The trustee will be entitled to enforce its security under these share charges if PGH2 fails to comply with certain provisions under the 2012 Pensions Agreement including, without limitation to pay amounts when due, if the ratio of the embedded value of PGH2 to the value of the security claim falls below 1.05:1 for two months and is not cured, and customary events in connection with such security documents. Enforcement action by the trustee of the Pearl Scheme would be an event of default under the Revolving Credit Agreement and the Acquisition Facility Agreement. The security charges also include certain restrictions on transfer, including to other parts of the Group.

PGH2 has agreed to maintain two covenant tests. If these tests are not met, restrictions on dividend payments by PGH2 will apply. These covenant tests require that PGH2's embedded value will be maintained at the greater of:

- (a) 1.3 times the lower of £600 million and 60 per cent. of the Gilts Based Deficit; and
- (b) the Gilts Based Deficit less 50 per cent. of the projected investment outperformance over gilts to 2031.

PGH2 is restricted from paying dividends if its embedded value falls below the Gilts Based Deficit.

The agreement reached in the 2012 Pensions Agreement is subject to the statutory funding regime in the Pensions Act 2004.

For further information on the Pearl Scheme, see the section headed "*The Pearl Scheme*" in Part II ("*Business Overview of the Group – Risk management – FCA thematic reviews*") of this Prospectus.

12.7 The PGL Pension Scheme Guarantees

Pearl Life Holdings Limited has guaranteed to the trustees of the PGL Pension Scheme the obligations and liabilities of the participating employers to make payments to the PGL Pension Scheme. As at 31 December 2017, no further contributions are due to be paid into the scheme. The performance of PeLHL under the guarantee has been guaranteed by PGH1.

For further information on the PGL Pension Scheme, see the section headed "*The PGL Pension Scheme*" in Part II ("*Business Overview of the Group – Risk management – FCA thematic reviews*") of this Prospectus.

12.8 Abbey Life Pension Scheme

In June 2013, Abbey Life set up the 2013 Charged Account into which payments were made under a funding agreement with the Trustees.

In June 2017, PeLHL agreed a new funding agreement with the Trustees with the following deficit reduction payments:

- an initial payment of £25 million paid in July 2017, with monthly contributions of £400,000 between 1 July 2017 and 30 June 2026;
- if the scheme shows a deficit on a defined technical provisions basis as at 31 March 2021, PeLHL must pay to the scheme the lower of the deficit and the value of the assets in the 2013 Charged Account; and
- a payment of £4 million by 31 July each year from 2017 to 2025 into the 2016 Charged Account. If the scheme shows a deficit on a defined technical provisions basis as at 31 March 2027, PeLHL must pay to the scheme the lower of the deficit and the value of the assets in the 2016 Charged Account.

The 2013 Charged Account and the 2016 Charged Account contained a combined £43.8 million as at 30 June 2018.

The agreement reached by PeLHL with the Trustees is subject to the statutory funding regime in the Pensions Act 2004.

For further information on the Abbey Life Pension Scheme, see the section headed "*The Abbey Life Pension Scheme*" in Part II ("*Business Overview of the Group – Risk management – FCA thematic reviews*") of this Prospectus.

12.9 Outstanding debt

As at the date of this Prospectus, the Group has the following outstanding capital markets debt instruments:

Title	Issuer	Date Issued	Listing
£500,000,000 5.75 per cent. fixed rate reset perpetual restricted tier 1 write down notes.	Old Phoenix	26 April 2018	LSE
€500,000,000 4.375 per cent. Tier 2 Notes due 2029.....	Old Phoenix	24 September 2018	LSE
U.S.\$500,000,000 5.375 per cent. Tier 2 Notes due 2027	Old Phoenix	6 July 2017	LSE
£450,000,000 4.125 per cent. Tier 3 Notes due 2022.....	Old Phoenix	20 January 2017 and 5 May 2017	LSE
£428,113,000 6.625 per cent. Subordinated notes due 2025	Old Phoenix	23 January 2015	LSE
£300 million senior unsecured 5.75 per cent. Bonds due 2021 (of which £122 million remains outstanding)	Old Phoenix	7 July 2014	LSE
£200 million 7.25 per cent. undated, unsecured Tier 2 notes (earliest redemption date is 25 March 2021 and each fifth anniversary thereafter).....	Phoenix Life Limited	July 2001	Luxembourg Stock Exchange
£120 million 7.5873 per cent. Class A2 limited recourse bonds due 2022	Mutual Securitisation plc ⁽¹⁾	1998	Irish Stock Exchange LSE

Note:

(1) The proceeds of the issue of these bonds were lent to National Provident Institution pursuant to a loan agreement between, amongst others, National Provident Institution and Mutual Securitisation plc dated 16 April 1998. Following the demutualisation of National Provident Institution and two subsequent insurance business transfer schemes in 1999 and in 2015, the obligations in relation to the loan agreement have been assumed by PLAL.

For further information on the Group's outstanding debt instruments, see the section headed "*Description of certain other indebtedness*" in Part V ("*Operating and Financial Review of the Group*") of this Prospectus.

12.10 Annuity business transfer agreements

PLL, PLAL and NPLL entered into an annuity business transfer agreement with Guardian Assurance Limited on 26 June 2012 and PLL entered into a further agreement with Guardian on 31 July 2014, which was amended on 23 August 2016. Following on from these agreements, annuities written within PLL, PLAL and NPLL have been transferred outside the group under two English Court-sanctioned schemes under Part VII of FSMA.

PLAL and PLL retain responsibility for any mis-selling liability in connection with the original sale of the transferred policies.

12.11 AXA Sale and Purchase Agreement

On 27 May 2016, Old Phoenix and PLHL entered into the AXA SPA with AXA UK for the acquisition of the SunLife Embassy Business. Old Phoenix has guaranteed the obligations of PLHL under the AXA SPA. The acquisition completed on 1 November 2016 for £373 million in cash.

Under the terms of the AXA SPA, AXA UK has given certain warranties and indemnities to PLHL and PLHL has given certain limited warranties to AXA UK, all of which are generally typical for transactions in the pensions and protection business.

12.12 Contracts relating to the Divestment of Ignis Asset Management

On 25 March 2014, the Group agreed to dispose of the entire issued share capital of Ignis Asset Management to Standard Life Investments, in return for total consideration of £390 million, which was paid in cash upon completion of the divestment on 1 July 2014. A payment of £6 million was made to Standard Life on 24 September 2014 in relation to certain contractual balance sheet adjustments which were calculated after closing.

As part of the divestment, Impala agreed to a purchase price adjustment if that assets of the Phoenix Life Companies are withdrawn from management by Ignis Asset Management, other than for specific reasons such as poor investment performance or for material breaches of the existing investment management agreements between the Phoenix Life Companies and Standard Life Investments (formerly Ignis Investment Services Limited). The Impala purchase price adjustment has been replaced by the Purchase Price Adjustment entered into in connection with the Acquisition.

Old Phoenix has also guaranteed Impala's obligations in connection with the divestment, including indemnities given by Impala to Standard Life Investments and Impala's obligations in respect of any purchase price adjustment.

12.13 Santander Reinsurance

In 2012, ALAC reinsured 100 per cent. of a life portfolio written by a Spanish subsidiary and a Portuguese subsidiary of Grupo Santander. This entitles ALAC to be paid the premiums, and to pay claims, under policies which are part of the portfolio.

