Monday 9 March 2019

Nicholas Lyons, Chairman

Right, well, a very good morning to all, I wonder if you could just shut those doors at the back, thank you very much. And a warm welcome to the Phoenix Group 2019 full year results presentation, somewhat of an auspicious day.

2019 was a year of significant achievement for Phoenix in which the Group delivered all of its strategic priorities and announced the acquisition of ReAssure Group plc.

The growth achieved by Phoenix during its time listed on the London Stock Exchange is pretty remarkable and a testament to the outstanding leadership over this period and an exceptional team of talented colleagues.

However, we remain incredibly ambitious and look forward to growing the business further in the future.

Phoenix recognises the importance of integrating environmental social and governance considerations into our everyday operations.

As a business, we're uniting behind a sustainability vision of “committing to a sustainable future” and have identified four areas of commitment: Deliver for our customers; foster responsible investment; reduce our environmental impact; and be a good corporate citizen.

These commitments are underpinned by working ethically with a supply chain and strong governance and good business practices.

Our achievements to date, plans, and aspirations, are set out in our first Sustainability Report which we published today and is available via our website and I do encourage you to take a look.

Moving forward we'll be setting targets for each of these areas, and we look forward to talking to you about our progress in the future.

Our results presentation today reflects a time of change at Phoenix. We announced in November that Clive would be retiring today, and that he would be succeeded by Andy

Briggs. With over 30 years of experience in the sector, Andy is the natural successor to Clive and joins Phoenix at a time of great opportunity. We are delighted to have him join our family.

This morning we announced that Jim will also be retiring this year and will be succeeded by Rakesh Thakrar. Rakesh has been with Phoenix for 18 years and has been integral to the success of the organisation over that period. We're delighted to be able to promote internally into this role.

The Board and I have great confidence in Andy and Rakesh as the future leaders of Phoenix.

Clive and Jim will begin our presentation today by providing an update on Phoenix's achievements in 2019. They will then 'hand the baton' to Rakesh and Andy who will update you on our growth aspirations and outlook for 2020 and beyond.

Clive.

Clive Bannister, Group Chief Executive

Nick thank you very much and good morning everyone. Good morning.

Phoenix delivered another strong year.

We report results today that are either in line with, or slightly ahead of, consensus across all of our key financial performance indicators.

This extends Phoenix's track record of meeting or exceeding all publicly stated financial targets.

Our KPIs highlight Phoenix's ability to deliver dependable cash generation year after year and the ongoing resilience of our regulatory capital position.

In March 2019, I set out Phoenix's strategic priorities for the year ahead. Phoenix has delivered on all of these.

Jim will walk you through the financials in a moment. Meanwhile, our Standard Life Assurance transition programme is on track to meet our £1.2 billion synergy target.

In November, we announced an enlarged Strategic Partnership with TCS to support the delivery of a differentiated and scalable Customer Services and IT operating model which will be crucial in phase three of our transition programme.

Improving customer outcomes is central to Phoenix's mission. We have made good progress on customer initiatives and maintained high levels of customer services throughout 2019.

Phoenix now has a range of growth opportunities and is writing new business across both its Heritage and Open segments. New business written during 2019 delivered £475 million of incremental long-term cash generation.

Finally, we were delighted to announce the acquisition of ReAssure on the 6th of December; a transaction which will deliver value to shareholders over many years to come.

Today, we set a new one-year cash generation target for Phoenix of £800-£900 million and we remain on track to deliver our five-year target from 2019 to 2023, which has been upgraded for the impact of 2019's new business to £3.9 billion. We therefore expect to deliver a further £3.2 billion over the next four years, approximately £800 million a year.

Phoenix's cash generation guidance is based on in-force business only and therefore excludes the impact of any new business to be written in the future.

At the end of each year, we therefore have to roll forward our cash generation guidance to take account of new business written in the year and other known differences.

Last March, we estimated that the business in-force as at the 31st of December 2018 would generate £12 billion of cash over its lifetime.

During 2019, we have added £700 million to this guidance, primarily through the writing of new business and the over delivery of management actions.

This incremental cash generation has offset the £707 million of cash remitted during the year, we therefore estimate that the long-term cash generation from business in-force as of 31st of December 2019 will be £12 billion.

Our growth options are clearly bringing more sustainability to our cash generation. So, based on the 2019 experience, the “Wedge” hypothesis is working.

On the 6th of December 2019 we announced our intention to acquire ReAssure for £3.2 billion. With £84 billion of assets under administration across 4.1 million policies, ReAssure will bring £7 billion of incremental cash to the Group. It is our largest acquisition to date and confirms Phoenix as Europe's largest life and pensions consolidator.

This transaction is strategically compelling and meets all of our acquisition criteria. We expect to deliver £800 million of costs and capital synergies by integrating the two businesses, making the transaction value accretive to all of our investors.

Not only does the £7 billion of incremental cash generation support a proposed dividend increase of 3%, but because £2.7 billion is generated by year end 2023, this will provide funds to support additional growth opportunities.

Finally, the deal was funded in an efficient manner, maintaining our investment grade rating without the need to raise fresh equity from our institutional shareholders.

In this context, we look forward to welcoming our new shareholders upon completion, Swiss Re and MS&AD, who will have circa 14% each in the enlarged Phoenix Group.

We are focused on completion of a transaction which we target for July subject, of course, to regulatory approval.

On the 31st of December, ReAssure completed the acquisition of the Old Mutual Wealth business from Quilter. Announcing this transaction would generate synergies of circa £200 million. These synergies are in addition to the £800 million target that Phoenix had set, but were excluded from the pro-forma own accounts figure disclosed at the announcement. Why? Because we had to comply with prospectus rules.

Reflecting these anticipated synergies, in the pro-forma own funds would reduce the price to own funds ratio from the advertised 91% to 87%, further illustrating the value accretive nature of this deal.

Jim and his colleagues in Treasury have made significant progress with our funding strategy. Following a revision by Fitch of our ratings outlook which moved from "stable" to "positive", we issued a US dollar 750 million restricted Tier One bond in January. With hindsight this looks brilliant. Fitch categorised the RT1 as equity in their leverage calculation and therefore, our pro-forma leverage ratio has been reduced by 4% to 26%, bringing it comfortably within our target range of 25-30%.

Since the announcement of three months ago we have been working closely with our future colleagues at ReAssure to progress for change and control application. And I want to publicly thank Mark Hodges the CEO of ReAssure for their help with this work today. The pre-application was submitted at the end of January and we are on track to make our final application at the end of March.

And finally, I thank our shareholders, for their support for this transaction with a 99.99% vote cast in favour at last month's EGM.

Phoenix deliveries value to investors through M&A by buying well, and then delivering cost and capital synergies. We have a strong track record of integrating businesses, and have been able to deliver higher cost synergies over time than those indicated when each deal was originally announced.

