PHOENIX GROUP

SOLVENCY AND FINANCIAL CONDITION REPORT 2019

PHOENIX GROUP HOLDINGS PLC
FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

SUMMARY

INTRODUCTION AND BACKGROUND

Phoenix Group is Europe's largest life and pensions consolidator. It specialises in the acquisition and management of closed life insurance and pension funds, known as the Heritage business.

Transactions in the bulk purchase annuity market offer a complementary source of growth for the Group and the management actions delivered help increase and accelerate cash flows.

The Group also has an Open business which manufactures and underwrites new products and policies to support people saving for their future in areas such as workplace pensions and self-invested personal pensions. The Open business is supported by the Strategic Partnership with Standard Life Aberdeen plc. The Group also has a market leading brand – SunLife – which sells a range of financial products specifically for the over 50s market.

Unless otherwise specified, references to 'Phoenix', 'Phoenix Group' or 'PGH Group' mean Phoenix Group Holdings plc ('PGH plc') and all its subsidiary undertakings. A simplified Group structure chart is presented in section A.1.2.1.

As at 31 December 2019, the insurance subsidiaries (also referred to as 'the Life Companies') of the Group comprise the Phoenix Life insurance subsidiaries, being:

- Phoenix Life Limited ('PLL'); and
- Phoenix Life Assurance Limited ('PLAL');

together with the Standard Life insurance subsidiaries:

- Standard Life Assurance Limited ('SLAL');
- Standard Life Pension Funds Limited ('SLPF'); and
- Standard Life International Designated Activity Company ('SLIDAC').

In addition, the Group includes PA(GI) Limited ('PA(GI)'), an entity that wrote general insurance business in the past.

Since January 2020, the Group has held approval under a waiver from the PRA to prepare a single Group-wide Solvency and Financial Condition Report ('SFCR') (hereafter referred to as 'the Group SFCR') that contains the required information for the overall Group, PLL, PLAL, SLAL, SLPF and PA(GI). At present, this waiver does not extend to SLIDAC and the entity has continued to produce a solo SFCR for the year ended 31 December 2019. Prior to the issuance of the most recent waiver, the Group prepared a single Group-wide SFCR covering the Group, PLL, PLAL and PA(GI).

The Group SFCR includes detailed Group information as well as information on the Phoenix Life and Standard Life insurance subsidiaries (excluding SLIDAC) to meet Solvency II requirements. It has been prepared in accordance with the PRA Rules and Solvency II regulations, hereafter referred to as 'the regulations'.

The Group SFCR and the accompanying QRTs included in Appendices 1-6 provide detailed information on the Group, Phoenix Life and Standard Life insurance subsidiaries as well as PA(GI)'s business and performance, system of governance, risk profile, valuation for solvency purposes and capital position.

BUSINESS AND PERFORMANCE

2019 was another successful year for the Group, with Phoenix continuing its track record of meeting or exceeding its publicly stated targets.

Further details are included within the Group's 2019 Annual Report and Accounts.

The Group generated an operating profit of £810 million in the year (2018: £708 million). The increase compared to the prior year is primarily driven by the inclusion of the Standard Life Assurance businesses for a full 12 month period post completion of the acquisition in August 2018. This has been partly offset by the lower positive impact of management actions and demographic actuarial assumption changes within operating profit compared to the prior period.

The IFRS profit after tax attributable to owners is £116 million (2018: £410 million). The decrease primarily reflects net negative economic variances arising on hedging positions held by the life companies to protect the Group's Solvency II surplus position, compared to net positive variances in the prior year together with a full year's amortisation charge on intangibles arising on acquisition of the Standard Life Assurance businesses.

The performance of the Group and its insurance subsidiaries set out in section A is described using results as presented in the IFRS financial statements. The operating profit (which is a non-GAAP measure) is stated after adjustments to exclude the impact of short-term economic variances and items considered to occur outside the normal course of business. Further details of the components and the key drivers of the operating profit are included in section A.2.

The Group continued to make strong progress across the Standard Life Assurance transition programme which remains on track to meet its £1.2 billion total synergy target.

Within the Bulk Purchase Annuity market, the Group completed four transactions in 2019, with total contract liabilities of c. £1.1 billion.

On 6 December 2019, the Group announced the acquisition of ReAssure Group plc (subject to regulatory approval) for a consideration of £3.2 billion, representing another significant milestone. The acquisition is expected to complete by mid-2020.

SYSTEM OF GOVERNANCE

The PGH plc Board is responsible for the strategic direction of the Group and is accountable for compliance with Solvency II requirements. The insurance subsidiaries' Boards are responsible for managing the overall direction and performance of the companies. They are also ultimately accountable for compliance with the Solvency II requirements that relate to them.

The PGH plc and insurance subsidiaries' Boards are committed to high standards of corporate governance and are supported by the appropriate Board committees and Management committees. Further details of the governance structure of the Boards and its committees are included in section B.1.

RISK PROFILE

Phoenix Group operates a standardised Risk Management Framework ('RMF') for the identification and assessment of the risks it may be exposed to and the amount of capital that should be held in relation to those exposures. The Group defines risk appetite (covering the level of risk it is willing to accept) in pursuit of its strategic objectives in the areas of policyholder security and conduct, earnings volatility, liquidity and the control environment.

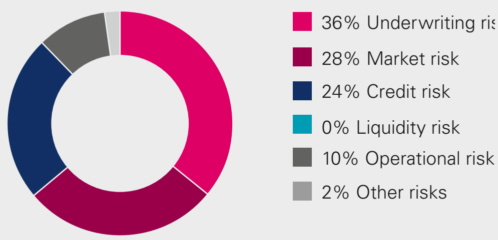
In December 2015, the Group was granted the PRA's approval for use of its Internal Model to assess its capital requirements, the scope of which was extended to include the acquired AXA Wealth and Abbey Life businesses in 2017 and 2018 respectively.

Following the acquisition of the Standard Life Assurance businesses in 2018, the Group currently operates two PRA approved Internal Models: a Phoenix Internal Model covering all of the pre-acquisition Phoenix entities and a Standard Life Internal Model covering SLAL and SLPF. The Irish insurance entity, SLIDAC, determines its capital requirements in accordance with the Standard Formula.

The Group therefore calculates its capital requirements on a partial Internal Model basis. Capital requirements calculated under the Standard Life Internal Model and SLIDAC Standard Formula are aggregated with those calculated under the Phoenix Internal Model in determining the Group position, with no further allowance for diversification.

The chart below shows a composition of the Group's undiversified Solvency Capital Requirement ('SCR') as at 31 December 2019. The largest component of the undiversified SCR is underwriting risk for the Group, which is the risk that the frequency or severity of insured events may be worse than expected and includes expenses risk.

Risk profile



The definitions of the risk categories are provided in section C with further details on the SCR set out in section E.2.1.

A summary of the undiversified SCR of the Group and the insurance subsidiaries is also presented below.

The regulations set out three approaches for calculating Group solvency, 'Method 1' (this is the default accounting based consolidation method), 'Method 2' (the Deduction and Aggregation method); or a combination of Methods 1 and 2. Under Method 2, the solo Own Funds are aggregated, rather than performing a line by line accounting consolidation. The SCR is also aggregated with no allowance for diversification. The Group has PRA approval to use a combination of Methods 1 and 2 for consolidating its Group solvency results. Method 2 is used for all Standard Life insurance subsidiaries and Method 1 is used for all other entities of the Group.

To present an indicative overall PGH Group view, the risk profile of the Phoenix Life insurance subsidiaries (Method 1 entities) is shown alongside the risk profile of the Standard Life insurance subsidiaries (Method 2 entities) in the table below. However, the risk capital is calculated on two different Internal Models (together with a Standard Formula component), each with different stress calibration assumptions and methodologies. To give an indicative exposure of the overall risk profile for the PGH Group, the risk profiles for each entity have been aggregated across the different risk types using a simple pro rata approach.

Risk profile of insurance subsidiaries and the Group	Section reference	PLL	PLAL	PA(GI)	PGH Group Method 1	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Underwriting risk	C.1	34%	45%	0%	36%	38%	33%	2%	37%	36%
Market risk	C.2	28%	15%	0%	25%	31%	29%	0%	31%	28%
Credit risk	C.3	28%	31%	0%	27%	18%	25%	98%	19%	24%
Liquidity risk	C.4	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operational risk	C.5	8%	8%	100%	9%	13%	13%	0%	13%	10%
Other risks	C.6	2%	1%	0%	3%	0%	0%	0%	0%	2%
Total		**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Significant business and other events during 2019 that impacted the risk profile of the Group and its insurance subsidiaries included:

- successful acquisition of Bulk Purchase Annuity books; predominantly backed by a mixture of ERM, credit and government bonds;
- increased investment in illiquid assets;
- a more granular assessment of customer treatment risks and
- strengthening of the control environment.