ALAC paid a single upfront payment as reinsurance commission to the Grupo Santander subsidiaries. The funding for the single upfront payment was provided to ALAC by a reinsurance with Axia. It is anticipated that over time the value of this payment will be paid back by ALAC to Axia out of the surplus arising from the portfolio.

Where the value of the premiums paid to ALAC does not exceed the value of the claims due by more than a certain amount, then a third party reinsurer (the "retrocessionaire") provides an additional contribution so that ALAC can meet its obligations to the Grupo Santander companies and can pay Axia. Where the value of the premiums paid to ALAC exceeds the value of the claims due by more than a certain amount, the retrocessionaire is paid some of that surplus, while the remainder is used to pay Axia. In each case, ALAC will retain a fixed profile of payments and only has to make onward payments when it is provided with matching funds by the relevant counterparty.

Once Axia has been paid back it is expected that at that time the reinsurance with Grupo Santander will be transferred to the retrocessionaire and ALAC's participation will cease.

12.14 Cashflow swap with Deutsche Bank in relation to the de-risking transaction with the Rolls Royce and Bentley pensions scheme

On 25 March 2013, ALAC entered into a de-risking transaction with the trustee of the Rolls Royce and Bentley pensions scheme, Rolls Royce & Bentley Pensions Fund Trustee Limited. Under the terms of this arrangement the trustee pays ALAC a fixed profile of payments and in return ALAC pays the trustee a series of cashflows representing the benefits payable by the trustee to certain beneficiaries of the Rolls Royce and Bentley pensions scheme. A proportion of the fixed profile of payments is then passed to certain reinsurers. In return the reinsurers provide ALAC with the funds to meet a proportion of its obligations under ALAC's contract with the trustee. These type of arrangements are of the type carried out by ALAC with other pension scheme trustees. However, the timing of the cashflows into ALAC do not match the timing of the cashflows out of ALAC prescribed under the various agreements. In other words, there is a mismatch between the timing of ALAC's payment obligations under the reinsurance arrangements and the times it is provided with matching funds by the relevant counterparty to meet its obligations under the contract with the trustee. To address the cashflow mismatch, and to prevent ALAC having to hold significant additional liquidity to address the cashflow issue, ALAC entered into a cashflow swap with Deutsche Bank.

The key terms of the cashflow swap are as follows:

- Deutsche Bank will provide payments so that ALAC can meet its obligations under the combined de-risking transaction and related reinsurance arrangements; and
- ALAC has to provide collateral to Deutsche Bank in respect of certain risks.

It is intended that the cashflow swap will remain in place for the length of the Rolls Royce and Bentley pensions scheme de-risking transaction.

12.15 Sponsor Agreement

The Company, Old Phoenix and the Sponsor have entered into the Sponsor Agreement dated 2 November 2018 which sets out the terms on which the Company and Old Phoenix have appointed the Sponsor to act as sponsor in relation to the Admission and the associated applications to the FCA and to the LSE for the New Phoenix Shares to be admitted to the premium listing segment of

the Official List of the FCA and to trading on the LSE's main market for listed securities respectively.

The Sponsor Agreement contains warranties and undertakings given by the Company and Old Phoenix. In addition, it contains indemnities from the Company and Old Phoenix in favour of the Sponsor in respect of certain liabilities connected with Admission and documentation issued to Old Phoenix Shareholders and/or investors by or on behalf of the Company and/or Old Phoenix in connection with Admission and/or the Scheme, which are customary for an agreement of this kind.

The Company and/or Old Phoenix shall pay (whether or not the obligations of the Sponsor Agreement become unconditional or are terminated) all properly incurred costs and expenses of, or in connection with Admission and the arrangements contemplated by the Sponsor Agreement.

The obligations of the Sponsor under the Sponsor Agreement are subject to certain conditions being satisfied, including, amongst others: (i) the Scheme being sanctioned by the Cayman Court and becoming effective by no later than 29 March 2019 (ii) the passing of the resolutions numbered 3.2.1 – 3.2.7 in this Prospectus (without amendment, save with the Sponsor's written consent, such consent not to be unreasonably withheld or delayed) at the Scheme General Meeting to be held not later than 29 March 2019 (and not, save with the Sponsor's written consent, at any adjournment thereof); (iii) the Company allotting and issuing, subject only to Admission, the New Phoenix Shares; and (iv) Admission becoming effective by not later than 8.00 a.m. on 29 March 2019 (or such later time and/or date as the Company may agree with the Sponsor).

If any of the conditions are not satisfied prior to Admission (or waived by the Sponsor), then the Sponsor Agreement shall terminate, without prejudice to any liability for any prior breach of the agreement or pursuant to certain surviving provisions. Pursuant to the Sponsor Agreement, the Sponsor may terminate the Sponsor Agreement in certain limited circumstances prior to Admission. For the avoidance of doubt, Admission will not proceed in the event the conditions are not satisfied or the Sponsor Agreement is terminated.

13. OLD PHOENIX DEPOSITARY CONTRACTS

13.1 Deed Poll

The Old Phoenix Depositary Interests were created pursuant to, and issued on the terms of, the Deed Poll dated 2 June 2010.

Each Old Phoenix Depositary Interest is treated by the Old Phoenix Depositary as one Old Phoenix Share for the purposes of determining, for example, eligibility for any distributions. The Old Phoenix Depositary has agreed to pass on to holders of Old Phoenix Depositary Interests any stock or cash benefits received by it as holder of Old Phoenix Shares on trust for such Old Phoenix DI Holder.

In summary, the Deed Poll contains, among other things, provisions to the following effect:

- the Old Phoenix Depositary, which is regulated by the FCA, will hold (itself or through the Custodian), as bare trustee, the underlying Old Phoenix Shares and all and any rights and other securities, property and cash attributable to the underlying Old Phoenix Shares for the time being held by the Old Phoenix Depositary or Custodian pertaining to the Old Phoenix Depositary Interests for the benefit of the Old Phoenix DI Holders;
- the Old Phoenix Depositary will re-allocate securities or distributions allocated to the Old Phoenix Depositary or the Custodian *pro rata* to the Old Phoenix Shares held for the respective accounts of the holders of Old Phoenix Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation;
- each Old Phoenix DI Holder warrants, among other things, that the Old Phoenix Shares transferred or issued to the Old Phoenix Depositary or Custodian for the account of such Old Phoenix DI Holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Old Phoenix Articles or any contractual obligation, or applicable law or regulations binding or affecting such holder;
- the Old Phoenix Depositary and any Custodian must pass on to Old Phoenix DI Holders all rights and entitlements received by the Old Phoenix Depositary or the Custodian in respect of the Old Phoenix Shares. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings must, subject to the Deed Poll, be passed on in the form which they are received,

together with amendments and additional documentation necessary to effect such passing-on. If arrangements are made which allow an Old Phoenix DI Holder to take up rights in Old Phoenix Shares requiring further payment, the Old Phoenix DI Holder must put the Old Phoenix Depository in cleared funds before the relevant payment date or other date notified by the Old Phoenix Depository if it wishes the Old Phoenix Depository to exercise such rights;