This exhibit, first time we've shown it, shows our over delivery for AXA, Abbey and the Standard Life Assurance transactions.

The £40 million per annum cost synergy target announced for the acquisition of ReAssure excludes any savings associated with combining the Customer Service and IT operations of the two legacy businesses.

Our priority in the short-term reflects our desire to protect enterprise stability in both Groups.

The Group continues to have a stable and sustainable dividend policy. Our proposed 2019 final dividend is 23.4 pence per share, bringing the full year pay out to 46.8 pence per share.

Acquisitions have been a trigger to increase the dividend and we announced a proposed 3% increase following the ReAssure transaction effective from 2020 final dividend.

This increase, the fifth during my time as CEO takes the cumulative dividend increase to 50% over ten years, equivalent to a 4.1% CAGR.

I will now pass you over to Jim. Jim the floor is yours.

Jim McConville, Group Finance Director and Group Director, Scotland

Thank you very much Clive and good morning everyone.

So today, Rakesh and I will talk you through the Group's progress against its 2019 strategic priorities, and I will begin by talking you through the Group's performance against its financial targets.

As Clive said we have had a strong year financially, exceeding our cash generation target and exceeding the year comfortably within our target range for solvency and below our target range for of leverage.

We have also had a strong delivery across our financial performance metrics for new business and IFRS operating profit.

These financial highlights demonstrate that we continue to manage our in-force business for resilience and cash generation, and are also focused on growth through new business.

At our Capital Markets Day in November, we announced 2019 cash generation of £707 million, ahead of the £600–£700 million target range.

Management actions contributed about a third of gross cash generation, and continue to supplement cash generated from the organic unwind of our in-force business and the distribution of free surplus.

Gross cash generation in the year of £957 million provides dividend cover of 2.8 times and includes the first dividends from Standard Life Assurance since the acquisition.

As you know, cash is king at Phoenix and the cash generation remitted to Group from our insurance companies remains our key metric.

We expect the combined Group post ReAssure to generate £19 billion of cash over the life of the in-force business. This guidance excludes incremental cash generation from new Open business, new BPA deals and any further M&A. Additionally, it only includes four years' worth of management actions and does not place any value in management actions beyond 2023.

We will provide new cash generation targets for the combined group at our full year 2020 results in March of next year.

The format of this slide will be very familiar to you. It sets out the sources and uses of cash for Phoenix from now until the end of 2023, and overlays the impact of the

ReAssure transaction.

As you can see, the ReAssure transaction delivers significant cash over this period, reflecting the high level of cost and capital synergies we expect to deliver as we bring the two businesses together.

Even after a potential £1.2 billion repayment of debt, the Group holding company is forecast to end 2023 with £1.4 billion more cash than it had at 31st of December 2019. This cash is available to support a range of growth options that Rakesh will outline later, to bring further long-term stability to cash generation.

Turning now to resilience, we present here the sensitivity of Phoenix's standalone £3.2 billion cash generation target between 2020 and 2023 to various stress events.

As you will be aware, Phoenix has a low appetite to market risks and uses hedging to mitigate the majority of its exposure to equity, currency and interest rate risk. This translates into the low sensitivity to these risks we present today.

You will notice that Phoenix's sensitivity to a 20% fall in equities is actually positive. On 5th December 2019, we took out a £700 million equity hedge against the residual shareholder equity risk exposure of the ReAssure business. In the period prior to completion this means we are effectively over hedged on equities, and therefore would see an increase in our cash generation should equity markets fall.

Phoenix's main exposure continues to be longevity risk on its annuity business. Here we modelled the impact of every annuitant living six months longer and even in this unlikely scenario, the Group will be able to service its debt obligations and continue to pay its dividend.

This resilience in our cash generation brings increased certainty to our dividend.

This slide shows the combined Group sources and uses of cash beyond 2023. The ReAssure transaction increases the illustrative holding company cash following repayment of all outstanding shareholding borrowings by 50%, bringing increased sustainability to the annual dividend, which has increased by only 40%.

Moving now to solvency. Phoenix maintains a strong capital position with a Solvency II surplus of £3.1 billion and a Shareholder Capital Coverage Ratio of 161%. This position is stated after the deduction of the 2019 final dividend.

Shareholder own funds continues to be a good starting point for determining shareholder value, but does not include a number of areas where value exists. These include contract boundaries where the value of in-force on unit-link business is restricted under Solvency II, and shareholders share of our with-profit estate.

Adjusting for these two items provides a proxy for shareholder value at 31st of December 2019 of £6.1 billion which equates £8.45 per ordinary share.

This value proxy is effectively “ex-div”, it also places no value on future new business from vesting annuities, BPA and open channels, or management actions.

During the year, we saw the PGH Group surplus decrease slightly from £3.2 billion to £3.1 billion.

The main driver of the reduction was the Capital dis-synergy arising from our Brexit preparations, where a loss of diversification and transitional benefits arose from the Part VII transfer of the Group's European branch business to Standard Life International Limited because it is a Standard Formula company.

The strain of £0.2 billion from new business during the period primarily relates to the cost of BPA and vesting annuities written in the Heritage segment, as new business written within the UK Open and Europe segments remains “capital light”.

Economic variances were a small negative reflecting the Group's hedging strategy for equity, currency and interest rate risk, which brings resilience to the group's solvency position.

The Group recognised a £120 million benefit from changes to longevity assumptions which included moving to the CMI 2019 mortality tables. This was largely offset by changes in the assumptions for house price inflation, dilapidations and property volatility used to value our Equity Release Mortgage portfolio.

We also saw small strains from other assumption changes across the Group together with the expected corporate project costs.

In the second half of 2019, management actions added a further £300 million to our Solvency II surplus taking the total benefit for the full year to £650 million. This included £145 million of capital synergies on the Standard Life Assurance business.

Management actions included our ongoing investment in illiquid assets, completion of a

further tranche of Equity Release Mortgage securitisation and matching adjustment fund optimisation.

The management actions we deliver each period contribute to free surplus available in the Life Companies which will, over time be remitted as cash generation to Group. With therefore see a timing lag between the impact of management actions on the surplus, and management actions within cash generation.

One of our most material management actions continues to be the sourcing of illiquid assets to back annuity liabilities. The yeild pickup associated with the “illiquid” nature of these investments more than outweighs the additional risk capital driving an overall benefit to Solvency II surplus.

In 2019, we originated £1.3 billion of illiquid assets across a broad range of maturities and spreads, including investments and social housing, student accommodation, health care and Equity Release Mortgages.

With an average deal size of £30 million, 2019 origination was well diversified by type, and had an average credit rating of A+.

As at 31st of December 2019, our illiquid asset portfolio was £5.3 billion and represented 26% of assets backing annuities.