VALUATION FOR SOLVENCY PURPOSES

For the purposes of Solvency II reporting, the Group applies the Solvency II valuation rules to its assets, technical provisions and other liabilities. The principle that underlies the valuation methodology for Solvency II purposes is to recognise assets and liabilities at an amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The excess of assets over liabilities measured on a Solvency II basis for the Group and its insurance subsidiaries is set out in the table below:

31-Dec-19	PLL £m	PLAL £m	SLAL £m	SLIDAC £m	PA(GI) £m	SLPF £m	Other Group entities £m	Consolidation and other adjustments £m	PGH Group
Excess of assets over liabilities	**4,711**	**2,281**	**5,267**	**481**	**64**	**9**	**19,428**	**(20,969)**	**11,272**

Section D provides further information on the description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities, including explanations of material differences between IFRS and Solvency II.

CAPITAL MANAGEMENT

At 31 December 2019, the capital position for PGH and its insurance subsidiaries is presented in the table below:

	PLL	PLAL	PA(GI)	SLAL	SLIDAC	SLPF	Other Group entities[1]	Consolidation and other adjustments[2]	PGH Group 31 December 2019	PGH Group 31 December 2018
Eligible Own Funds to cover SCR	4,522	1,844	64	4,393	482	9	21,149	(21,670)	10,792	10,323
SCR	(3,182)	(1,244)	(2)	(2,539)	(371)	(2)	(1,201)	852	(7,689)	(7,085)
Solvency II surplus	**1,339**	**600**	**62**	**1,854**	**111**	**7**	**19,948**	**(20,818)**	**3,103**	**3,238**
Ratio of Eligible Own Funds to SCR	**142%**	**148%**	**3200%**	**173%**	**130%**	**450%**			**140%**	**146%**
Shareholder capital coverage ratio	**162%**	**181%**	**3200%**	**199%**	**130%**	**450%**			**161%**	**167%**

1. Other Group entities includes the Eligible Own Funds of the Group's holding companies and non-insurance subsidiaries including unrestricted pension schemes, subordinated liabilities treated as capital for solvency purposes and other assets and liabilities.
2. Group consolidation adjustments include the elimination of intercompany balances and participations.

The PGH Group and its insurance subsidiaries held Own Funds in excess of both the SCR and MCR throughout the reporting period and therefore fully complied with the capital requirements.

QUALITY OF OWN FUNDS

Eligible Own Funds represent the available capital to support the SCR.

As at 31 December 2019, the Group's Solvency II surplus over the Group SCR is £3,103 million (2018: £3,238 million), with a ratio of Eligible Own Funds to SCR of 140% (2018: 146%). The surplus has decreased during the period as a result of the adverse impacts of economic variances, the Part VII transfer of the Standard Life Assurance Limited European business to the Group's Irish domiciled subsidiary and the capital strain of writing new business. However, this was largely offset by policy run-off surplus and the delivery of management actions.

79% (2018: 76%) of the Group's Eligible Own Funds are unrestricted Tier 1 and are principally comprised of ordinary share capital, share premium account related to ordinary share capital, surplus funds and the reconciliation reserve. This includes Transitional Measures on Technical Provisions ('TMTP') which are included in the calculation of Basic Own Funds as Tier 1 capital. The TMTP allows firms to apply a transitional deduction to their technical provisions. Transitional measures are aimed at providing a smooth transition between the technical provisions under the previous Solvency I regulatory regime and the technical provisions under the Solvency II regulatory regime in order to enhance stability in the insurance sector.

A recalculation of the TMTP was undertaken by PLL, PLAL and SLAL as at 31 December 2019.

PLL, PLAL and SLAL have regulatory approval from the PRA for the application of Matching Adjustment to liabilities in their Matching Adjustment portfolios. The application of the Matching Adjustment allows insurers to use a (typically) higher discount rate when valuing liabilities that meet strict eligibility criteria, with the effect of increasing Own Funds and reducing the SCR.

In addition, SLAL has regulatory approval for the application of the Volatility Adjustment.

The impact of the TMTP, Matching Adjustment and Volatility Adjustment being set to zero is set out in section D.2.7.

Further details regarding the Group and each insurance subsidiaries' capital positions are set out in section E.1.

SCR BY RISK CATEGORY

The SCR is the amount of capital an insurer is required to hold under the regulations. Further details are set out in section E.2.

SHAREHOLDER CAPITAL COVERAGE RATIO

In the calculation of the Solvency II surplus, the SCR of unsupported with-profit funds and the Group's pension schemes is included, but the related Eligible Own Funds are recognised only to a maximum of their respective SCR amounts. Surpluses that arise in unsupported with-profit funds and the pension schemes are therefore not recognised in the Solvency II surplus, as there is uncertainty as to the extent (if any) to which such surpluses will accrue to shareholders. However such surpluses are available to absorb economic shocks, thereby increasing resilience to economic stresses.

The Group focuses on the metric of shareholder capital coverage ratio, as a more appropriate measure of the extent to which shareholders' Eligible Own Funds cover the associated risk capital. It is defined as the ratio of Eligible Own Funds to SCR, after adjustment to exclude Own Funds and SCR amounts relating to unsupported with-profit funds and unsupported Group Pension Schemes.

As at 31 December 2019, the shareholder capital coverage ratio for the Group is 161% (2018: 167%).

SENSITIVITIES AND SCENARIO ANALYSIS

As part of the Group's internal risk management processes, the Solvency II surplus is tested against a number of financial scenarios. The results of that stress testing on the Group's and each of its main insurance subsidiaries' Solvency II surplus are provided below and demonstrate the resilience of the Solvency II surplus.

Solvency II Surplus £m	PLL	PLAL	SLAL	PGH Group
Base: 1 January 2020[1]	**1,339**	**599**	**1,854**	**3,103**
Following a 20% fall in equity markets	1,371	598	1,870	3,201
Following a 15% fall in property values	1,144	595	1,833	2,874
Following a 73bps interest rates rise[2]	1,302	649	1,810	3,200
Following a 88bps interest rates fall[2]	1,359	569	1,837	2,936
Following credit spread widening[3]	1,227	542	1,761	2,838
Following 6% decrease in annuitant mortality rates[4]	1,126	482	1,645	2,533
Following 10% increase in assurance mortality rates	1,255	594	1,834	2,993
Following a 10% change in lapse rates[5]	1,182	437	1,832	2,732

1 Assumes stress occurs on 1 January 2020.
2 Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.
3 Credit stress equivalent to an average 120bps spread widening across ratings and includes an allowance for defaults/downgrades.
4 Equivalent of six month increase in longevity applied to the annuity portfolio.
5 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.

FUTURE DEVELOPMENTS

During 2020, the Group is mainly focused on delivering Phases 2 and 3 of the Standard Life transition and completing the ReAssure Group plc acquisition, which is subject to regulatory approval.

Other priorities include:

- delivery of the funding for the acquisition of ReAssure Group plc;
- harmonisation of the Group's capital framework towards a single Group Internal Model;
- growing the Group's Open and European operations;
- seeking further bulk purchase annuity and acquisition opportunities; and
- looking for further ways to enhance the customer experience and ensuring a positive customer journey.

The Group will continue to identify and implement new management actions to enhance and maintain a robust capital position.

The risk remains that the Group will be impacted by macroeconomic uncertainty or the evolving regulatory environment and as a result, the Group continues to closely monitor developments to understand any potential financial or operational implications.

EVENTS AFTER THE REPORTING PERIOD

On 29 January 2020, the Company issued US $750 million fixed rate reset perpetual restricted Tier 1 contingent convertible notes with an initial fixed interest rate of 5.625%.

On 27 February 2020, the Company entered into a £500 million bridge facility (the 'bridge facility'). The bridge facility matures on the first anniversary of the completion of the acquisition of ReAssure Group plc but can be extended by a further six months on two occasions. The bridge facility is available to be used to finance the acquisition of ReAssure Group plc on a customary certain funds basis, and, subject to the agreement of the lenders, may also be available to be utilised after completion of the acquisition for the general corporate purposes of the Group.

On 10 March 2020, the Group Chief Executive Office, Clive Bannister, retired after nine years with the business. He was succeeded by Andy Briggs who joined the business as CEO designate on 1 January 2020 and was appointed to the Board on 10 March 2020 following regulatory approval.

The Group Chief Financial Officer James McConville will also be standing down on 15 May 2020 after eight years with the business. He will be succeeded by Rakesh Thakrar, currently the Group's Deputy Finance Director.

On 28 April 2020, the Company issued GBP 500 million Tier 2 subordinated notes with a fixed interest rate of 5.625% per annum. The notes mature on 28 April 2031 with an optional redemption on any date from and including 28 January 2031 to but excluding the maturity date.

COVID-19 UPDATE

The novel coronavirus disease ('COVID-19') pandemic declared by the World Health Organization in March 2020 has had, and as at the date of publication of this report continues to have, a materially adverse and highly uncertain impact on the global economic environment and the markets in which the Group operates. In these unprecedented times, Phoenix Group is taking significant steps to support and protect its colleagues, customers and the communities where we operate.