- the Old Phoenix Depository will be entitled to cancel Old Phoenix Depository Interests and treat the Old Phoenix DI Holder as having requested a withdrawal of the Shares in certain circumstances, including where an Old Phoenix DI Holder is a person whose holding of or to whom a transfer of, Old Phoenix Depository Interests might, in the Old Phoenix Depository's opinion, require the registration of Old Phoenix as an investment company under the US Investment Company Act or where an Old Phoenix DI Holder fails to furnish to the Old Phoenix Depository such certificates or representations as to material matters of fact, including his identity, as the Old Phoenix Depository deems appropriate;
- the Deed Poll contains provisions excluding and limiting the Old Phoenix Depository's liability. For example, the Old Phoenix Depository shall not be liable to any Old Phoenix DI Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Old Phoenix Depository shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Old Phoenix Depository's liability to an Old Phoenix DI Holder will be limited to the lesser of:
 - the value of the shares and other deposited property properly attributable to the Old Phoenix Depository Interests to which the liability relates; and
 - that proportion of £5 million which corresponds to the proportion which the amount the Old Phoenix Depository would otherwise be liable to pay to the Old Phoenix DI Holder bears to the aggregate of the amounts the Old Phoenix Depository would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £5 million;
- the Old Phoenix Depository is entitled to charge Old Phoenix DI Holders fees and expenses for the provision of its services under the Deed Poll;
- the Old Phoenix DI Holders are required to agree and acknowledge with the Old Phoenix Depository that it is their responsibility to ensure that any transfer of Old Phoenix Depository Interests by them which is identified by the CREST system as exempt from SDRT is so exempt, and to notify the Old Phoenix Depository if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of SDRT in respect of such transaction;
- each Old Phoenix DI Holder is liable to indemnify the Old Phoenix Depository and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the Old Phoenix Depository Interests (and any property or rights held by the Depository or Custodian in connection with the Old Phoenix Depository Interests) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Old Phoenix Depository, or the Custodian or agent if such Custodian or agent is a member of the Old Phoenix Depository's group or if, not being a member of the same group, the Old Phoenix Depository shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent;
- the Old Phoenix Depository is entitled to make deductions from any income or capital arising from the Shares, or to sell such Shares and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of Old Phoenix DI Holders;
- the Old Phoenix Depository may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their Old Phoenix Depository Interests and withdraw their deposited property and, if any Old Phoenix Depository Interests remain outstanding after termination, the Old Phoenix Depository must, among other things, deliver the

deposited property in respect of the Old Phoenix Depositary Interests to the relevant Old Phoenix DI Holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Old Phoenix Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of Old Phoenix Depositary Interests in respect of their Old Phoenix Depositary Interests; and

- the Old Phoenix Depositary or the Custodian may require from any holder information as to the capacity in which Old Phoenix Depositary Interests are or were owned and the identity of any other person with or previously having any interest in such Old Phoenix Depositary Interests and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of Old Phoenix Depositary Interests and such information as is required for the transfer of the relevant Shares to the Old Phoenix DI Holders. Old Phoenix DI Holders agree to provide such information requested and consent to the disclosure of such information by the Old Phoenix Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Old Phoenix Articles require disclosure to Old Phoenix of, or limitations in relation to, beneficial or other ownership of the Shares, the Old Phoenix DI Holders are to comply with Old Phoenix's instructions with respect thereto.

It should also be noted that the Old Phoenix DI Holders will not have the opportunity to exercise all of the rights and entitlements which Cayman Islands law and the Old Phoenix Articles confer on Shareholders, such as the ability to vote on a show of hands. In relation to voting it will be important for Old Phoenix DI Holders to give prompt instructions to the Old Phoenix Depositary to vote the Shares on their behalf.

If the Scheme is approved at the Court Meeting and the Scheme General Meeting, the Old Phoenix Depositary will terminate the Deed Poll shortly prior to the Scheme Record Time in order to facilitate the Scheme. Further details in relation to the termination of the Deed Poll and formal notice from the Old Phoenix Depositary to the Old Phoenix Depositary Interest holders of the intention to terminate the Deed Poll are set out in the Circular.

13.2 Depositary Agreement

Under the terms of the depositary agreement dated 2 June 2010 between Old Phoenix and the Old Phoenix Depositary (the "**Depositary Agreement**"), Old Phoenix appoints the Old Phoenix Depositary to constitute and issue from time to time, upon the terms of the Deed Poll (summarised above), Old Phoenix Depositary Interests representing Shares and to provide certain other services in connection with such Old Phoenix Depositary Interests (including custody services).

The Old Phoenix Depositary agrees that it will provide the various services in good faith and with all reasonable skill and care. The depositary services to be provided by the Old Phoenix Depositary include, for example, to maintain the register of Old Phoenix Depositary Interests, to issue Old Phoenix Depositary Interests to CREST members and to effect transactions relating to the Old Phoenix Depositary Interests on behalf of CREST members and the Custodian.

The Custodian, to be appointed by the Old Phoenix Depositary, will provide custody services including the holding of the Shares in respect of which Old Phoenix Depositary Interests are issued by the Old Phoenix Depositary and the execution of instructions received from CREST members in relation to the Shares held on their behalf.

In addition, the Depositary Agreement sets out the procedures to be followed where Old Phoenix is to pay or make a dividend or other distribution.

Old Phoenix agrees to provide such assistance, information and documentation to the Old Phoenix Depositary as is reasonably required by the Old Phoenix Depositary for the purposes of performing the services under the Depositary Agreement.

The Old Phoenix Depositary is to indemnify Old Phoenix and its directors against any loss which they may incur as a result of the fraud, negligence or wilful default of the Old Phoenix Depositary or the Custodian. The appointment of the Old Phoenix Depositary will be for a fixed period of three years, subject to early termination, and thereafter by either party giving to the other not less than six months' notice. If one party is in persistent or material breach, which (if capable of remedy) is not remedied within 21 days, or if it goes into insolvency or liquidation or ceases to have the appropriate authorisations, the other party may terminate the Depositary Agreement early by notice in writing.

Old Phoenix is to pay certain fees and charges including, among other things, an annual fee, a registrar fee, a fee based on the number of Old Phoenix Depository Interests which are deposited, transferred or cancelled and certain CREST related fees. The Old Phoenix Depository is also entitled to recover reasonable out-of-pocket fees and expenses.

13.3 Cayman Registrar Agreement

Old Phoenix has entered into a Cayman Registrar Agreement with Computershare Investor Services (Cayman) Limited dated 2 June 2010 (the “**Cayman Registrar Agreement**”). The Cayman Registrar Agreement will be terminated and New Phoenix will enter into a new registrar’s agreement with Computershare Investor Services PLC on or around the Scheme Effective Date.

Under the terms of the Cayman Registrar Agreement, the Registrar will act as the registrar of the register of members of Old Phoenix kept in the Cayman Islands (the “**Offshore Register**”) and provide registration services to Old Phoenix which will include maintenance of the Offshore Register, registering dealings of Shares via CREST and maintenance of dividend payment instructions.

Under the Cayman Registrar Agreement, the Registrar is entitled to receive a basic annual fee as well as additional fees for specific actions.

The Cayman Registrar Agreement has an effective initial term of three years, subject to early termination, after which the agreement will continue until terminated by Old Phoenix giving the Registrar not less than six months’ notice. The Cayman Registrar Agreement may be terminated immediately by either party if the other party becomes insolvent or commits a material breach which (if capable of remedy) is not remedied within 30 days.

Old Phoenix has agreed to indemnify the Registrar and its officers and employees against all and any liabilities which may be suffered or incurred by the Registrar or its officers and employees in connection with the performance of its or their obligations under the Cayman Registrar Agreement save to the extent that such liabilities may be due to the fraud, negligence or wilful default of the Registrar or its officers or employees.