With nearly 90% of our illiquid asset portfolio having a rating of A or above, we are comfortable that our credit rating remains within risk appetite.

We target a 40% allocation to these asset classes, and whilst we continue to be driven by value, rather than volume, we expect to originate about £1 billion of illiquids this year.

Phoenix's Capital position remains resilient to risk events.

Our target Shareholder Capital Coverage Ratio is 140% to 180%, and the sensitivities set out show that Phoenix remains well within this range under these scenarios.

We are currently experiencing a period of market volatility generated by the uncertainty surrounding the potential impact of COVID-19.

By the end of February, we have observed a 13% fall in equity markets, 17 bps widening in credit spreads and 40 bps fall in interest rates. The sensitivities we disclose provide clear guidance on the impact that these changes will have on our Group's solvency.

As a result, we estimate that this recent volatility has had a minimal impact on our solvency position.

With therefore continue to demonstrate resilience to risk events and remain well within our stated solvency range.

We have delivered a strong set of IFRS results with operating profit of £810 million and profit after tax of £116 million.

The increase in operating profit year-on-year is primarily driven by the inclusion of a full twelve months of results of the Standard Life Assurance businesses, offset by lower year-on-year assumption changes, which included £190 million release of longevity reserves following the move to CMI_2018.

Investment return variances include losses on equity hedges held across the Group to protect the Group's Solvency II surplus position and deliver resilience to cash generation. These losses have been partially offset by the positive impact of moving the asset portfolio towards our strategic asset allocation.

We have also reported within non-operating items a loss of £169 million. This is primarily driven by the provision of future costs associated with phases 2 and 3 of the Standard Life Assurance transition programme, which are only partially 145offset by the recognition of the resulting reduction in future expense assumptions.

Our second strategic priority for 2019, is to deliver the transition of the Standard Life Assurance businesses.

Last year, we increased targets for cost and capital synergies arising from the transition to a combined £1.2 billion.

Having generated a further £145 million, of capital synergies in 2019, we have now delivered 90% of the total target of £720 million. And we expect the majority of the remaining capital synergies to come from a Part VII transfer of our UK insurance companies.

We have made good process towards our cost synergy target delivering over 40% of the target reduction in the combined cost base.

And finally, we have now realised £28 million of one-off cost synergies by removing

duplication in projects of the two legacy businesses.

In summary, we are on track to deliver the £1.2 billion combined synergy target for the acquisition.

Our transition programme is delivered in three phases.

Phase 1 is substantially complete and delivered the end state operating model for the Head Office functions.

Phase 2 is on track to deliver a multi-site Finance and Actuarial operating model by the end of this year.

And we continue to work closely with the PRA to harmonise the Group's two Solvency II Internal Models and are targeting harmonisation approval in the first quarter of 2021.

Phase 3 will deliver our end state operating model for Customer Service and IT by the end of 2022. This will be a hybrid model delivered through the enlarged partnership that we announced with TCS back in November.

Improving outcomes for our 10 million customers continues to be central to our mission.

During the year, we exceeded all of our targets and saw improved performance across the majority of metrics from 2018.

Customer service metrics comprised 25% of the performance measures within the corporate component of the Group's Annual Incentive Plan.

This weighting evidence is the importance that Phoenix attaches to the delivery of high-quality services to our customers.

We continue to expand our digital proposition and recorded over 12 million log-ins by customers and over 5.5 million Standard Life mobile app sessions.

Customers are able to top-up, increase regular payments, and consolidate pots through the Standard Life app, and gross new business flows at £560 million was generated using this functionality in the year.

To be successful we must continue to invest in our proposition and the launch of the passive default fund within the Standard Life workplace proposition and a variant of the

offshore bond featuring Capital Redemption are evidence of this.

We have also progressed a broad range of customer initiatives to ensure we continue to improve customer outcomes.

I will now hand you over to Rakesh.

Rakesh Thakrar, Deputy Group Finance Director

Thank you Jim and good morning everyone.

Our fourth strategic priority for 2019 was the delivery of new business.

Phoenix does not include new business in its long-term cash generation guidance.

New business, whether through BPA or through the sale of Open products is therefore incremental to cash generation and brings further sustainability to our dividend.

In 2019, Phoenix saw gross inflows on new business across its three business segments of £8.1 billion.

We estimate that this new business will generate £475 million of incremental long-term cash generation, circa 1.4 times the 2019 dividend.

Phoenix's Open business is capital light and growing.

In 2019, our Open businesses in the UK and Europe delivered gross inflows of £7.0 billion and this was from new business and £240 million of incremental long-term cash generation.

Both flows and cash generation are down year-on-year, primarily due to poorer performance across retail business, including Wrap SIPP. This performance reflects the tail off in Defined Benefit to Defined Contribution pension scheme transfers and reduced inflows seen across the sector from market uncertainty. These challenges were partly offset in retail by strong flows in our draw down product year-on-year.

In contrast it was a strong year for workplace, which continues to be the engine for growth for our Open business, delivering over 60% of the 2019 incremental long-term cash generation.

In 2019, auto-enrolment increased from 5% to 8% having increased from 2% to 5% in 2018. These increases have been the key drivers of incremental long-term cash generation with circa £50 million of the 2019 result coming from this rise. Excluding this one-off increase, incremental long-term cash generation from the new Open business would have been £190 million.

Our approach to BPA continues to be driven by value not volume. We take a selective and proportionate approach, allocating about £100 million of surplus capital per annum.

In 2019, the BPA market was buoyant with an estimated £40 billion of BPA completed. We were invited to price 72 deals, of which we priced 27 and completed 4. We also completed a £1.1 billion buy in from the PGL Pension Scheme, giving us around a 5% market share.

The £98 million of capital we put to work in the year of external BPA secured £235 million of incremental long-term cash generation. The average payback period in 2019 was 6-7years, 3 years shorter than 2018, reflecting the underlying cash profile of the transactions completed.

Phoenix is now an established participant in this marketplace and committed to the further development of this franchise.

Our final strategic priority for 2019 was growth.

Clive has already talked about the growth that the acquisition of ReAssure will deliver.

I will spend a few minutes explaining how we think about growth options at Phoenix and how growth will bring sustainability to our business.

As Clive explained at the start of today's presentation, we provide guidance on the total amount of cash generation that our in-force business is expected to generate over its lifetime.

At the start of 2019, we estimated this generation to be £12 billion.

Having delivered just over £700 million of cash generation in the year, we would expect the remaining cash generation from our in-force business to have reduced to £11.3 billion.

However, as we have added to our long-term cash generation by writing new business, and by over delivering on management action, today, we have restated our guidance for long-term cash generation, reflecting the business in-force at the end of 2019, to £12 billion, demonstrating that growth brings sustainability to cash generation.

We set out the hypothesis that new business could offset the run-off of our in-force business and bring sustainability to cash generation in an illustration we call the "Wedge".