The Group is facing heightened operational, insurance and market risks in a number of areas, and its exposures are being actively managed through the Group's established business continuity and risk management frameworks, with continual involvement and input from the Group and Life Company Boards.

An overview of the key risks the Group and its Life Companies are exposed to in this regard is set out below:

OPERATIONAL RISK

The COVID-19 pandemic has caused disruption to the Group's customers, suppliers and employees. The jurisdictions in which the Group operates have implemented severe restrictions on the movement of their respective populations, with a resultant negative impact on the Group's operations and uncertainty as to the timing and implementation of any easing of these restrictions. The COVID-19 pandemic may also result in employees being unavailable which may, in turn, impact business continuity and the quality of customer service.

The Group has implemented actions to maintain business continuity for its staff and customers while these restrictions on movement remain in place, such as implementing the capability to work from home for the vast majority of employees, and supporting our outsourced service providers with their own continuity efforts. Changes made to our operational processes to ensure we can continue to deliver for our customers during this strained period have seen the Group maintain close to normal levels of service, with a positive customer response.

INSURANCE RISK

The potential impact of COVID-19 on population mortality, longevity and morbidity could impact the insurance underwriting experience on the Group's life insurance business. Based on the data currently available, it is difficult to predict the impact of changes in mortality experience on those lives insured by the Group's insurance undertakings. However, the Group's Life Companies hold capital for a mortality catastrophe stress event, and such risk is allowed for in the pricing of Protection products sold under the Group's Sun Life brand and underwritten by PLL. Whilst the potential for COVID-19 to trigger an increase in Protection claims remains, we would expect it to be offset as a result of reserve releases from the Group's annuity portfolio.

The potential impact of COVID-19 on macro-economic conditions could also lead to changes in customer behaviour and persistency experience on the Groups pensions and savings business, which continues to be closely monitored.

MARKET RISK (INCLUDING CREDIT RISK)

The unprecedented impact of COVID-19 on the global economy has caused significant volatility and declines in global financial markets. While, as at the date of this report, it remains too early to quantify the lasting impact of COVID-19 on the Group's results, there is a high likelihood of short-term adverse impacts on the performance of the Group's asset portfolio arising from the effect of the short-term market volatility caused by COVID-19 on interest rates, equity values, credit exposures and property values. In the longer-term, if COVID-19 has a sustained and prolonged impact on macro-economic conditions, this may impact the long term performance of the Group's asset portfolio. The Group's credit portfolio is exposed to the risk of credit rating downgrades and credit defaults that could arise as a result of the impact of COVID-19 on businesses.

The Group's hedging strategy provides resilience to market movements in equities and yields, with residual exposures in light of the continuing volatility closely monitored and managed. Actions to manage the Group and Life company market risk exposures to remain within risk appetite continue to be a key area of focus, and include consideration of the use of derivative instruments, the rebalancing of hedging positions, asset disposals and the management of collateral positions.

As at the end of April, the Group has seen limited downgrade experience to date with only £0.4 billion (3%) of bonds in the Matching Adjustment portfolios subject to a downgrade which changed the letter rating; and £10 million of bonds (0.1%) being downgraded to sub-investment grade. There have been no defaults. However, it is considered that there is an elevated likelihood of downgrades in the short to medium term, together with a remote risk of defaults within the portfolio. The Company has considered a number of adverse scenarios for future downgrades and is carefully monitoring and managing the portfolio to limit any adverse financial impacts. These scenarios continue to be updated and refined as the ongoing situation develops.

CAPITAL POSITION

Numerical disclosures included in this SFCR and the associated Quantitative Reporting Templates have been prepared based on conditions and assumptions as at 31 December 2019. The figures therefore do not reflect the actual or potential impacts of COVID-19 on the Group and its Life companies.

Whilst these are uncertain times, the Group and Life companies hold strong and resilient capital positions, and are expected to continue to meet their capital requirements. However, should the effects of the COVID-19 pandemic be prolonged or deteriorate, this may have a material adverse effect on the Group's solvency ratios, solvency surplus, business, ability or appetite to make distributions, results, financial condition and prospects.

As detailed above, the fast-evolving nature of the pandemic means that determining the long-term impacts of COVID-19 on the Group and Life Company capital positions is not practicable at this stage. Sensitivity analysis is disclosed in Section C.7.2 and provides an indication of the impact of market movements and changes in insurance risk calibrations on the Group and Life company solvency surpluses. Whilst a useful guide, such simple univariate sensitivities may not fully capture the complexities of the market movements experienced within the COVID-19 pandemic scenario, and may not appropriately allow for impacts where the specifics of the stress experienced differ from that assumed in the sensitivity (for example, where the credit stress experience varies by rating or sector). In addition, certain sensitivities may not scale on a linear basis.

The Group and Life Companies continue to monitor their capital positions on an ongoing basis, with actions taken where appropriate to protect the position or reduce unwanted exposure to market or other risks.

In considering the 2019 final dividend, the PGH plc Board has paid close attention to regulatory guidance urging insurers to adopt restraint in regard to the payment of dividends to ensure policyholders are protected. This has included an assessment of the impact that a range of scenarios, including very severe ones, could potentially have on both the solvency and liquidity positions of the Group on a combined basis as if the acquisition of ReAssure Group plc had completed. After careful consideration, the PGH plc Board has concluded that the proposed 2019 final dividend of 23.4 pence per share is prudent and consistent with Phoenix's risk appetite. The PGH plc Board also recognises that dividends are an important income stream both for retail shareholders, and the end consumer who invests in institutional income funds. They are typically ordinary savers and pensioners who need this income stream at this time more than ever, which in turn supports the broader economy. The majority of our shareholders are income funds and retail investors. Therefore the PGH plc Board continues to support payment of the proposed 2019 final dividend which remains subject to approval by shareholders at the AGM on 15 May 2020. The cost of the 2019 final dividend is accrued in the Group Solvency position as at 31 December 2019 as a foreseeable dividend.

DIRECTORS' RESPONSIBILITY STATEMENT

PHOENIX GROUP HOLDINGS PLC

Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2019.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2019, the Group has complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to the Group; and

b) it is reasonable to believe that in respect of the period from 31 December 2019 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the acquired Standard Life International Designated Activity Company subsidiary), the Group has continued so to comply and will continue so to comply in the future.

Andy Briggs
Group Chief Executive Officer

James McConville
Group Chief Financial Officer

For and on behalf of the Group Board of Directors
Date: 14 May 2020

PHOENIX LIFE LIMITED ('PLL'), PHOENIX LIFE ASSURANCE LIMITED ('PLAL') AND STANDARD LIFE ASSURANCE LIMITED ('SLAL')

Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2019.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report for PLL, PLAL and SLAL in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2019, PLL, PLAL and SLAL have complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to the Phoenix Life Companies; and

b) it is reasonable to believe that in respect of the period from 31 December 2019 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the acquired Standard Life International Designated Activity Company subsidiary), PLL, PLAL and SLAL have continued so to comply and will continue so to comply in the future.

Andrew Moss
Chief Executive Officer and Group Director, Heritage Business

Stephen Percival
Finance Director

For and on behalf of the Board of Directors of PLL and PLAL
Date: 14 May 2020

Susan McInnes
Chief Executive Officer SLAL and Group Director, Open Business

Stephen Percival
Finance Director

For and on behalf of the Board of Directors of SLAL
Date: 14 May 2020

STANDARD LIFE PENSION FUNDS LIMITED ('SLPF')

Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2019.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report for SLPF in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2019, SLPF have complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to SLPF; and

b) it is reasonable to believe that in respect of the period from 31 December 2019 to the date of the publication of the Group Solvency and Financial Condition (which excludes the acquired Standard Life International Designated Activity Company subsidiary), SLPF has continued so to comply and will continue so to comply in the future.

Stephen Percival
Director

Ciaran McGuigan
Director

For and on behalf of the Board of Directors of SLPF
Date: 14 May 2020

PA(GI) LIMITED ('PA(GI)')

Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2019.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report for PA(GI) in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2019, PA(GI) has complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to PA(GI); and

b) it is reasonable to believe that in respect of the period from 31 December 2019 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the acquired Standard Life International Designated Activity Company subsidiary), PA(GI) has continued so to comply and will continue so to comply in the future.