The liability of the Registrar to Old Phoenix under the Cayman Registrar Agreement is limited to the fees payable to the Registrar in any 12 month period.

The Cayman Registrar Agreement is governed by the laws of the Cayman Islands.

14. TAKEOVERS

New Phoenix will, following Admission, be subject to the provisions of the Takeover Code, including the rules regarding mandatory takeover offers set out in the Takeover Code. Under Rule 9 of the Takeover Code, when: (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the Takeover Code), carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code; or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the Takeover Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash at the highest price paid by him or any person acting in concert with him for shares in the company within the preceding twelve months for all of the remaining equity share capital of the company.

If New Phoenix were to be subject to a takeover offer (within the meaning of Part 28 of the Companies Act), the New Phoenix Shares would also be subject to the compulsory acquisition procedures set out in sections 979 to 991 of the Companies Act. Under section 979 of the Companies Act, where an offeror makes a takeover offer and has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. of the shares to which the offer relates and, in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares, that offeror is entitled to compulsorily acquire the shares of any holder who has not acquired the offer on the terms of the offer.

A takeover may also be effected by means of a scheme of arrangement under Part 26 of the Companies Act. A scheme must be approved by a majority in number representing 75 per cent. in value of the members or class of members voting, whether in person or by proxy, and must be sanctioned by the court. Once effective, a scheme is binding on all members or all members of the relevant class irrespective of whether or not they voted to approve the scheme.

15. PRE-EMPTION RIGHTS

The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in section 1166 of the Companies Act)) apply to the issue of shares in the capital of New Phoenix except to the extent that such provisions are disapplied, as referred to in paragraph 4 ("*Articles of Association*") above.

16. RELATED PARTY TRANSACTIONS

Save as disclosed in Note I4 to the audited consolidated financial statements included in the Annual Report and Accounts for the years ended 31 December 2017, 2016 and 2015, which is incorporated by reference into this Prospectus as set out in Part X ("*Documents Incorporated by Reference*"), there were no related party transactions entered into by New Phoenix, Old Phoenix or any member of the Group during the financial years ended 31 December 2017, 2016 and 2015. With the exception of transactions with Standard Life Aberdeen post completion of the Acquisition (see below), there have been no material changes in the nature or incidence of related party transactions in the period up to the Latest Practicable Date.

Upon completion of the Acquisition, Standard Life Aberdeen is considered to be a related party of the Group from that date by virtue of its 19.98 per cent. shareholder interest. The Group has entered into a number of contractual arrangements with Standard Life Aberdeen effective from 31 August 2018 that will result in related party transactions. The detail of these contracts is set out in paragraph 12.1 ("*Material Contracts – Standard Life Assurance Acquisition Agreements*") above. Furthermore, fund management fees, commission and expenses in relation to investment management services provided by Standard Life Aberdeen to the Phoenix Life Companies under the commercial terms of existing investment management agreements will be considered related party transactions from the date of completion of the Acquisition.

17. LITIGATION AND ARBITRATION PROCEEDINGS

The Phoenix Life Companies are participating in two of the FCA's thematic reviews relating to the pensions and life insurance sector. The thematic review on the fair treatment of long-standing customers in the life insurance sector has been completed and the FCA has published its final guidance. Following the thematic review, on 23 May 2017, the FCA confirmed to ALAC that it would be required to undertake a "past business review" covering all annuities sales over the period from 1 July 2008 to 31 October 2016. For a description of the potential impact of these thematic reviews on the Group, see the section of this Prospectus headed "*Risk Factors*".

Standard Life Assurance is participating in the FCA's thematic review on annuity sales. The FCA has not reached final conclusions as to the outcome of the thematic review on annuity sales and any follow-up work. For a description of the potential impact of this thematic review on Standard Life Assurance and/or the Group, see the section of this Prospectus headed "*Risk Factors*".

On 5 June 2015, PA (GI) was subject to a judgment in the Chancery Division of the Companies Court. The judgment directed that PA (GI) is liable to the claimants for mis-selling complaints and claims relating to a book of creditor insurance business that PA (GI) underwrote until 2006. As a consequence, PA (GI) is liable for complaint handling and redress with regard to these complaints. PA (GI) has paid a total of £23 million in respect of such complaints and claims, including associated costs of administering the claims, as at 31 December 2017 and has recognised an accounting provision in this regard of £40 million as at 31 December 2017. In the year ended 31 December 2017, a £21 million increase in the provision for claims was recognised.

The FCA has introduced a deadline for creditor insurance claims of August 2019. The FCA has also commenced a publicity campaign, the purpose of which is to ensure persons with a right of claim are aware of their rights prior to the deadline. Until that deadline has passed, Old Phoenix is unable to confirm its maximum exposure in respect of this matter. The campaign is likely to increase the number of complaints for which PA (GI) may have to pay redress. Such an increase could result in the total additional liability of the Group in respect of these complaints and claims being in excess of the £40 million for which provision has been made in Old Phoenix's financial statements as at 31 December 2017.

In the year ended 31 December 2017, reimbursements of £39 million have been recognised by PA (GI) in respect of recoveries due or received from third parties in connection with the Group's

exposure to these complaints. This represents recoveries due from third parties under contractual arrangements. Recoveries of £7 million were received during the year ended 31 December 2017. As at 30 June 2018, the provision for costs in respect of this exposure was £29 million, with anticipated recoveries from third parties recognised at £37 million.

Save as disclosed above in this paragraph 17 (“*Litigation and Arbitration Proceedings*”), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which New Phoenix is aware) during a period covering at least the previous 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the New Phoenix’s or the Group’s financial position or profitability.

18. WORKING CAPITAL

New Phoenix is of the opinion that, taking into account the bank and other facilities available to Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this Prospectus.

19. NO SIGNIFICANT CHANGE

Except for the completion of the Acquisition on 31 August 2018 (as described in detail in the Acquisition Prospectus which is incorporated by reference) and the issuance of the 2029 Notes on 24 September 2018 by Old Phoenix, there has been no significant change in the financial or trading position of the Group since 30 June 2018, being the date to which the latest published financial information in relation to the Group was prepared.

20. AUDITORS

Ernst & Young LLP of 25 Churchill Place, Canary Wharf, London E14 5EY, United Kingdom, independent auditors, have reviewed and issued a review report for the Group’s interim financial statements for the six months ended 30 June 2018 and 30 June 2017 and have audited and rendered an unqualified auditor’s report for each of the Group’s financial statements for the years ended 31 December 2017, 2016 and 2015. The registered accountants of Ernst & Young LLP are members of the Institute of Chartered Accountants in England and Wales (ICAEW).

21. MISCELLANEOUS

The total costs and expenses relating to the issue of this Prospectus, Admission and the implementation of the Scheme are estimated to amount to approximately £6 million (inclusive of VAT) and are payable by the Group.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to, and for a period of 12 months, following Admission at Juxon House, 100 St Paul’s Churchyard, London EC4M 8BU, and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (i) the New Phoenix Articles;
- (ii) the historical financial information for Standard Life Assurance in respect of the three financial years ended 31 December 2017, 2016 and 2015;
- (iii) the documents incorporated by reference into this Prospectus as described in Part X (“*Documents Incorporated by Reference*”) of this Prospectus; and
- (iv) this Prospectus.