Phoenix is now an established participant in the BPA market, and we have therefore updated our "Wedge" diagram to reflect our confidence that this is a dependable growth opportunity that we can fund from surplus capital.

We continue to leave M&A as the top slice on our diagram. Whilst it remains the cornerstone of our strategy, the timing of deals are hard to predict, and the size of deals may require additional funding support.

In 2019, the growth of our BPA and Open businesses has brought sustainability to cash generation.

However, as we change as an organisation, so will the relative size of each component of the "Wedge". And as we deliver on our strategy, the overall sustainability of cash generation will continue to improve.

As Jim explained earlier, the ReAssure transaction generates significant cash over the next 4 years due to the delivery of material cost and capital synergies over this period.

We therefore expect to have £1.4 billion of cash available to increase support to our range of growth options.

These include selective and proportion participation in the BPA market, funding of M&A that meets our acquisition criteria and investment in customer initiatives and proposition to support growth of our Open business and manage the run-off of our Heritage business.

Delivering growth through these range of options brings more sustainability to long-term cash generation.

I will now hand over to Andy.

Andy Briggs, Group Chief Executive Designate

Thank you Rakesh and good morning everyone.

I want to start by paying tribute to Clive and Jim. When you think back to the position that Phoenix was in when they both started nearly a decade ago, I think it is hard to think of a CEO and CFO of a UK financial services business that have done a better job over this period.

They've also created a remarkable platform for the business going forward, so I do feel very fortunate to be taking over as CEO.

I want to cover three areas today: First why I joined Phoenix, why do I think it’s a great business? Second, what do I see as the key market trends, why am I excited about Phoenix's future potential? And third, our key priorities for 2020.

So, first, what attracted me to Phoenix.

I’ve worked in insurance for over 30 years, and I believe successful insurance businesses have two key characteristics: They have a clear strategy, and a simple financial framework.

Phoenix has both of these which is why it’s successful.

Our strategy is to focus on just three things - first we are a leader in running Heritage business, we're a save home for customers in closed product lines and we run this in a way that generates a reliable flow of cash for shareholders.

Second, we have a strong track record in completing value accretive M&A and successfully integrating businesses, delivering cost and capital synergies. And third, we're building a thriving and growing Open business.

A simple, clear strategy and very much evolution not revolution from my perspective.

I also really like the simplicity of our financial framework. Insurance can be a complex business, so it is really important to focus on the basics.

First and foremost, cash is king, and the sustainability of the dividend is paramount. Underpinned by a strong diversified resilient balance sheet.

And then, having delivered both of those we focus on long-term cash generation for £12 billion soon to become £19 billion. And sustaining and growing that into the future so that we can firstly sustain and, in due course, aspire to grow the dividend.

Again, as the financial framework is concerned, it is evolution not revolution from me.

The second reason I joined Phoenix is because I think the business is extremely well placed to take advantage of the key drivers of change in the industry. Given that post the ReAssure deal we will be the UK's largest life and pensions provider with over £300 million of UK assets, sorry, billion pounds of UK assets, and 14 million customers.

I see three key market drivers, and these are shown on the slide.

So first, insurers are choosing to sell closed books to take advantage of the opportunity to release trapped capital and because they struggle with cost inefficiency due to legacy systems and regulatory change. This model is bifurcating and in my view there's plenty more to come. We've already indicated that there's around a £400 billion opportunity in the UK with further £200 billion in Germany and Ireland.

Now it is one thing to have a view on key trends, but to win, a business needs distinctive competitive advantage. Phoenix is clearly well placed in this market with differentiated capability in Heritage management and in M&A and integration delivery and hence this remains our biggest value driver today.

The second key trend is that corporates are de-risking. I have yet to meet the finance director of a manufacturing business who is pleased to have a large Defined Benefit pension scheme attached.

What's interesting, is that de-risking strategies are well advanced and buy ins and buy outs are increasingly affordable for more and more schemes, hence the market is growing rapidly.

What is Phoenix's advantage here? It seems to me that annuities are one of the largest and most attractive profit pools of business, but the concern becomes when a balance sheet is heavily weighted to annuities and the consequent risks.

At Phoenix only around 10% of our UK balance sheet is annuities. For others, it is 30% to 50% for multi line players and obviously 100% for the mono line players. I think the fact that we are only at 10% is a real advantage for Phoenix because we can grow

annuities and it will still be a low proportion of our balance sheet. And given it is a lower proportion, we should get better diversification against our existing Heritage business, and therefore be more capital efficient as we grow our annuity business.

Given this is a space where demand is outstripping supply and given we will take and will continue to take a selective and proportionate approach, I am confident we can create good value for shareholders here.

The third trend is the rapid growth in Defined Contribution pensions from auto-enrolment, the shift from Defined Benefit, the ageing population, and pension freedoms. This creates 2 main opportunities.

In workplace pensions the margins are thin and hence scale is critical. We're a top three player. And cost efficiency is also key. This is where our business model gets exciting. Our TCS partnership which historically has been focused on Heritage will enable us to achieve market leading cost efficiency as we enhance and extend it to our Open business. Attractive competitive advantages.

The other opportunity is helping the increasing number of over 50s as the population ages, to consolidate and manage their journey to and through retirement. At the moment, only the small proportion who pay for advice are getting this help and we participate here through our partnership with Standard Life Aberdeen.

But the majority also need help, and the advantage Phoenix has is our scale of existing customers as the UK's largest life and pensions provider. We want these customers to turn to us first for that help.

Three major market trends, Phoenix is well placed for all three. And so, we have a range of attractive options going forward. Hence, why I'm excited to be joining.

Now a bit of excitement is a good thing, but execution and delivery will always trump everything else, so let me come on to my final area. Our priorities for 2020.

Clive and the Phoenix team have a faultless track record of delivery that I fully intend to continue.

And our strategic priorities follow on from our strategy in the same order.

So first, we will seek to deliver our £800-£900 million cash generation target while maintaining our strong balance sheet.

Then, we'll continue to successfully transition the Standard Life Assurance business, to deliver the £1.2 billion cost and capital and synergy target.

And complete the ReAssure deal and start the integration and delivery of the £800 million synergy target.

Then, we will continue to profitably grow the Open business and selectively participate in BPA.

I've put a fifth priority on here because I strongly believe the best businesses have not just good, but the very best talent. I have been hugely impressed by the calibre of the people here at Phoenix. Rakesh's succession, to CFO, is a great example.

So a key priority for me is to continue to build in-house talent and where appropriate supplementing externally because always striving to continually build our people capability will underpin our future success.

We clearly have other priorities we focus on, Nick mentioned earlier sustainability, but these are the key focus areas to ensure we deliver short-term financial performance.

So, in summary: we have a clear strategy and a simple financial framework.