Rakesh Thakrar
PA(GI) Director

Andrew Moss
PA(GI) Director

For and on behalf of the Board of Directors of PA(GI)
Date: 14 May 2020

AUDITOR'S REPORT

Report of the independent external auditor to the Directors of Phoenix Group Holdings plc ('the Group') pursuant to Rule 4.1(2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

OPINION

Except as stated below, we have audited the following documents prepared by **Phoenix Group Holdings plc** ('the Group'), comprising of **Phoenix Group Holdings plc** and the authorised insurance entities **Phoenix Life Limited ('PLL'), Phoenix Life Assurance Limited ('PLAL'), Standard Life Assurance Limited ('SLAL'), Standard Life Pension Funds Limited ('SLPF')** and **PA(GI) Limited** ('the Companies') as at 31 December 2019:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Group Solvency and Financial Condition Report of the Group as at 31 December 2019, **('the Narrative Disclosures subject to audit')**; and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S.32.01.22 **('the Group Templates subject to audit')**; and
- Company templates **('the Company Templates subject to audit')** of:
  - PLL, PLAL and SLAL S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S.28.01.01
  - SLPF S.02.01.02, S.12.01.02, S.23.01.01, S.28.01.01
  - PA(GI) S.02.01.02, S.23.01.01, S.28.01.01

The Narrative Disclosures subject to audit and the Group and Company Templates subject to audit are collectively referred to as the **'relevant elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- Information contained within the relevant elements of the Group Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;
- Group templates: S.05.01.02, S.05.02.01, S.25.02.22;
- Company templates of PLL, PLAL, SLAL, SLPF and PA(GI): S.05.01.02, S.25.03.21;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report;
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. **('the sectoral information)'**; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report **('the Responsibility Statement')**.

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of Phoenix Group Holdings plc as at 31 December 2019 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is not appropriate; or
- the Directors have not disclosed in the Group Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group Solvency and Financial Condition Report is authorised for issue.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING & RESTRICTION ON USE

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of this matter.

OTHER INFORMATION

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of Financial Services and Markets Act 2000, the PRA Rules and the Solvency II Regulations 2015 on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE RELEVANT ELEMENTS OF THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx .The same responsibilities apply to the audit of the Group Solvency and Financial Condition Report.

OTHER MATTER

The Group has authority to calculate its Group Solvency Capital Requirement using a partial internal model (''the Model'') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion and in accordance with PRA Rules, we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Group's application or approval order.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

SECTORAL INFORMATION

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

OTHER INFORMATION

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Phoenix Group Holdings plc, Phoenix Life Limited, Phoenix Life Assurance Limited, Standard Life Assurance Limited, Standard Life Pension Funds Limited and PA(GI) Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP

Ernst & Young LLP
London
14 May 2020

The maintenance and integrity of the **Phoenix Group Holdings plc** web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the web site.

APPENDIX – RELEVANT ELEMENTS OF THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT THAT ARE NOT SUBJECT TO AUDIT

PHOENIX GROUP HOLDINGS PLC

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0640: Technical provisions – health (similar to life) – risk margin
  - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
  - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of Group template S.22.01.22
  - Column C0030 – Impact of transitional on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Rows R0410 to R0440 – Own funds of other financial sectors
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non-available own funds
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

PHOENIX LIFE LIMITED, PHOENIX LIFE ASSURANCE LIMITED, STANDARD LIFE ASSURANCE LIMITED

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0640: Technical provisions – health (similar to life) – risk margin
  - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
  - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM – risk margin
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional measure on technical provisions
  - Row R0010 – Technical provisions
  - Row R0090 – Solvency Capital Requirement
- The following elements of template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

STANDARD LIFE PENSION FUNDS LIMITED

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0640: Technical provisions – health (similar to life) – risk margin
  - Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
  - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin
- The following elements of template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM – risk margin
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- The following elements of template S.28.01.01
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

PA(GI) LIMITED

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.23.01.01
  - Row R0580: SCR
- The following elements of template S.28.01.01
  - Row R0310: SCR
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

BASIS OF PREPARATION

OVERVIEW

The disclosures in the Group SFCR and the QRTs have been prepared in accordance with all applicable PRA Rules and Solvency II regulations, hereafter referred to as 'the regulations'.

Some sections of the SFCR (including parts of sections A and D) require information based on the recognition and measurement principles applicable under the relevant Generally Accepted Accounting Principles ('GAAP') as presented in the financial statements. The Phoenix Group consolidated financial statements and the financial statements of the insurance subsidiaries are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

TREATMENT OF THE ACQUIRED STANDARD LIFE INSURANCE SUBSIDIARIES

The Group SFCR contains information relating to the overall Group, Phoenix Life and Standard Life insurance subsidiaries (excluding Standard Life International Designated Activity Company Limited ('SLIDAC')) and PA(GI).

Detailed information regarding SLIDAC can be found within its solo SLIDAC SFCR.

Section A: This section covers business and performance information for the Group including the acquired Standard Life insurance subsidiaries for a full 12 month period to 31 December 2019. The comparative information for 2018 however includes business and performance information for the Group including the acquired Standard Life insurance subsidiaries from 1 September 2018 to 31 December 2018 only (from completion of the acquisition).

Section B: The system of governance in section B presents the state of the Group's governance framework as at 31 December 2019.

Section C: This section covers the risks associated with the Group and Life insurance subsidiaries as at 31 December 2019.

Sections D and E: Sections D and E includes details of the Phoenix Internal Model as well as the Standard Life Internal Model. They also comprise measurement values and quality of own funds, along with solvency capital requirements under the regulation.

Following the acquisition of the Standard Life Assurance businesses, the Group now operates two PRA approved Internal Models, a Phoenix Internal Model covering all the pre-acquisition Phoenix entities and a Standard Life Internal Model covering SLAL and SLPF. The Irish entity, SLIDAC, determines its capital requirements in accordance with the Standard Formula. The Group therefore calculates its capital requirements in accordance with a partial Internal Model – with the Phoenix Life entities based on the Phoenix Internal Model, SLAL and SLPF based on the Standard Life Internal Model and SLIDAC based on Standard Formula.

The Group has approval to use a combination of Methods 1 (the default accounting based consolidation method) and 2 'Deduction and Aggregation' for consolidating its Group solvency results. Method 2 is used for all Standard Life entities acquired and Method 1 is used for all other entities of the Group. As the Standard Life entities are included in the Group Solvency calculation under Method 2, they are presented as a single line on the Group's balance sheet being 'holdings in related undertakings, including participations' rather than being consolidated on a line by line basis, with any double count of capital removed. Further details regarding this approach are included in sections D and E. The SCR of the Standard Life insurance subsidiaries is presented as a single line on the S.25.02.22 QRT as 'SCR included via Deduction and Aggregation ('D and A') and also presented in total in the table in Section E.2.

PRESENTATION

The Group SFCR is presented in pound sterling (£) rounded to the nearest million, which is consistent with the presentation in the IFRS consolidated financial statements of PGH plc. The QRTs included within the Appendices are presented in pound sterling (£) rounded to the nearest thousand.

Certain financial information in the SFCR has been rounded. As a result of the rounding, the totals in the tables presented in this SFCR may vary slightly from the data presented in the QRTs in Appendices 1-6.

Comparatives are only included in sections A and E, as required by the regulations.

The Group SFCR excludes disclosures required by the regulations which are not applicable to the PGH Group and its insurance subsidiaries, which include, but are not limited to:

- information on non-life business as the Group only has life business;
- information on Solvency II Insurance Special Purpose Vehicles ('SPVs');
- information on the transitional measures on risk-free interest rates as none of the insurance subsidiaries in the Group have applied these measures; and
- Standard Formula and full Internal Model QRTs and related disclosures as the PGH Group SCR at 31 December 2019 were calculated partially on a Standard Formula (for SLIDAC) and partially on two Internal Model bases (covering the pre-acquisition Phoenix entities and the Standard Life Internal Model covering SLAL and SLPF).

SECTION A
BUSINESS AND PERFORMANCE

IN THIS SECTION

SECTION A
BUSINESS AND PERFORMANCE

A.1 BUSINESS
A.1.1 INFORMATION REGARDING THE GROUP AND ITS INSURANCE SUBSIDIARIES
PGH has a Premium Listing on the London Stock Exchange and as at year end 31 December 2019, was a member of the FTSE 100 Index.

All of the Group's insurance subsidiaries are private companies limited by shares incorporated, registered and domiciled in the UK, with the exception of SLIDAC which is registered and domiciled in Ireland.

The UK domiciled entities are all regulated by the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA'). Some of PGH's non-insurance subsidiaries are also regulated by the FCA.

SLIDAC is regulated by the Central Bank of Ireland ('CBI') and also the FCA for its conduct of business rules.

Contact details for the PRA, FCA and CBI are provided below:

Bank of England
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS

Central Bank of Ireland
North Wall Quay
Spencer Dock
Dublin, Ireland

The name and contact details of the external auditors for PGH and its insurance subsidiaries are provided below:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Ernst & Young LLP
Harcourt Centre
2 Harcourt Street
Saint Kevin's
Dublin
Ireland

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED
A.1.2 LEGAL AND ORGANISATIONAL STRUCTURE OF THE GROUP
A.1.2.1 Legal structure of the Group
As at 31 December 2019, SLA plc is the only shareholder of PGH which held a direct qualifying holding representing 10% or more of the capital or voting rights.