Dated: 2 November 2018

PART X—DOCUMENTS INCORPORATED BY REFERENCE

The tables below set out the documents (or parts thereof) that are incorporated by reference into, and form part of, this Prospectus so as to provide certain information required pursuant to the Prospectus Rules and only the parts of the documents identified in the tables below are incorporated into, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus.

Phoenix Financial Information

Reference document	Information incorporated by reference	Page number in reference document
2018 Interim Results of Old Phoenix		
	The discussion and analysis for the six months ended 30 June 2018 contained in the “ <i>Business Review</i> ” section.....	3-8
	Independent Auditor’s review report.....	14
	Condensed consolidated income statement	15
	Condensed statement of consolidated comprehensive income	16
	Pro forma reconciliation of Group operating profit to result attributable to owners.....	16
	Condensed statement of consolidated financial position.....	17-18
	Condensed statement of consolidated cashflows	19
	Condensed statements of consolidated changes in equity	20-22
	Notes to the condensed consolidated interim financial statements	23-44
2017 Interim Report of Old Phoenix		
	The discussion and analysis for the financial half year ended 30 June 2017 contained in the “ <i>Business Review</i> ” section.....	8-14
	Independent Auditor’s Review report	21
	Consolidated income statement	22
	Statement of comprehensive income.....	23
	Pro forma reconciliation of Group operating profit to result attributable to owners.....	23
	Statement of consolidated financial position.....	24-25
	Statement of consolidated cashflows	26
	Statement of consolidated changes in equity.....	27-28
	Notes to the consolidated financial statements	30-54
2017 Annual Report of Old Phoenix		
	The discussion and analysis for the financial year ended 31 December 2017 contained in the “ <i>Business Review</i> ” section.....	26-31
	Independent Auditor’s report	94-102
	Consolidated income statement	103
	Statement of comprehensive income.....	104
	Pro forma reconciliation of Group operating profit to result attributable to owners.....	104
	Statement of consolidated financial position.....	105-106
	Statement of consolidated cashflows	107
	Statement of consolidated changes in equity.....	108
	Notes to the consolidated financial statements	110-181

Reference document	Information incorporated by reference	Page number in reference document
2016 Annual Report of Old Phoenix		
	The discussion and analysis for the financial year ended 31 December 2016 contained in the “ <i>Business Review</i> ” section	26-33
	Independent Auditor’s report	91-98
	Consolidated income statement	99
	Statement of comprehensive income.....	100
	Pro forma reconciliation of Group operating profit to result attributable to owners.....	100
	Statement of consolidated financial position	101-102
	Statement of consolidated cashflows	103
	Statement of consolidated changes in equity.....	104-105
	Notes to the consolidated financial statements	106-192
2015 Annual Report of Old Phoenix		
	The discussion and analysis for the financial year ended 31 December 2015 contained in the “ <i>Financial Performance</i> ” section	24-33
	Independent Auditor’s report	87-94
	Consolidated income statement	95
	Statement of comprehensive income.....	96
	Pro forma reconciliation of Group operating profit to result attributable to owners.....	96
	Statement of consolidated financial position	97-98
	Statement of consolidated cashflows	99
	Statement of consolidated changes in equity.....	100-101
	Notes to the consolidated financial statements	102-187
	Independent auditor’s report to the directors of Phoenix Group Holdings on the consolidated Phoenix Group MCEV.....	208
	Summarised consolidated income statement-Group MCEV basis	209
	MCEV earnings per ordinary share	209
	Statement of consolidated comprehensive income-Group MCEV basis	210
	Reconciliation of movement in equity-Group MCEV basis	210
	Group MCEV analysis of earnings	211
	Reconciliation of Group IFRS equity to MCEV net worth	212
	Notes to the MCEV financial statements.....	213-220
Acquisition Prospectus		
	Historical financial information relating to Standard Life Assurance .	194-301
	Accountants Report.....	302-303

PART XI – DEFINITIONS

The following definitions apply throughout this Prospectus unless the context otherwise requires:

“£” or “Sterling”	the lawful currency of the United Kingdom
“2012 Pensions Agreement”	the agreement dated 27 November 2012 between PGH2 and the trustees of the Pearl Scheme
“2018 AGM”	the AGM of Old Phoenix convened and held on 2 May 2018
“2022 Notes”	the £450,000,000 4.125 per cent. Tier 3 subordinated notes due 2022, of which £300,000,000 were originally issued by PGH Capital
“2025 Notes”	the £428,113,000 6.625 per cent. subordinated notes due 2025 originally issued by PGH Capital
“2027 Notes”	the US\$500,000,000 5.375 per cent. Tier 2 notes due 2027
“2029 Notes”	the €500,000,000 4.375 per cent. Tier 2 Notes due 2029
“Abbey Life”	ALAC, Abbey Life Trustee Services Limited and Abbey Life Trust Securities Limited
“Abbey Life Acquisition”	the acquisition of Abbey Life by Old Phoenix pursuant to the Abbey Life SPA
“Abbey Life Deed of Indemnity”	the deed of indemnity entered into on 28 September 2016 between Deutsche Bank, Deutsche Holdings No. 4 Ltd., ALAC and PLHL
“Abbey Life Pension Scheme”	the pension scheme relating to the former employees of Abbey Life
“Abbey Life SPA”	the sale and purchase agreement dated 28 September 2016 between Old Phoenix, PLHL, Deutsche Bank and Deutsche Holdings No. 4 Ltd.
“Acquisition”	the acquisition by Old Phoenix of Standard Life Assurance from Standard Life Aberdeen, which completed on 31 August 2018
“Acquisition Facility Agreement”	the facility agreement between Old Phoenix (as guarantor and as borrower) and Natwest Markets plc (formerly known as The Royal Bank of Scotland plc) (as agent), among others, dated 23 February 2018, as amended and restated on 18 July 2018, as described in paragraph 12.5 (“ <i>Acquisition Facility Agreement</i> ”) of Part IX (“ <i>Additional Information – Material Contracts</i> ”) of this Prospectus
“Acquisition Life Companies”	SLAL, SLIDAC and SLPF
“Acquisition Shares”	the up to 144,114,450 new Shares which were allotted and issued by Old Phoenix to Standard Life Aberdeen as part consideration pursuant to the Acquisition
“Acquisition Prospectus”	the prospectus in relation to the Acquisition, which was published on 30 May 2018
“Admission”	admission of the New Phoenix Shares, nil paid, to the premium listing segment of the Official List and to trading on the LSE’s main market for listed securities
“AGM”	annual general meeting
“ALAC”	Abbey Life Assurance Company Limited
“APS”	AXA Portfolio Services Limited (now Elevate Portfolio Services Limited)
“Articles”	the New Phoenix Incorporation Articles or the New Phoenix Articles, as the context requires
“Audit Committee”	the audit committee of the Board
“AWL”	AXA Wealth Limited (effective until 8 December 2017 when its name changed to Phoenix AW Limited)
“AXA SPA”	the sale and purchase agreement dated 27 May 2016 between Old Phoenix, PLHL and AXA UK