We're well placed for the key market trends, and we have a clear set of priorities for 2020.

And now, I'll hand you back to Nick, thank you.

Nicholas Lyons

Thank you, Andy.

So, 2019 was an exceptional year for Phoenix in which we delivered Cash, Resilience and Growth.

The proposed acquisition of ReAssure marks another major milestone in our growth journey and confirms Phoenix as Europe's largest life and pensions consolidator.

We remain focused on delivering significant value from our in-force business over many

years, and are excited at the prospect of growing a thriving Open business on top of Phoenix's stable Heritage foundations.

We are not a sentimental organisation.

But it is only appropriate that my final words should be about Jim and Clive who have been such wonderful stewards of this business.

Jim has brought an immense amount to Phoenix since joining us in 2012. He's a classic Finance Director. Immovable, utterly determined and focused, he treats our money as if it were his own and he has a real drive to get things done.

It is typical of him that he has invested so much of his own technical skill in grooming Rakesh as his successor. I've always admired the way he resolutely defended the performance of the Scottish rugby team, a faith so seldom rewarded, but gloriously so this weekend.

Clive is an institution.

It is not just that he leaves exceptionally big shoes to fill, they are uniquely shaped too. An analogy perhaps even more appropriate given who his father was.

Well it is hard to believe that this really is his last day with us. Clive you leave behind you so many friends and admirers, not just for what you have achieved but the way in which you have done so. Energetically, eloquently, intelligently and compassionately.

The two of you have built the strongest of foundations for Phoenix and now we will look forward to the next phase under Andy and Rakesh.

Congratulations and thank you both for a job well done.

(APPLAUSE)

Thank you for your time today. The formal presentation is now over, and we'll move on to Q&A. Please wait for the microphone to be brought to you and give us your name and the institution for whom you work and then we will allocate the questions accordingly.

Question from Greig Paterson, KBW

Good morning, Greig Paterson, KBW. Three quick questions – one is the £800-900

million target, if you complete the ReAssure deal in July, is there potential for a divi from ReAssure to come up towards the end of the year?
Second question is in terms of downgrades and the risk thereof, I think on slide 26 you have a spread sensitivity that includes a downgrade assumption, could you remind us again what that is, and then maybe speak about your asset base if there's any potential downgrade risk there.
And finally in terms of the internal deal that you did with your own pension fund I was wondering if you could just illuminate how the strain there was financed, if it added to cash, and most importantly whether there's further opportunities in your three pension funds for further deals?

Clive Bannister:
I think the first one was on the dividend, the second one on the downgrade and our sensitivity and then the strain on financing, so why don't I deal with the first one – dividend.

There's going to be no change in dividend so it is imaginative and thank you, leading the witness, but we're very straightforward - our policy is stable and sustainable, not defined by management but by the Board and we have been clear about that policy and we are proud of the 3% already announced of the dividend related to the ReAssure deal and there'll be no change between now and the closing thereof.

Greig Paterson:
Sorry, I meant the...

Andy Briggs:
The £800-£900 million is just from the Phoenix and SLAL legal entities, so where there is the potential of dividends from the ReAssure legal entity and that would be in addition to the £800-£900 million.

Jim McConville:
So let me deal with the downgrade question, so on slide 26 I think it is, you see the sensitivities and our sensitivity to credit is an average of 120 bps. That ranges depending on the rating, so it ranges from 37 bps to 267 bps and applied across the different ratings and we assume a 10% allowance for defaults and downgrades so that as we reflect those stresses, we assume that 10% of the amounts would be, come through, as other defaults or downgrades. So I think it is an appropriate stress of due allowance for downgrades and defaults.

Greig Paterson:

Sorry, is there any risk in the balance sheet now currently downgrades?

Jim McConville:

The think I would say Greg is the book is very well diversified by both industry and by name as you would expect. In terms of those industries which are topical in today's climate, for example airlines, we have no exposure to airlines within Phoenix. Similarly in the travel sector, we have no exposure and we have an absolute deminimis exposure to oil and gas of less than 1% of the book. And similarly in ReAssure my understanding is there is no exposure to airlines either, so, I think in terms of the topical subjects for today I don't think there is any concern.

Question from Jon Hocking, Morgan Stanley

Morning it's Jon Hocking from Morgan Stanley, I've got three questions please. Firstly on the ReAssure transaction is there any similar effect when they complete L&G mature savings as there was with Old Mutual Wealth in terms of having an uplift on the synergies, that's the first question.

Secondly just to loop back on the credit book of ReAssure, I can see that if I understand correctly you've pre-hedged the equity exposure within ReAssure, presumably there's no hedge on the credit, is that correct and how can we be comfortable with their BBB book? And finally in terms of the general credit environment is that an opportunity for you to accelerate the billion of allocation to illiquids - or are you thinking about that? Thank you.

Jim McConville:

OK, shall I pick up on the credit questions - also the hedging within our book - we don't hedge basically the credit within our book we think that is rewarded risk. In terms of the ReAssure position, the numbers at June '19, which were the last disclosed numbers, I showed that their exposure to BBB was 32% of the credit book. That has substantially reduced and today's stands around the mid-20s, and they've rotated that book into higher yielding assets with active management of the portfolio. So, I think we're well placed there.

In terms of the ReAssure and the completion of the transaction, the £800 million of synergies we've that guided to you includes some £400 million or so from capital-related initiatives which are unique to Phoenix completing that transaction. And anything that they get from the inclusion of the Old Mutual Wealth will be on top of that.

Andy Briggs:

And then I think your third question in terms of current credit markets and illiquid assets, I think there is the potential for us to look more at a illiquid assets over time but this is an area where again you need a very selective and proportionate approach, and we'd need

to be confident we'd built the capabilities and systems and processes to manage carefully, and I think it is something we will be looking at ongoing basis.
I'm also conscious, Greig, it is probably about five years since I was sat at the front of a results presentation, so I've done a lot with investors other this period, but not sat at the front, I'm glad some things never change and it's always first "Greig Patterson three questions", so that's reassuring but we didn't answer your third question around the internal BPA – Rakesh?

Rakesh Thakrar:
Yes so as you are aware Greig we did a £1.1 billion PGL Pension Scheme buy in, this was a second buy in, so we've already done one previously a couple of years ago and this was funded out of own resources. The cash generation in relation to that buy in, was already included within our forecast for cash generation, it was part of our management actions.
Now I think the second part of your question, Greig, related to, are there future opportunities for other pension schemes. And you may be aware that we do have two other pension schemes within the Group but clearly that is a discussion between ourselves and the Trustees, and the optionality the Trustees may wish to undertake in the future. But, clearly from our perspective as you know we do carry out BPA transactions and it would be an option for us should the Trustees be willing to engage in that area.