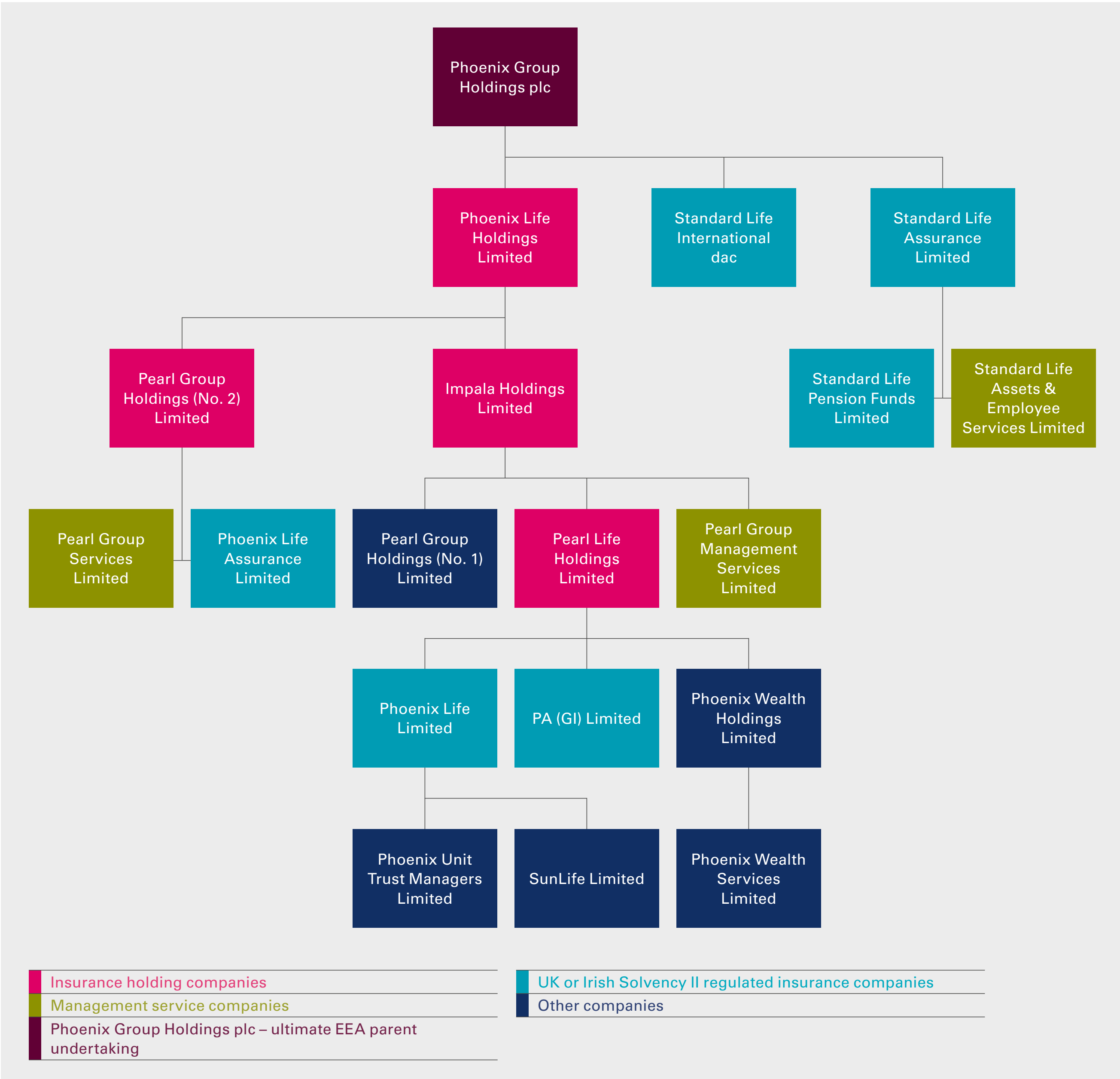
The following notifications as at 31 December 2019 have been disclosed under the FCA's Disclosure Guidance and Transparency Rules in respect of notifiable interests exceeding 3% of the voting rights of the issued share capital.

As at 31 December 2019	% of total voting rights
Standard Life Aberdeen plc	19.98
Standard Life Aberdeen plc affiliated entities	4.86
BlackRock Inc.	5.38
Aviva plc and subsidiaries	5.06
Artemix Investment Management LLP	5.06

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED
A.1.2 LEGAL AND ORGANISATIONAL STRUCTURE OF THE GROUP CONTINUED
A.1.2.1 Legal structure of the Group continued

A simplified Group structure chart as at 31 December 2019 is provided below, and shows PGH's position within the legal structure of the Phoenix Group. All shareholdings are 100% unless shown otherwise.



A complete listing of all the entities in the Group is included in Appendix 1.7

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED

A.1.2 LEGAL AND ORGANISATIONAL STRUCTURE OF THE GROUP CONTINUED

A.1.2.2 Legal structure of the insurance subsidiaries

The position of the Phoenix Life and Standard Life insurance subsidiaries as well as PA(GI) is shown in the Group structure chart above. The persons who were direct or indirect holders of qualifying holdings (i.e. where a shareholder has 10% of more of voting rights) in each insurance subsidiary as at 31 December 2019 are set out in the structure chart.

A.1.2.3 Material undertakings of the Group

A list of the material related undertakings and their immediate parent undertakings within the PGH Group are provided below. All undertakings are 100% owned by their immediate parent undertakings. The table below also shows the subsidiaries of the Group's regulated insurance companies.

Entity name	Legal form	Type of undertaking[1]	Immediate parent undertaking	Country of incorporation[1]
Phoenix Group Holdings plc	Company limited by shares	Insurance holding company	n/a	GB
Phoenix Life Holdings Limited	Company limited by shares	Insurance holding company	Phoenix Group Holdings plc	GB
Pearl Group Holdings (No.2) Limited	Company limited by shares	Insurance holding company	Phoenix Life Holdings Limited	GB
Impala Holdings Limited	Company limited by shares	Insurance holding company	Phoenix Life Holdings Limited	GB
Pearl Group Services Limited	Company limited by shares	Ancillary services undertaking	Pearl Group Holdings (No.2) Limited	GB
Phoenix Life Assurance Limited	Company limited by shares	Life insurance undertaking	Pearl Group Holdings (No.2) Limited	GB
Pearl Life Holdings Limited	Company limited by shares	Insurance holding company	Impala Holdings Limited	GB
Pearl Group Management Services Limited	Company limited by shares	Ancillary services undertaking	Impala Holdings Limited	GB
Pearl Group Holdings (No.1) Limited	Company limited by shares	Other related undertaking	Impala Holdings Limited	GB
Phoenix Life Limited	Company limited by shares	Life insurance undertaking	Pearl Life Holdings Limited	GB
PA (GI) Limited	Company limited by shares	Non-life insurance undertaking	Pearl Life Holdings Limited	GB
Phoenix SL Direct Limited	Company limited by shares	Ancillary services undertaking	Pearl Life Holdings Limited	GB
Phoenix Wealth Holdings Limited	Company limited by shares	Insurance holding company	Pearl Life Holdings Limited	GB
Phoenix Unit Trust Managers Limited	Company limited by shares	UCITS management company	Phoenix Life Limited	GB
Phoenix ER1 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER3 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER4 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER5 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER6 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
SunLife Limited	Company limited by shares	Other related undertaking	Phoenix Life Limited	GB

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED
A.1.2 LEGAL AND ORGANISATIONAL STRUCTURE OF THE GROUP CONTINUED
A.1.2.3 Material undertakings of the Group continued

Entity name	Legal form	Type of undertaking[1]	Immediate parent undertaking	Country of incorporation[1]
Phoenix Wealth Services Limited	Company limited by shares	Other related undertaking	Phoenix Wealth Holdings Limited	GB
Standard Life Assurance Limited	Company limited by shares	Life insurance undertaking	Phoenix Group Holdings plc	GB
Standard Life Lifetime Mortgages Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Standard Life Assurance Limited	GB
Standard Life Pension Funds Limited	Company limited by shares	Life insurance undertaking	Standard Life Assurance Limited	GB
Standard Life International Designated Activity Company[2]	Company limited by shares	Life insurance undertaking	Phoenix Group Holdings plc	Ireland
Standard Life Assets and Employee Services Limited	Company limited by shares	Ancillary services undertaking	Standard Life Assurance Limited	GB
Vebnet Limited	Company limited by shares	Other related undertaking	Standard Life Assurance Limited	GB

1 Type of undertaking and country of incorporation as defined for purposes of the QRT S.32.01, Undertakings in the scope of the Group (see Appendix 1.7).
2 On 22 February 2019, PGH plc acquired SLIDAC from SLAL, another subsidiary undertaking.