“AXA Transaction”	the acquisition of the SunLife Embassy Business pursuant to the AXA SPA
“AXA UK”	AXA UK plc
“AXA Wealth”	the business acquired pursuant to the AXA Transaction
“Backstop Revolving Credit Agreement”	the credit agreement entered into by Old Phoenix (as guarantor and as borrower) and The Royal Bank of Scotland plc (as agent), among others, dated 23 February 2018 and cancelled on 2 May 2018
“Board”	(i) prior to the Scheme Effective Date, the board of directors of Old Phoenix; and (ii) after the Scheme Effective Date, the board of directors of New Phoenix, unless the context otherwise requires
“Brexit”	the vote by the people of the United Kingdom to leave the EU in the referendum held on 23 June 2016
“Business Day”	any day other than a Saturday or a Sunday on which banks in London and the Cayman Islands are open for the transaction of normal banking business
“CA” or “Companies Act”	the UK Companies Act 2006, as amended, modified or re-enacted from time to time
“Cayman Companies Law”	the Companies Law (2018 Revision) of the Cayman Islands, as amended, modified or re-enacted from time to time
“Cayman Court”	the Grand Court of the Cayman Islands and any court capable of hearing appeals therefrom
“Cayman Registrar Agreement”	the registrar agreement dated 2 June 2010 between Old Phoenix and the Registrar
“Cayman Islands Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“CBI”	Central Bank of Ireland
“certificated” or “in certificated form”	in relation to a share or other security, a share or other security which is not in uncertificated form
“Chairman”	(i) prior to the Scheme Effective Date, the chairman of the board of directors of Old Phoenix; and (ii) after the Scheme Effective Date, the chairman of the board of directors of New Phoenix, unless the context otherwise requires
“City Code”	the UK City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers, as amended from time to time
“Client Service and Proposition Agreement”	the client service and proposition agreement which was entered into upon completion of the Acquisition between SLAL, certain subsidiaries of SLAL and certain subsidiaries of Standard Life Aberdeen, on substantially the same terms as set out in the CSPA Heads of Terms
“Computershare”	Computershare Investor Services PLC, an English company with registered number 3498808, whose registered office is at The Pavilions, Bridgewater Road, Bristol BS13 8AE
“Conduct of Business Rules”	the Conduct of Business Rules in the FCA Handbook
“Court Hearing”	the hearing by the Cayman Court of the petition seeking the sanction of the Scheme under section 86 of the Cayman Companies Law and seeking the confirmation of the reduction of capital resulting from the cancellation of the Scheme Shares under sections 14 to 16 of the Cayman Companies Law
“Court Meeting”	the meeting of the Old Phoenix Shareholders (including as instructed by, or represented by, Old Phoenix DI Holders) to be held at Juxon House, 100 St. Paul’s Churchyard, London, United Kingdom, EC4M 8BU, at 1:00 p.m. on 28 November 2018,

convened pursuant to an order of the Court for the purposes of considering, and, if thought fit, approving the Scheme (with or without amendment), notice of which is set out in Part VI (Notice of Court Meeting) of the Scheme Circular

“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“CSPA Heads of Terms”	the heads of terms for a client service and proposition agreement entered into by SLAL, certain subsidiaries of SLAL and certain subsidiaries of Standard Life Aberdeen, dated 23 February 2018
“Custodian”	the custodian nominated by the Depositary
“Daily Official List”	the daily record setting out the price of all trades in shares and other securities conducted on the LSE
“DBSS”	the Group’s Deferred Bonus Share Scheme
“Directors”	the directors of New Phoenix as at the date of this Prospectus or, where the context so requires, the directors of New Phoenix from time to time
“Dealing Day”	any day on which the LSE is open for business in the trading of securities admitted to the Official List
“Deed Poll”	the deed poll dated 2 June 2010 executed by the Old Phoenix Depositary in favour of the holders of the Old Phoenix Depositary Interests from time to time
“Disclosure Guidance and Transparency Rules”	the Disclosure Guidance and Transparency Rules produced by the Financial Conduct Authority and forming part of the FCA Handbook
“EEA”	the European Economic Area
“EIOPA”	the European Insurance and Occupational Pension Authority
“English Court”	the High Court in England and Wales
“EU” or “European Union”	the European Union
“Euro”, “euro” or “€”	the lawful currency of the member states of the EU that adopted the Euro in Stage Three of the Treaty establishing the Economic and Monetary Union on 1 January 1999
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excluded Territories”	Australia, Canada, Japan, South Africa and any other jurisdiction where the distribution of this Prospectus and/or the transfer of New Phoenix Shares (or any transaction contemplated thereby or any activities carried out in connection therewith) would breach applicable law and “ Excluded Territory ” means one of them
“Executive Committee”	the executive committee of PLHL that provides day-to-day direction
“Executive Directors”	the executive Directors as at the date of this Prospectus, or , where the context so requires, the executive Directors from time to time
“FCA”	Financial Conduct Authority
“FCA Handbook”	the book of rules and guidance maintained by the FCA
“FOS”	the Financial Ombudsman Service
“FSCS”	the Financial Services Compensation Scheme
“FSMA”	the Financial Services and Markets Act 2000, as amended

“GDPR”	the General Data Protection Regulation (EU) 2016/679
“Gilts Based Deficit”	for the purposes of the 2012 Pensions Agreement, the scheme deficit calculated on a basis linked to UK government securities
“Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
“Group”	(i) prior to the Scheme Effective Date, Old Phoenix, together with its consolidated subsidiaries from time to time; and (ii) after the Scheme Effective Date, New Phoenix, together with its consolidated subsidiaries from time to time
“Group Personal Pension”	a standard life pension scheme operated for certain of the Group’s London-based senior executives and management
“HMRC”	HM Revenue & Customs
“holder”	a registered holder, including any person entitled by transmission
“Holding Companies”	Old Phoenix, PLHL, PGH2, Impala, Pearl Assurance Group Holdings Limited, PGH1, PGH (LCA) Limited, PGH (LCB) Limited and PeLHL and, with effect from the Scheme Effective Date, New Phoenix
“HSBC”	HSBC Bank plc
“IASB”	International Accounting Standards Board
“IASB IFRS”	IFRS, as issued by the IASB
“ICA”	Individual Capital Assessment
“IFRS”	International Financial Reporting Standards
“IGD”	the Directive on the supplementary supervision of insurance undertakings in an insurance group (1998/78/EC)
“Impala”	Impala Holdings Limited
“Investment Management Agreement”	the amended and restated investment management agreement between SLAL and SLI which was entered into at completion of the Acquisition
“ISIN”	International Securities Identification Number
“Latest Practicable Date”	31 October, being the latest practicable date prior to publication of this Prospectus
“Lender Warrants”	the warrants issued to certain entities providing finance to the Group on 2 September 2009 and cancelled on 23 August 2018 (if not previously redeemed)
“LIBOR”	the London Interbank Offered Rate
“Life Companies”	the Acquisition Life Companies and the Phoenix Life Companies
“Listing Rules”	the listing rules issued by the FCA pursuant to section 73A of FSMA
“London Stock Exchange” or “LSE”	London Stock Exchange plc
“LTIP”	the Group’s Long-Term Incentive Plan
“LTIP Award”	any of the following: a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them
“Market Abuse Regulation”	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014
“MCEV”	Market Consistent Embedded Value
“MCR”	minimum regulatory capital requirement
“MiFID II”	the EU Markets in Financial Instruments Directive (2014/65/EU), as amended