Question from Gordon Aitken, RBC:
Gordon Aitken from RBC – a couple of questions on mortality and one on corporate bonds. The first one on mortality - can you split the gain between the base table and the improvements?
Secondly on the improvements, I mean, you know that CMI_18 is a six month reduction, three months of that was due to basic deaths in '18 and three months was due to the smoothing factor changing, can you tell us what smoothing factor you're using? Are you on 7.5 or have you moved to 7? And third on corporate bonds spread pushing out, we often hear in businesses such as yours that on periods like last couple of weeks, this morning, when spreads push out ironically your stock gets whacked but in the business you love it and you take the opportunity to go out and pick up yield. But just talk about what you have been doing over the last couple of weeks.

Jim McConville:
Ok, so, your questions in terms of mortality, I'll have to come back to you on the smoothing factor because I don't know whether it's 7 or 7.5.

Rakesh: I can pick up the smoothing factor Jim. So the smoothing factor was, as you are aware, the thing that CMI_18, there was a six months general change from that 18 table and I think half of it related, about three months related to change in smoothing factor from reduction from moving to 7, I think the CMI_18 had quoted. And the balance was just general experience coming through, so in relation to the smoothing factor, Phoenix currently uses 8 so we have to apply it to our business and for those who probably not may not be aware that the lower the smoothing factor the more emphasis is on the more recent data. So, we've left it at 8 because we think that's a better fit to our model. And we haven't changed that and therefore our focus was primarily on the experience.

Jim McConville:
And in terms of corporate bonds over the last couple of weeks, we've not done anything specifically or anything, obviously we are closely monitoring market movements.

Question from Andy Sinclair, BofA Securities
Thanks, it's Andy Sinclair from BofA Securities - three from me as well. Firstly, I just wonder if you can remind us how much exposure you have still have to Capita after having done the expanded TCS deal?
Secondly it was just on the over-hedged position to equities at the moment, is that effectively comparing, effectively the hedging, is looking effectively across both Phoenix and ReAssure or just being Phoenix, what would it be if you look at the combined entity would that be close to zero?
And third, Andy, I just wonder if you can tell us a bit more, you were saying that Phoenix can look to support customers, kind of through that, through retirement journey. Where are the capabilities today and what do you need that's not there today.

Nicholas Lyons:
Clive do you want to touch on the Capita one?

Clive Bannister:
Capita, so we have 10 million policyholders in total. And residual, we are migrating away from Capita, that is a two-year plan, and that migration comprised 1.8 million policyholders and that will be completed by the end of 2020. 2021, spring of 2021. So it was a 2 year plan. So we have residual exposure for less than 20% and those plans are well under way and Capita continues to be an extremely good business partner and serving our clients well.

Jim McConville:
So on the hedging, you're right Andy there is a positive that comes through on the

sensitivities of equity hedging, if we see downfalls in the equity markets and that is because on 7th of December, immediately following the announcement of the ReAssure transaction, we took out hedges at Phoenix Group level to protect our position. We took out some £700 million of hedges, which, together with the existing ReAssure hedges that are in their books, protects us for well over the 90% of the equity risk within the ReAssure structure and that leads us to, obviously, in the period prior to completion, to an over-hedged position for Phoenix as a total. But within Phoenix as you know, we always try to take out the majority of our equity risk as well. And that continues.

Andy Briggs:

Then the third question Andy, focus to and through retirement. The way I tend to look at this is roughly 10% of the population that will own up to half of the assets, will pay fees for advice, and will be well served by wealth advisers and IFAs, and obviously we participate in that in our support of the products into the Standard Life Aberdeen Wrap SIPP and their advice capability there.

The other 90% of the population, just over half of the assets, basically they're not really getting much at all today and I think the real opportunity for us. As I say, post the ReAssure deal, 14 million customers, over £300 billion of UK assets, we're the UK’s largest life and pensions provider - our opportunity is to help those customers that most of whom probably don't need full advice, they need a helping hand, a bit of guidance and support to understand how they consolidate the journey to and through retirement.

It is an area we've already started investing in, so Susan and the team have done a great job over the last year in building an online guided journey for customers, just Standard Life branded customers, it’s been available online, we've not particularly promoted it yet actively so it is on a reactive basis and we've had over £500 million of positive net fund flows as a result of customers self-discovering this and going through the journey online themselves, so, we think the opportunity to start to think about how we optimise that journey, promote it to more strongly to Standard Life branded customers and then think about how we would take it to Phoenix branded and, in due course, ReAssure branded customers is an exciting opportunity. It is also kind of at the core of the purpose what we're here for, we're here to help people enjoy a secure healthy and prosperous retirement, and that's part of what we should be offering as part of that.

Question from Andrew Crean, Autonomous

Morning, it’s Andrew Crean from Autonomous, three questions if I can - firstly on slide 22, you've given us the embedded value essentially, 845p, what is that including ReAssure?

Secondly, could you give us a new business profit, either on embedded value Solvency II basis for the new business, the sort of discounted value?

And thirdly, if we add back the £250 million capitalisation of your European operations, I think your cash generation in 2019 was over £950 million and you're targeting a lower figure of £800-900 million this year, why has that fallen?

Jim McConville:
Shall I pick up that last question and you (Rakesh) pick up the new business profit question. The £250 million, you're quite right, was the cost that we incurred in terms of the Brexit preparations for the European business. That was deducted to get to the £707 million cash generation that we see, and really the reason is just slightly different this year, it is to do with timing of management actions. So roughly a third of that cash generation results from management actions, the recognition of these can be slightly lumpy depending on which side of the line you lie in terms of year end and it is no more a reflection on that.

Rakesh Thakrar:
So, on the new business, so this is looking at it on a Solvency II basis and what is reflected on the analysis of change. Within Jim's slides, he spoke about, and in terms of new business, it’s in three components, one is the small, very small capital strain on the Open business and that’s circa 30 odd million, £31 million. The second component will be our BPA transaction. The fact that we've invested capital which causes a strain on the overall Group which is just under £100 million and the third element of that will be our ongoing vesting annuities, which will also cause a strain on that new business, so those three components aggregate to £0.2 billion strain on new business.

Jim McConville:
And I think your final question was shareholder value per share of £8.45, it does not include the ReAssure number and we'd have to update that in due course.

Andy Briggs:
Sorry Andy, I think you were asking about the new business contribution and we quote that for the Open business at £168 million, £158 million, for the UK and Europe Open business. New business contribution is basically the present value of future profits on the new business we've written.

Question from Dom O’Mahony, Exane BNP Paribas
Thanks, Dom O’Mahony, Exane BNP Paribas, just two questions if that's all right. Both on ReAssure. So, you've got the RT1 out at a brilliant time, there's a bit left to do as I understand it to finance that transaction. I'm sure it will go well but could you talk us through the backup plan, if the markets do close in the next few months, can you use the

revolver, how comfortable are you with that as a bridge?
The second question is just on thinking about the solvency position of the combined entity post close, you very helpfully gave us some pro-formas previously, could you give us your best guess if you're allowed to on what the solvency position of the combined Group would look like immediately after close, assuming markets stay where they are, which is a brave assumption.