A complete listing of the Group's related undertakings is provided in template S.32.01.22 in Appendix 1.7. The entities within the scope of the Group for Solvency II purposes is consistent with the preparation of the Group's IFRS financial statements. However there are differences in the consolidation approach. These are described further in Section D.1.2.

A.1.2.4 Governance and organisation
A clear organisational structure, with documented delegated authorities and responsibilities from the PGH Board and onwards to the Life Companies' Boards is in place.

The PGH Board is responsible for managing the overall direction and performance of the PGH Group, including the performance of the subsidiary companies. It is also ultimately accountable for compliance with the Solvency II regulations. Certain matters must be referred to the PGH Board in accordance with the PGH Board's 'Matters Reserved'.

The responsibility for managing the subsidiary companies rests with the respective companies' Boards, subject to the restrictions which are set by the PGH Board, as established within the 'Matters Reserved' by the PGH Board.

Further information on the governance structure is provided in section B.

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED
A.1.3 MATERIAL LINES OF BUSINESS

The Group operates four material lines of insurance business based on the characteristics of the different products administered. The table below shows the relevant Lines of Business ('LoB') for each insurance subsidiary.

	PLL	PLAL	SLAL	SLPF
Insurance with-profit participation	✓	✓	✓	–
Index-linked and unit-linked insurance	✓	✓	✓	–
Health insurance	✓	–	✓	–
Other life insurance	✓	✓	✓	✓
Health reinsurance	–	–	✓	–
Life reinsurance	–	–	✓	–

PA(GI) no longer writes general insurance business or has any material LoB.

Reinsurance arrangements are in place with reinsurers external to the Phoenix Group to cover blocks of immediate annuities, some permanent health, critical illness, term assurance and unitised with-profit contracts. In addition reinsurance arrangements exist amongst Group companies as explained further in this document.

A.1.3.1 Insurance with-profit participation

The insurance with-profit participation LoB comprises conventional with-profit products and unitised with-profit products.

A with-profit or participating policy is one where the policyholder participates in the profits of the fund. An insurer aims to distribute part of its profit to the with-profit policyholders in the form of bonuses. The value of such distributions is based on, among other things, the performance of the underlying pool of assets. Policy pay-outs are generally subject to a minimum guarantee and are 'smoothed' to lessen the impact of changes in the underlying value of the assets in the short term. With-profit products are primarily either endowments or deferred annuities. Endowments may be single or regular premium policies with minimum guaranteed sums on death or maturity, while deferred annuities are accumulation vehicles for pensions with beneficial tax treatment at retirement age.

All with-profit policies are entitled to potential incremental bonuses throughout the life of the policy as well as a terminal, or final, bonus. The terminal bonus represents the policyholder's final share of the assets of the fund. Any available surplus held in a with-profit fund may only be used to meet the requirements of the fund itself or be distributed in line with defined proportions or mechanisms to the fund's policyholders and the Life Companies' shareholders. For example, the traditional with-profit fund with a 90:10 policyholder/shareholder split, entitles policyholders to a 90% share and its shareholders to a 10% share of the profits in any bonus declared. For certain of the Group's funds, the shareholders are not entitled to any share of such bonuses.

In certain 'supported' with-profit funds, the shareholders provide capital support to the fund. The capital is exposed to all economic movements until the estate is rebuilt to cover the required capital, at which point the fund becomes 'unsupported'.

A.1.3.2 Index-linked and unit-linked insurance

The value of unit-linked products is linked directly to the performance of the underlying assets. The policyholder typically bears all of the investment risk with unit-linked products. The benefits attributable to the policyholder are determined by reference to the investment performance of a specified pool of assets. The policyholder elects which units to purchase within a diversified open-ended fund. Unit-linked funds include personal and group pension plans and feature regular and single premium savings. They operate on a similar basis to mutual funds, with a fee often charged based on the value of the funds.

Customers do not legally own the underlying assets or the units themselves; they own a contract (the policy) with a right to a benefit. The value of that benefit is determined by reference to the price of their chosen fund.

The Group's unit-linked business comprises contracts with and without options and guarantees.

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED
A.1.3 MATERIAL LINES OF BUSINESS CONTINUED
A.1.3.3 Health insurance
The Group's health insurance business comprises individual and group income protection products, income protection riders, standalone critical illness products and includes contracts with and without options and guarantees.

A.1.3.4 Other life insurance
This LoB includes all remaining underwritten business and comprises of conventional non-profit products, protection policies such as life and disability policies which pay out lump sum on death or disability, group life, level and fixed escalation annuities in payment, deferred annuities and index-linked annuities.

The majority of the business included in this LoB is annuity business. Annuities generally provide a fixed specified income stream over the life of the policyholder. Annuities are mainly written within non-profit funds. For these annuities, the Life Companies are exposed to all investment and demographic risks and are generally entitled to retain 100% of the incremental investment returns from the assets backing this business.

Also included in this LoB is the SunLife branded whole of life protection products underwritten by PLL. SunLife offers whole of life cover direct to customers aged 50 and over through an in-house distribution company and through other distribution partners. The main SunLife products are the Guaranteed Over 50 plan which provides a cash lump sum upon death, which is typically used to cover funeral costs; and regular premium Funeral Plans, which are whole of life insurance policies which back the financial liability that third party funeral providers incur when they sell funeral packages to individuals.

A.1.4 MATERIAL GEOGRAPHICAL AREAS
The Group's business is underwritten in the United Kingdom ('UK'), in Ireland (through SLIDAC and PLL Irish branch) and in Germany (through the SLIDAC German branch).

A.1.5 SIGNIFICANT BUSINESS AND OTHER EVENTS
The following significant events took place during 2019 and up to the date of this report. Further details of significant business and other events in relation to the SLIDAC are included within the solo SLIDAC SFCR for the year ended 31 December 2019.

A.1.5.1 Sale of SLIDAC to PGH plc
On 22 February 2019, PGH plc acquired SLIDAC from SLAL. Initial consideration was £162 million in the form of an intra-group loan liability assumed. On the same date PGH plc provided SLIDAC with share capital and share premium of £250 million.

A.1.5.2 PGL pension scheme buy in
On 1 March 2019, PLL entered into a 'buy-in' agreement with PGL Pension Scheme ('PGLPS') which covered the pensioner and deferred members of the Scheme remaining after the 2016 'buy-in'. On 12 April 2019, PLL executed a longevity swap with Hannover Re, covering 85% of the longevity risk.

A.1.5.3 Part VII transfer of SLAL EU business to SLIDAC
On 29 March 2019, the SLAL Irish, German and Austrian policies were transferred to SLIDAC for £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000, following approval by the High Court on 19 March 2019.

On the same date the Heritage With-Profit ('HWPF'), German post-demutualisation with-profits and German smooth-managed business were transferred back to SLAL via a reinsurance arrangement. From the date of transfer, certain risks which were previously assessed under the Standard Life Internal Model will now be assessed under Standard Formula, in particular risks associated with policies that have not been transferred back to SLAL under the terms of the reinsurance arrangement.

A.1.5.4 Bulk purchase annuity ('BPA') transactions
During 2019 the Group completed four BPA transactions totalling approximately £1.1 billion in payment pension liabilities.

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED
A.1.5 SIGNIFICANT BUSINESS AND OTHER EVENTS CONTINUED
A.1.5.5 Financial Conduct Authority ('FCA') non-advised annuity sales reviews
On 14 October 2016, the FCA published its thematic review of non-advised annuity sales. In its findings, the FCA identified concerns in a small number of firms relating to significant communications that took place orally, usually on the telephone. The FCA also 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.

Abbey Life
The Group has recognised provisions in respect of its best estimate of the likely costs associated with obligations arising in the Abbey Life business (subsequently transferred to PLL) in this regard and the opening provision of £27 million was increased by £5 million during 2019.

During the year, £18 million was utilised and the balance of the provision was released. Under the terms of the Abbey Life acquisition, Deutsche Bank provided Phoenix Life Holdings Limited ('PLHL') with an indemnity, with a duration of up to eight years, in respect of exposures that may arise in Abbey Life as a result of the FCA's final thematic review findings. The indemnity was subject to a limit of £175 million and applied to all regulatory fines and to 80%-90% of the costs of customer remediation. Reflecting the status of the review and remediation processes, agreement was reached with Deutsche Bank during 2019 to close out this indemnity and a payment was received to reflect this closure. Recoveries of £15 million (2018: £9 million) have been received during the year and the reimbursement asset recognised in other receivables was £nil (2018: £14 million).

SLAL
SLAL was also a participant in the thematic review of non-advised annuity sales issued by the FCA. On acquisition of SLAL on 31 August 2018, obligations arising as a result of past practices in the area described above were assessed. As a result, it was determined appropriate to recognise a provision of £225 million in respect of SLAL on a fair value basis. The provision recognised the estimated costs associated with redress payable to customers, the costs of the review and other expenses. It did not make allowance for any financial penalties that may arise as a result of the completion of the FCA investigation as it was not possible to determine a reliable estimate in this regard.