“New Phoenix” or the “Company”	Phoenix Group Holdings plc, a company incorporated in England and Wales with registered number 1160773, whose registered office is at Juxon House, 100 St Paul’s Churchyard, London EC4M 8BU, United Kingdom
“New Phoenix Articles”	the articles of association adopted by the holders of the New Phoenix Subscriber Shares to take effect as the articles of association of New Phoenix upon Admission, a summary of which is set out at paragraph 4 (“ <i>Articles of association</i> ”) of Part IX (“ <i>Additional Information</i> ”) of this Prospectus, as amended from time to time
“New Phoenix Board”	the board of directors of New Phoenix
“New Phoenix DBSS”	the New Phoenix Deferred Bonus Share Scheme
“New Phoenix General Meeting”	The general meeting of New Phoenix held on 15 October 2018
“New Phoenix Incorporation Articles”	the memorandum and articles of association of New Phoenix adopted by New Phoenix upon its incorporation and in force as at the date of this Prospectus
“New Phoenix Irish Sharesave Scheme”	the New Phoenix Irish Sharesave Scheme
“New Phoenix Irish SIP”	the New Phoenix Irish Share Incentive Plan
“New Phoenix LTIP”	the New Phoenix Long-Term Incentive Plan
“New Phoenix Reduction of Capital”	the reduction of capital to be implemented by New Phoenix following the Scheme Effective Date
“New Phoenix Shareholders”	the holders of the New Phoenix Shares from time to time (and “ New Phoenix Shareholder ” means any one of them)
“New Phoenix Share Plans”	the New Phoenix LTIP, the New Phoenix Sharesave Scheme, the New Phoenix SIP, the New Phoenix DBSS, the New Phoenix Irish SIP and the New Phoenix Irish Sharesave Scheme
“New Phoenix Shares”	ordinary shares of £0.10 each in the share capital of New Phoenix
“New Phoenix SIP”	the New Phoenix Share Incentive Plan
“New Phoenix Sharesave Scheme”	the New Phoenix Sharesave Scheme
“New Phoenix Subscriber Shares”	the ordinary shares of £0.10 each in the capital of New Phoenix issued upon incorporation of New Phoenix
“Nomination Committee”	the nomination committee of the Board
“Non-Executive Directors”	the non-executive Directors as at the date of this Prospectus or , where the context so requires, the non-executive Directors from time to time
“NPLL”	National Provident Life Limited
“Official List”	the Official List maintained by the FCA acting in its capacity as the UK Listing Authority in accordance with section 74(1) of FSMA
“Old Phoenix”	Phoenix Group Holdings, a company incorporated in the Cayman Islands as an exempted company with limited liability with registered number 202172, whose registered office is at Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands
“Old Phoenix Articles”	the memorandum and articles of association of Old Phoenix, as amended from time to time
“Old Phoenix Board”	the board of directors of Old Phoenix
“Old Phoenix DBSS”	the Old Phoenix Deferred Bonus Share Scheme

“Old Phoenix Depositary”	Computershare Company Nominees Limited for Computershare Investor Services PLC, a company incorporated in England and Wales with registered number 3498808, whose registered office is at The Pavilions, Bridgewater Road, Bristol BS13 8AE
“Old Phoenix Depositary Interests” or “Old Phoenix DIs”	the dematerialised depositary interests in respect of Old Phoenix Shares issued by the Old Phoenix Depositary which represent Old Phoenix Shares on a one for one basis
“Old Phoenix DI Holder”	a holder of an Old Phoenix Depositary Interest
“Old Phoenix LTIP”	the Old Phoenix Long-Term Incentive Plan
“Old Phoenix LTIP Award”	any of the following: a conditional share award, a share option, or an allocation of forfeitable shares or any combination of them granted under the Old Phoenix LTIP
“Old Phoenix New Ordinary Shares”	ordinary shares of €0.0001 each in the capital of Old Phoenix to be created following the cancellation of the Scheme Shares and to be issued credited as fully paid to New Phoenix pursuant to this Scheme
“Old Phoenix Reduction of Capital”	the reduction of Old Phoenix’s share capital associated with the cancellation and extinguishing of the Scheme Shares pursuant to the Scheme
“Old Phoenix Shareholders”	the holders of Old Phoenix Shares
“Old Phoenix Share Plans”	the Old Phoenix LTIP, the Old Phoenix Sharesave Scheme, the Old Phoenix SIP and the Old Phoenix DBSS
“Old Phoenix Shares”	ordinary shares of €0.0001 each in the share capital of Old Phoenix
“Old Phoenix Sharesave Scheme”	the Old Phoenix Sharesave Scheme
“Old Phoenix SIP”	the Old Phoenix Share Incentive Plan
“Overseas Shareholder”	qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the United Kingdom
“Own Funds”	assets maintained to match the estimate of likely liabilities under insurance policies written (including annuities)
“PA (GI)”	PA (GI) Limited
“Pearl Scheme”	the pension scheme covering the past and present employees of the Group prior to the acquisition of the Resolution Group
“PeLHL”	Pearl Life Holdings Limited
“Pensions Regulator”	the Pensions Regulator, as established under section 1 of the Pensions Act 2004
“PGH Capital”	PGH Capital P.L.C. (formerly known as PGH Capital Limited)
“PGH1”	Pearl Group Holdings (No. 1) Limited (formerly known as Resolution plc)
“PGH2”	Pearl Group Holdings (No. 2) Limited (formerly known as Pearl Group Limited)
“PGL Pension Scheme”	the pension scheme covering the past and present employees of the subsidiaries of Impala and the employees of the former SunLife Embassy Business
“PGMS”	Pearl Group Management Services Limited
“PGS”	Pearl Group Services Limited
“Phoenix Life”	the Group’s life insurance (including its management services operations) business segment

“Phoenix Life Companies”	PLL, PLAL and ALAC, and “Phoenix Life Company” means any one of them
“PLAL”	Phoenix Life Assurance Limited, which was renamed from Pearl Assurance Limited on 28 September 2012
“PLHL”	Phoenix Life Holdings Limited
“PLL”	Phoenix Life Limited
“PLL Tier 2 Bonds”	the £200 million 7.25 per cent. undated, unsecured subordinated notes originally issued by Scottish Mutual Assurance Limited (which was then known as Scottish Mutual Assurance plc)
“PPFM”	Principles and Practices of Financial Management
“PRA”	the UK Prudential Regulation Authority
“PRA Rulebook”	the book of rules and guidance, including as to regulatory capital requirements, maintained by the PRA
“Proposals”	the proposals: <ul style="list-style-type: none"> (i) for a reorganisation of the Group which will result in New Phoenix becoming the holding company of the Group; (ii) in respect of the Old Phoenix Share Plans and the New Phoenix Share Plans; (iii) in respect of the substitution of New Phoenix for Old Phoenix in respect of the Outstanding Subordinated Debt Securities; and (iv) for New Phoenix to undertake the New Phoenix Reduction of Capital
“Prospectus Directive”	Directive 2003/71/EC, as amended, and includes any relevant implementing measures in each member state of the EEA that has implemented Directive 2003/71/EC
“Prospectus Rules”	the Prospectus Rules of the FCA made pursuant to section 73A of FSMA
“Purchase Price Adjustment”	the adjustment to the price paid by the Company in respect of the Acquisition under the Share Purchase Agreement
“Receiving Agent”	Computershare Investor Services PLC, an English company with registered number 3498808, whose registered office is at The Pavilions, Bridgewater Road, Bristol BS99 6ZY
“Regulation S”	Regulation S under the US Securities Act
“Regulated Group Entities”	any entity within the Group prior to the Scheme Effective Date which is authorised pursuant to FSMA
“Regulatory Information Service”	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies
“Relationship Agreement”	the relationship agreement which was entered into upon completion of the Acquisition between Standard Life Aberdeen and the Company
“Remuneration Committee”	the remuneration committee of the Board
“Replacement Awards”	equivalent awards over New Phoenix Shares that participants in the Old Phoenix Share Plans can exchange their outstanding awards under the Old Phoenix Share Plans
“Resolution Group”	Pearl Group Holdings (No. 1) Limited (formerly named Resolution plc) and its subsidiaries and, where the context requires, includes the on-sold assets of Pearl Group Holdings (No. 1) Limited until, in each case, the date of their disposal