Nicholas Lyons:
Jim do you want to deal with the debt question?

Jim McConville:
Yep, I think at the time we announced the ReAssure transaction, we guided you to say we would be raising £800 million of hybrid capital with a follow £400 million being financed through use of the revolving credit facility. That still is the plan, so, we have the revolving credit facility is undrawn, it is £1.25 billion and we also have an acquisition facility on top of that of around £600 million so from a liquidity perspective there's more than enough around. In terms of our hybrid issuance plans clearly we had the RT1 issue which has raised around £500 million sterling after we take account of the capital we'll have to set aside for the currency with that transaction, it contributes around £500 million to our solvency position. Therefore, there's a further £300 million still to raise, we will obviously monitor markets and take a decision as to when the best time to raise that is. It is most likely to be in the sterling markets, but, we're keeping a weather eye on all markets at the present time and in the event that markets continue to be very choppy I would remind you that the underwriting that we put in place for the hybrid issues at the time of acquisition is still in place, so, it is effectively underwritten.

Rakesh Thakrar:
Shall I pick up the solvency one? So at the announcement of the ReAssure transaction, we set out a pro-forma based on 30th of September of 148% ratio, now, that excluded any subsequent benefits that we were expecting which includes the completion of the Quilter transaction and the management actions that will have benefited from that. It would have also excluded the benefit of potentially any incremental benefit on the Part VII of the L&G book and it would have excluded any future run-off that would have been between announcement that is the September position to when we actually complete, either run-off of both the ReAssure business and how the Phoenix business would be. Now clearly, a number of things have changed, you know with all things equal we would have expected that our ratio, excluding recent market volatility would have been at least 5-6% points higher than that, taking into account possibly a reduced hybrid issuance, i.e. that the 148% had £1.2 billion and what we potentially are looking to do as Jim has just outlined is issue another £300 million, so all together you know, all other things being

equal, it would be 153-154%. Clearly the market would have played a part but as you know we talked about the resilience of both our Phoenix book and also the resilience of the ReAssure book from these market events.

Question from Ming Zhu, Panmure Gordon

Ming Zhu from Panmure Gordon, just two questions please. One is a follow-up question on the solvency sensitivities. I think previously you always said you would consider capital deployment if that ratio goes above 180% and then based on the low sensitivities you have, it looks like and also based on what you just guided on the pro-forma basis, does that mean all the good scenarios happen at the same time? And it looks like you still probably not going to get to the 180%, I think it is unlikely to get to that level. Could you just give a little bit of colour in terms of whether the 180% is still in place, or is it too conservative?

And second question is on the risk margin given we're still going through the Brexit. And a lot of talks around the maybe rethinks the 6% risk margin and I just want to have a feeling from Phoenix have you looked into that, if you were to reduce your risk margin say at current 6% to a lower level, what's the benefit that would bring going forward and what would you do with the benefit?

Thank you.

Clive Bannister:

Ming thank you. So now I will answer the question about the Group dividend rather than one being remitted. Ming, listen, can you see it on slide 26, we chose to give clear guidance, there's a number of 140, and it's book ended by 180, and we're comfortably in the middle at 161 today. I take you back to 2016 we were 139, 2017 was 147, 2018 was 167 and we're at 161 so the SCR moves around but the Board wanted to give us guidance were we north of 180 there would be an option to return capital in one way or another. We're not there, and in today's environment, it is more the bigger negative head winds so to answer your exam question, this remains the Group policy, stable and sustainable, were we to get north of 180, then the Board would have the optionality to think about returns.

Jim McConville:

On the risk margin we're not sitting here thinking there will be any significant changes to the risk margin in the near future as a result of Brexit - clearly we will keep a close eye on that, and I need to come back offline about the sensitivity of that 6% or a 1% even.

Question from Thomas Howarth, Barclays

Hi, Tom Howarth here from Barclays, a few questions from me. Firstly, I think you said you changed your equity release assumptions, I'm assuming HPI, can you just say what you changed it to and roughly how much that was?
And then on the £460 million of management actions in own funds, can you kind of give us a split of how much of that was due to illiquids, because my rough calculations are you put about £800 million onto your back book which means there's about £1.4 billion of more optimisation potentially to come, so how much could that roughly be.
And then just one question for Andy, I know Italy is obviously an interesting place at the moment, but given a banking merger or acquisition that's currently going on and potential change to the distribution of your, your former employers businesses out there, I wonder if that was the potential first European acquisition that you'd been looking at?
Thank you.

Clive Bannister:
So you asked about equity and ERM Equity Release Mortgages, can we go to slide 65 and then Jim the spread on management actions so we did £650 million management actions of which the majority were Solvency II, £590 million, and then percentage of that which was related to ERM and then the final question I think is down the other end of the table. So, there you have.

Jim McConville:
So ERM assumptions, basically for house price growth in the short-term we take the OBR assumptions, and in the long-term we assume RPI plus 1%. We have a specific assumption for dilapidation risk, so, I think hopefully that answers your question.
And in terms of the £650 million management actions, from memory, get to the right page.

Clive Bannister:
It is slide 24 please.

Jim McConville:
So, in terms of strategic asset allocation, that would be just under £150 million benefit.

Andy Briggs:
The only thing, Tom, I think you heard you say there's room for another £1 billion or so, I think there's room for up to 40%, we have £20 billion of annuity assets of which £5 billion today are in illiquids so 40% would be £8 billion, a further £3 billion of room within the current portfolio. ReAssure has a lower proportion in illiquids today so in terms of calibrating future potential value from this, I think it is a little more than the number you suggested.

In terms of M&A, so right now to be honest our focus is on the transition of the Standard Life deal and then on completing the ReAssure acquisition, that doesn't complete for another four months, and then cracking on with the integration of that. And basically, we'll look at M&A from the perspective of our three criteria which are unchanged so the deals needs to be accretive, it needs to support the dividend and we want to maintain our investment grade, what we’ve talked about historically is that there's a market in the UK, of around £400 billion of potential opportunity and the in Germany and Ireland of about £200 billion of potential opportunity, we haven't talked before historically about M&A outside of those geographies, and I would suggest it's highly unlikely that we would be rushing into M&A in Italy any time soon.

Nicholas Lyons:
I think it would be fair to say the Board would be surprised if our new Chief Executive brought that to us.

Clive Bannister:
Northern Italy.

Nicholas Lyons:
Other questions? Oliver.