The FCA's review has now completed and SLAL received a final notice in July 2019 which imposed a financial penalty on the entity of £31 million. SLAL agreed to settle in accordance with the final notice and accordingly a provision of that amount was recognised.

As at 31 December 2019, the amount has been settled. During the period, in addition to the payment of the £31 million noted above, £96 million has been utilised, £79 million has been released, and £6 million remains as at 31 December 2019.

A.1.5.6 Extended strategic partnership with Tata Consultancy Services ('TCS')
The Group continued to make strong progress across the Standard Life Assurance transition programme delivering cost and capital synergies.

In November 2019, the Group announced its intention to extend its strategic partnership with TCS to provide customer servicing, to develop a digital platform and for migration of existing Standard Life policies to the platform by 2022.

This new partnership, together with the expected impacts of other ongoing transition activity, facilitated the execution of new Master Services Agreements between all of the Group's Life companies and the Group's Service Companies. The anticipated reductions in future maintenance expenses have been recognised in the 2019 Solvency II results, together with associated costs of delivery and risk capital.

A.1.5.7 Acquisition of the ReAssure Group
On 6 December 2019, Phoenix announced the acquisition of ReAssure Group plc for a total consideration of £3.2 billion. The transaction is expected to complete by mid-2020, subject to regulatory approval.

Section A – Business and Performance continued

A.1 BUSINESS CONTINUED

A.1.6 EVENTS AFTER THE REPORTING PERIOD

With effect from 1 January 2020, a revised Management Services Agreement has been signed between PLL, PLAL and SLAL and the service companies. This has the effect of reducing the cost of policy administration in future periods.

A.2 UNDERWRITING PERFORMANCE

A summary of the Group's and each insurance subsidiary's performance during the year is presented below and in sections A.3 and A.4. The information is presented on an operating profit basis and reconciled to the IFRS result in line with the financial statements.

The PGH Group information for the year ended 31 December 2019 in section A includes results of the Standard Life insurance subsidiaries for a full 12 month period, whereas the comparative for the year ended 31 December 2018 includes only the four month period post acquisition.

Further details of the Group's operating profit metric is included below.

Year ended 31 December 2019	Section reference	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Operating profit	**A.2.1**	**320**	**101**	**–**	**314**	**5**	**70**	**810**
Investment return variances and economic assumption changes on long-term business	A.3.1	(39)	24	–	(226)	(1)	65	(177)
Variance on owners' funds	A.3.1	16	(3)	–	–	(8)	8	13
Total investment return variances and economic assumption changes	**A.3.1**	**(23)**	**21**	**–**	**(226)**	**(9)**	**73**	**(164)**
Other income and expense items:								
Amortisation of acquired-in-force business and other intangibles	A.4.1	(12)	–	–	–	–	(383)	(395)
Other non-operating items	A.4.1	188	172	(3)	(65)	(3)	(458)	(169)
Finance costs attributable to owners	A.4.1	(15)	–	–	–	–	(112)	(127)
Total other income and expenses	**A.4.1**	**161**	**172**	**(3)**	**(65)**	**(3)**	**(953)**	**(691)**
IFRS profit/(loss) before tax attributable to owners		**458**	**294**	**(3)**	**23**	**(7)**	**(810)**	**(45)**

1 Other items comprise performance of other entities in the PGH Group including SLPF and the impacts of consolidation adjustments at the PGH Group level.

Section A – Business and Performance continued

A.2 UNDERWRITING PERFORMANCE CONTINUED

Year ended 31 December 2018	Section reference	PLL £m	PLAL £m	ALAC £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Operating profit	**A.2.1**	**378**	**97**	**14**	**–**	**187**	**1**	**31**	**708**
Investment return variances and economic assumption changes on long-term business	A.3.1	143	8	–	–	153	(1)	(21)	282
Variance on owners' funds	A.3.1	(16)	(5)	–	–	–	–	(171)	(192)
Total investment return variances and economic assumption changes	**A.3.1**	**127**	**3**	**–**	**–**	**153**	**(1)**	**(192)**	**90**
Other income and expense items:									
Amortisation of acquired-in-force business and other intangibles	A.4.1	(14)	–	–	–	–	–	(193)	(207)
Other non-operating items	A.4.1	84	(2)	(89)	2	(7)	–	(26)	(38)
Finance costs attributable to owners	A.4.1	(15)	–	–	–	–	–	(99)	(114)
Total other income and expenses	**A.4.1**	**55**	**(2)**	**(89)**	**2**	**(7)**	**–**	**(318)**	**(359)**
IFRS profit/(loss) before tax attributable to owners		**560**	**98**	**(75)**	**2**	**333**	**–**	**(479)**	**439**

1 Other items comprise performance of other entities in the PGH Group including SLPF and the impacts of consolidation adjustments at the PGH Group level.

The Group's operating profit split by material geographical area is as follows with the majority of operating profit generated in the UK.

Year ended 31 December 2019	UK £m	Germany £m	Ireland £m	PGH Group £m
Operating profit	**785**	**26**	**(1)**	**810**

The majority of the operating profit arises in the UK. The loss in Ireland reflects the impact of updates to demographic assumptions, principally longevity being negative for the Irish business.

Section A – Business and Performance continued

A.2 UNDERWRITING PERFORMANCE CONTINUED

OPERATING PROFIT

The PGH Group reports a non-GAAP measure of performance being operating profit. Operating profit is used as a performance measure of the underwriting activities of the Group as well as a key metric to manage the business. Operating profit is considered an appropriate measure of the underlying performance of the Group's 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. It also includes the shareholder share of bonus of the with-profit funds.

Operating profit includes the effects 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 the Group's core operating activities (for example, actuarial modelling enhancements and data reviews). The operating profit excludes investment return variances and economic assumption changes, non-operating items considered to fall outside of the course of the Group's normal operations and shareholder tax.

The Group generated an operating profit of £810 million (2018: £708 million). The increase compared to the prior year is primarily driven by the inclusion of the Standard Life Assurance businesses for a full 12 month period post completion of the acquisition in August 2018. This has been partly offset by the lower positive impact of management actions and demographic actuarial assumption changes within operating profit compared to the prior period.

Further details regarding operating profit are set out in the IFRS results section of the Business Review (page 45) and note B1 (page 161) of the PGH Group Annual Report and Accounts for the year ended 31 December 2019.

INVESTMENT RETURN VARIANCES AND ECONOMIC ASSUMPTION CHANGES

Variances between actual and expected investment returns and the impact of changes in economic assumptions on the valuation of liabilities are accounted for outside of the operating profit and presented in profit before tax attributable to owners.

OTHER INCOME AND EXPENSES

Other income and expense items which are excluded from operating profit comprise:

- amortisation and impairments of intangible assets (net of policyholder tax);
- finance costs attributable to owners;
- gains or losses on the acquisition or disposal of subsidiaries (net of related costs);
- the financial impacts of mandatory regulatory change;
- the profit or loss attributable to non-controlling interests;
- 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 the Company'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.

Information on premiums, claims and expenses is not used as a primary measure of underwriting performance by the Group, however the relevant information split by LoB is presented in the S.05.01.02 QRT included in Appendix 1.2 for PGH Group, Appendix 2.2 for PLL, Appendix 3.2 for PLAL, Appendix 4.2 for SLAL, Appendix 5.2 for SLPF and Appendices 1.2 for SLIDAC within the solo SFCR.

Section A – Business and Performance continued

A.2 UNDERWRITING PERFORMANCE CONTINUED
A.2.1 ANALYSIS OF OPERATING PROFIT

Operating profit incorporates an expected return. The expected return on investments is based on opening economic assumptions applied to the funds under management at the beginning of the reporting period. Expected investment return assumptions are derived actively, based on risk-free yields at the start of each financial year.

The long-term risk-free rate used as a basis for deriving the long-term investment return is set by reference to the swap curve at the 15-year duration plus 10bps at the start of the year. A risk premium of 350bps is added to the risk-free yield for equities (2018: 350bps), 250bps for properties (2018: 250bps), 120bps for other fixed interest assets (2018: 150bps) and 50bps for gilts (2018: 50bps).

The principal assumptions underlying the calculation of the long-term investment return are:

	2019 %	2018 %
Equities	5.2	5.2
Properties	4.2	4.2
Gilts	2.2	2.2
Other fixed interest	2.9	3.2

An analysis of the overall operating profit split by material LoB is presented in the table below. Further detail regarding each entity and comparatives are provided in sections A.2.1.1 to A.2.1.6.

Year ended 31 December 2019	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Insurance with-profit participation	43	51	–	88	–	8	190
Index-linked and unit-linked insurance	93	1	–	105	6	57	262
Other life insurance (predominantly annuities and protection business)	179	47	–	107	–	20	353
Total operating profit by Line of Business	**315**	**99**	**–**	**300**	**6**	**85**	**805**
Long-term return on owners' funds and NP surplus assets	5	2	–	14	(1)	(15)	5
Total operating profit	**320**	**101**	**–**	**314**	**5**	**70**	**810**

1 Other items comprise performance of other entities in the PGH Group and the impacts of consolidation adjustments at the PGH Group level.