“Restricted Territories”	member states of the EEA (excluding the UK), Hong Kong and Singapore, and “Restricted Territory” means any one of them
“Revolving Credit Agreement”	the credit agreement entered into by Old Phoenix (as guarantor and, from 28 February 2017, as borrower), PGH Capital (as borrower) and Commerzbank Finance & Covered Bond S.A. (formerly known as Commerzbank International S.A.) (as agent), among others, dated 23 July 2014, as amended and/or restated from time to time, including on 21 March 2016, 24 October 2016, 20 February 2017, 30 March 2017 and 2 May 2018, as described in paragraph 12.4 (<i>“Revolving Credit Agreement”</i>) of Part IX (<i>“Additional Information – Material Contracts”</i>) of this Prospectus
“Rights Issue”	the rights issue announced by Old Phoenix on 30 May 2018 and completed on 10 July 2018 in connection with the part financing of the Acquisition
“Risk and Capital Committee”	the risk and capital committee of the Board
“Risk Committee”	the risk committee of the Board
“RMF”	the Group’s Risk Management Framework
“RT1 Notes”	the £500,000,000 fixed rate reset perpetual restricted tier 1 write down notes issued by Old Phoenix
“SEDOL”	Stock Exchange Daily Official List
“Scheme”	the Scheme of Arrangement pursuant to section 86 of the Cayman Companies Law to introduce New Phoenix as a new UK-incorporated holding company to the Group
“Scheme Circular”	the Scheme Circular dated 2 November sent to holders of Old Phoenix Shares in connection with the Scheme
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms, which is expected to be 12 December 2018
“Scheme General Meeting”	the general meeting of Old Phoenix to be held in connection with the Proposals and any adjournment of that meeting
“Scheme Record Date”	the record date of the Scheme, expected to be 12 December 2018
“Scheme Record Time”	the record time of the Scheme, expected to be 8:00 p.m. on the Scheme Effective Date
“Scheme Shareholders”	the holders of the Scheme Shares, as appearing in the register of members of Old Phoenix
“Scheme Shares”	<ul style="list-style-type: none"> (i) the Old Phoenix Shares in issue at the date of the Scheme and remaining in issue at the Scheme Record Time (including those which were formerly Depositary Interests); (ii) all (if any) additional Old Phoenix Shares issued after the date of the Scheme and before the Voting Record Time and remaining in issue at the Scheme Record Time (including those which were formerly Depositary Interests); and (iii) all (if any) further Old Phoenix Shares which may be in issue at or after the Voting Record Time up to the Scheme Record Time (including those which were formerly Depositary Interests) in respect of which the original or any subsequent holder shall be bound or shall have agreed in writing by such time to be bound by the Scheme and remaining in issue at the Scheme Record Time (including those which were formerly Depositary Interests), excluding in each case any Shares held by New Phoenix
“SCR”	solvency capital requirement
“SDRT”	stamp duty reserve tax

“Senior Bonds”	the £300 million senior unsecured 5.75 per cent. bonds originally issued by PGH Capital
“Senior Managers”	the senior managers whose names are set out in paragraph 5.3 (“Senior Managers”) of Part IX (“Additional Information – Employee Incentive Plans”) of this Prospectus
“Shares”	shares of £0.10 each in the share capital of New Phoenix
“Share Plans”	the Old Phoenix Share Plans and New Phoenix Share Plans
“Share Purchase Agreement”	the share purchase agreement entered into between Old Phoenix and Standard Life Aberdeen in connection with the Acquisition dated 23 February 2018, as amended and restated on 28 May 2018 and on 31 August 2018
“Shareholder Capital Coverage Ratio”	the Solvency II shareholder capital coverage ratio
“Shareholders”	the holders of Shares from time to time, and “Shareholder” means any one of them
“SLAESL”	Standard Life Assets and Employee Services Limited
“SLAL Deed of Indemnity”	the deed of indemnity which was entered into between Phoenix, Standard Life Aberdeen and SLAL on completion of the Acquisition
“SLES�”	Standard Life Employee Services Limited
“SLIDAC”	Standard Life International Designated Activity Company
“SLPF”	Standard Life Pension Funds Limited
“Solvency II” and “Solvency II Directive”	the Directive on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (2009/138/EC) and implementation measures in respect thereof, establishing a new regime in relation to solvency requirements and other matters affecting the financial strength of insurers and reinsurers in the EU
“Solvency II Internal Model”	the agreed methodology and model, approved by the PRA, to calculate the Group SCR pursuant to Solvency II
“Solvency II Surplus”	the excess of Solvency II Own Funds over the SCR
“Sponsor”	HSBC
“Standard Life Aberdeen”	Standard Life Aberdeen plc, a company incorporated in Scotland with registered number SC286832, having its registered office at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH
“Standard Life Assurance” or “SLAL”	Standard Life Assurance Limited, a company incorporated in Scotland with registered number SC286833, having its registered office at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH
“sterling” or “Sterling” or “£” or “pence” or “p”	the lawful currency of the United Kingdom
“Sun Life”	AXA Sun Life Direct Limited (now Phoenix SL Direct Limited)
“SunLife Embassy Business”	AWL’s pensions and protection businesses
“Supervision Manual”	the Supervision Manual in the FCA Handbook
“Tax Deed”	the deed of tax covenant entered into between Phoenix and Standard Life Aberdeen upon completion of the Acquisition
“Trade Mark Licence Agreement”	the long-form trade mark licence agreement to be entered into by SLES� (as licensor) and SLAL (as licensee) on or after Completion
“Transitional Services Agreement”	the transitional services agreement between SLES� and SLAESL dated 31 August 2018
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

“UKCPT”	UK Commercial Property REIT Limited, formerly known as UK Commercial Property Trust Limited
“UK Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to listing on the Official List otherwise than in accordance with Part VI of FSMA
“uncertificated” or “in uncertificated form”	In relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Investment Company Act”	the United States Investment Company Act of 1940, as amended
“US Securities Act”	the United States Securities Act of 1933, as amended
“VAT”	value added tax chargeable under or pursuant to the Value Added Tax Act 1994 or the EU Directive 2006/112/EC on the common system of value added tax and any other sales, purchase or turnover tax of a similar nature, whether imposed in the UK or elsewhere
“Volcker Rule”	Section 619 of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010
“Voting Record Time”	for Old Phoenix Shareholders, 6:00 p.m. on 26 November 2018 or, if the Court Meeting and/or the Scheme General Meeting is adjourned, 48 hours before the time and date set for the adjourned meeting, and for Old Phoenix DI Holders, 6:00 p.m. on 23 November 2018 or, if the Court Meeting and/or the Scheme General Meeting is adjourned, 72 hours before the time and date set for the adjourned meeting