Oliver Steel, Deutsche Bank
Clive and Jim, I thought this was going to be a paean of praise to Clive but it turns out that quite rightly you should now share it with Jim as well. I've had the privilege of knowing you both since shortly after your arrival at Phoenix, a few months apart, and I and others have watched in great admiration of the transformation that you’ve achieved over the last, eight-nine years.
I think when you both started the world was in crisis. Euro-Zone crisis in those days. When Clive joined the Greek ten year bond yield had just hit 12%, by the time Jim arrived it was 30%. Anyway, you're leaving in crisis as well. I'm glad to say that Phoenix looks very, very much in a better place. And that's down to you.
So, if I look back at 2011, your debt leverage levels were approaching 70%, bonded investors, public bond investors, wouldn't touch you as you'll remember. These days not only do you achieve a record, record demand for your RT1 but actually you're seen as bond proxy which is a quite a change in nine years.
And then I think looking back at acquisitions, I think the last acquisition that Phoenix had done before you arrived was back in 2008, it took a few years for you to get over that one, but actually in the last four years you've done four acquisitions each one bigger than the last, and I think in so doing you’ve probably as a management team achieved a

record in having raised more money as a percentage of your market cap more often than any other management team. Each one, I have to say, greeted with more and more positive reaction.

So, throughout the process I think three things stand out for me. The first is really both of you the clarity of vision that you have shown both in the sort of recovery stage and then the building stage of Phoenix. That clarity of vision has been very, very clearly expressed to investors no one I think has ever had any doubt as to your long-term aims, even though we've probably been surprised by the scale of what you've achieved. Secondly, as Jim's always calm, considered, responses to any questions, I was thinking to myself how we could never not be ReAssured by that measured tone of Jim. And then, finally, the courtesy and personal touch that Clive has shown to all around you.

Including the occasional petulant analyst like myself, I can't think of any other CEO who actually goes into sales meetings and asks the names of each of the salesmen around the table and then actually even remembers those names. William of Wickham was right: "manners do maketh man". So, thank you to both of you. I'm sure I say for everybody in this room that we'll miss you. And we miss, we wish you the very best wishes for the future.

Clive Bannister:

May I reply?

(APPLAUSE)

That was as unexpected as it was welcome, and Oliver thank you very much indeed. So I'm going to say three things. The Chairman accuses me of quoting Homer, and I do, and he does it largely because my wife's name is Margery but she does not have (blue) hair and that's the generational difference. I speak classical Homer and this is a rather more modern form of Homer, but, Homer has two quotes: "and what he greatly thought he nobly dared" and it would have been a very vain glorious individual to have laid out the path, and no path goes from the bottom left-hand-corner of a graph to the top right-hand-corner of a graph and to anticipate that would have been, as I said, extremely hubristic. But what it does depend on are two things which Phoenix has profusion, and the first is extraordinary real competence as a business and compassion, enormously important, we care about outcomes the dignity of serving people in the later stages of their life and the technical competence that is brought to bear, and the real sense of team work. So any success that Jim and I may have enjoyed it is a function of the people that we have been so proud and privileged to work with and lead.

The other part of that team work is the stakeholder. Oliver you recognise the amount of money that we have raised, the oxygen of our business is capital and its deployment in an intelligent way, and the money we have today. we're stewards of that capital, but the

money we raised in the debt and equity market it could not have happened without the people sitting in front of us here today and it has been a long relationship, coming up for ten years for, me nine years for Jim, and we could not have succeeded without your support. So I repay the thank you to the community here.
The other Homer quote I'm going to say is he said brilliantly, "I do not know what the future holds, but I know who holds the future". And I think the future is held by a company like Phoenix. There will be further consolidation in this country and across the world, and we have the wherewithal and technical skills to prosecute accordingly. And I end on the most important note; I think Andy is a remarkable individual. And we should congratulate the Board in the dignified and graceful way in which the transition has taken place, it is a model for how these things should be done and I said, without being disingenuous in any way to my colleagues when the announcement was made in November, that the future of Phoenix under the hands of Andy look better than its past. And I say that completely. Andy the ball - the baton - in your court.
Thank you very much indeed for your comment.

(APPLAUSE)

Nicholas Lyons:
There is one question on the phone.

Clive Bannister:
We thought we'd got of scot free.

Nicholas Lyons:
Would you like to ask your question?

Hugh Osmond, Osmond Capital
Hi, is this working?

Nicholas Lyons:
Is that Hugh?

Hugh Osmond:
Yes it is.

Nicholas Lyons:
Fire away Hugh.

Hugh Osmond:

Hi Clive. Could you just tell us now with the ReAssure deal what the total size of your annuity book will be and also if you've done any quantification of potential impact of the Coronavirus which, although it is a rather morbid subject, presumably would be quite substantial benefit on annuity side.

Clive Bannister:

Well first of all Hugh thank you very much indeed – an unexpected call. Hugh Osmond, he was famous for inventing this industry and I thank you him for giving me the chance. He was on our Board when I first arrived and it was his imprimatur that allowed me to become CEO on February 8th in 2011.

So Hugh thank you for asking the question, there are two parts to that question. One about how will ReAssure change our annuities, well I think Hugh they're smaller as Andy said so their book of business, £84 billion of AUM and their 10% in annuities, so they're smaller than us in that respect. And I think Andy eluded to that earlier so there's scope there, they are smaller in a quantum sense and less illiquids so there's something to play for. I'll let Andy talk about that. And then Andy I think you have to look forward in the future with the crystal ball in the Coronavirus and how that may affect us going forward.

Andy Briggs:

Yes, so, ReAssure is about £15 billion annuities added to £20 billion on Phoenix side making £35 billion overall, that's key point to make it that's about 10% of our total balance sheet and liabilities of £330 billion so it is a smaller proportion for us than it is for others, in terms of Coronavirus I mean it's clearly a very rapidly changing situation.

Our priority here first and foremost is serving our customers and looking after our staff, both within the business and looking into our outsource service providers, we're very much following Government guidelines we're also following the market turmoil and market impact but as we've already indicated because we are very thoroughly hedged, we don't, we haven't seen a material impact on our £3.1 billion surplus at the year end for the market turbulence since then. I have to say we're not really giving any thought to potential impact beyond that. The focus is very much on the operational stability and just keeping a close eye on the markets as well.

Nicholas Lyons:

Thank you. Well, it is now 11.

Hugh Osmond:

If I could ...sorry could I just, if according to the numbers I think it is a six month increase in longevity you talk about there, so presumably a six month decrease would have the same effect the other way, but anyway, can I just thank all the management team and Clive and Jim in particular. It's been a good ride since I left.

Nicholas Lyons:
Thank you, Hugh.

Clive Bannister:
Thank you, Hugh. Very gracious.

Nicholas Lyons:
That's a very good point at which to complete proceedings, thank you all again for coming, thank you for your support, and for your interest in Phoenix. Oliver thank you for your kind remarks.

And we'll see you again soon thank you.