Section A – Business and Performance continued

A.2 UNDERWRITING PERFORMANCE CONTINUED
A.2.1 ANALYSIS OF OPERATING PROFIT CONTINUED
A.2.1.1 Operating profit – PLL

An analysis of the operating profit for PLL split by material LoB is presented below. Substantially all of the operating profit arises in the UK.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Insurance with-profit participation	43	49
Index-linked and unit-linked insurance	93	122
Health insurance	–	–
Other life insurance (predominantly annuities and protection business)	179	185
Total operating profit by Line of Business	**315**	**356**
Long-term return on owners' funds and NP surplus assets	5	22
Total operating profit	**320**	**378**

The operating profit of £43 million (2018: £49 million) on insurance with-profit participation business represents the shareholders' one-ninth share of the total bonuses of the 90:10 with-profit funds and is in line with the comparative period, with allowance for run-off of the book.

The operating profit on index-linked and unit-linked insurance of £93 million (2018: £122 million) largely arises from margins earned on unit-linked business of £88 million (2018: £81 million). 2018 included operating profits of £31 million due to model and methodology changes and profits of £10 million from demographic experience variances and assumption changes.

The operating profit on other life insurance of £179 million (2018: £185 million) is generated from expected return of £55 million (2018: £57 million), £51 million from new business (2018: £21 million) and £73 million (2018: £106 million) from experience variances, assumption changes and other operating variances during the period.

The long-term return on owners' funds of £5 million (2018: £22 million) reflects the asset mix, which is primarily cash-based assets, fixed interest securities and interest receivable on loans to Group companies.

A.2.1.2 Operating profit – PLAL

An analysis of the operating profit for PLAL split by material LoB is presented below. All of the operating profit arises in the UK.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Insurance with-profit participation	51	52
Index-linked and unit-linked insurance	1	3
Health insurance	–	–
Other life insurance (predominantly annuities and protection business)	47	46
Total operating profit by Line of Business	**99**	**101**
Long-term return on owners' funds and NP surplus assets	2	(4)
Total operating profit	**101**	**97**

Insurance with profit participation comprises:

The unsupported with-profit fund operating profit of £33 million (2018: £32 million) represents the shareholders' one-ninth share of the policyholder bonuses, and is in line with the comparative period.

The with-profit funds where internal capital support has been provided generated an operating profit of £18 million (2018: £20 million). The profit is driven by a weakening of actuarial assumptions of longevity offset by the strengthening of assumptions in relation to late retirements.

Section A – Business and Performance continued

A.2 UNDERWRITING PERFORMANCE CONTINUED
A.2.1 ANALYSIS OF OPERATING PROFIT CONTINUED
A.2.1.2 Operating profit – PLAL continued

The operating profit of £47 million (2018: £46 million) on other life insurance is generated from spreads earned on annuities, investment return, release of margins, non-economic experience variances and assumption changes, including £28 million (2018: £24 million) from a weakening of longevity assumptions to reflect the most recent CMI core projection tables.

The long-term return on owners' funds of £2 million (2018: £4 million loss) reflects the asset mix, which is primarily cash-based assets and fixed interest securities.

A.2.1.3 Operating profit – SLAL

An analysis of the operating profit for SLAL split by material LoB is presented below. All of the operating profit arises in the UK.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Insurance with-profit participation	88	96
Index-linked and unit-linked insurance	105	117
Other life insurance (predominantly annuities and protection business)	107	151
Total operating profit by Line of Business	**300**	**364**
Long-term return on owners' funds and NP surplus assets	14	14
Total operating profit	**314**	**378**

The insurance with-profit participations and index-linked and unit-linked insurance lines of business are driven by revenue and expenses of the Company's fee based business in the UK, Ireland and Germany. Other life insurance is mainly comprised of annuity business which is driven by the spread/risk margin result less related expenses in the UK, Ireland and Germany business.

The operating profit on insurance with-profit participation business of £88 million and index-linked and unit-linked insurance business of £105 million are driven by the revenue and expenses of the fee based business in the UK, Ireland and Germany. The insurance with-profit participation result reduced by £8 million as this business reduces in size as the business runs-off. The index-linked and unit-linked insurance category reduced by £12 million with reductions arising from lower assets under administration linked to net outflows.

Other life insurance of £107 million mainly relates to the spread/risk margin result less related expenses earned on the SLAL annuity business. The result decreased by £44 million, largely due to a reduction in the benefit from non-economic assumption changes, which primarily related to longevity assumption changes and totalled £50 million in 2019 (2018: £101 million).

The long-term return on owners' funds of £14 million (2018: £14 million) reflects the asset mix, which is primarily cash-based assets, fixed interest securities, interest receivable on loans to Group companies or dividends from subsidiaries.

In 2018 the operating profit of the PGH Group included the results of the Standard Life insurance subsidiaries for the four-month period from 1 September 2018. Details of the full year operating profit of SLAL for 2018 was included in the solo SFCR for the year ended 31 December 2018.

A.2.1.4 Operating profit – PA(GI)

PA(GI) no longer writes insurance business and accordingly has nothing to report in terms of underwriting performance.

A.2.1.5 Operating profit – SLPF

The contribution of SLPF to the Group operating profit was nil for year ended 31 December 2019, given the business is fully reinsured to SLAL.

A.2.1.6 Operating profit – SLIDAC

Details of the operating profit of SLIDAC is included within the solo SLIDAC SFCR.

Section A – Business and Performance continued

A.2 UNDERWRITING PERFORMANCE CONTINUED
A.2.1 ANALYSIS OF OPERATING PROFIT CONTINUED
A.2.1.7 Operating profit – Other Group entities and consolidation adjustments

An analysis of the operating profit for other Group entities and Group consolidation adjustments is presented below.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Service Companies' operating profit	26	25
Holding Companies' costs	(35)	(20)
Consolidation adjustments	79	26
Total operating profit/(loss)	**70**	**31**

The operating profit for the Service Companies of £26 million (2018: £25 million) was in line with prior year. It comprises income from the Life and holding companies in accordance with the respective Management Service Agreements less fees related to the outsourcing of services and other operating costs.

Holding companies' costs were £(35) million (2018: £(20) million). They mainly comprise project recharges from the service companies and the returns on the scheme surpluses/deficits of the Group staff pension schemes. The increase principally reflects a lower return on the scheme surplus of the PGL Pension Scheme, following the buy-in transaction that took place in March 2019.

Consolidation adjustments of £79 million (2018: £26 million) largely relate to the elimination of intra-group transactions.

A.3 INVESTMENT PERFORMANCE
A.3.1 ANALYSIS OF INVESTMENT RETURN VARIANCES AND ECONOMIC ASSUMPTION CHANGES

Investment return variances and economic assumption changes represent the impact of short-term volatility and comprise:

Year ended 31 December 2019	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Investment return variances and economic assumption changes on long-term business	(39)	24	–	(226)	(1)	65	(177)
Variance on owners' funds	16	(3)	–	–	(8)	8	13
Total investment return variances and economic assumption changes	**(23)**	**21**	**–**	**(226)**	**(9)**	**73**	**(164)**

Year ended 31 December 2018	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Investment return variances and economic assumption changes on long-term business	143	8	–	153	(1)	(21)	282
Variance on owners' funds	(16)	(5)	–	–	–	(171)	(192)
Total investment return variances and economic assumption changes	**127**	**3**	**–**	**153**	**(1)**	**(192)**	**90**

1 Other items comprise performance of other entities in the PGH Group including SLPF and impacts of consolidation at the PGH Group level.

The investment performance measure used by the Group and each insurance subsidiary is investment return variances and economic assumption changes. These represent the impact of short-term volatility recognised outside of operating profit in the Group or entity's IFRS result. Further details including comparatives for the Group and each insurance subsidiary are set out overleaf.

Section A – Business and Performance continued

A.3 INVESTMENT PERFORMANCE CONTINUED

A.3.1 ANALYSIS OF INVESTMENT RETURN VARIANCES AND ECONOMIC ASSUMPTION CHANGES CONTINUED

A.3.1.1 Analysis of investment return variances and economic assumptions changes – PLL

The investment return variances and economic assumption changes on long-term business of £39 million loss (2018: £143 million gain) include equity losses of £144 million (2018: £75 million gain) on hedging positions held by the Company following equity market gains in the period, whereas in 2018 equity market losses drove a gain on these hedging positions. The Life Company's exposure to equity movements arising from future with-profit bonuses and future unit-linked charges is hedged 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 remaining balance of £118 million (2018: £21 million) includes the impact of the Company's move towards its strategic asset allocation, 4 new bulk purchase annuity transactions in the year and the recognition of an adjustment to the historic price applied to GAO annuities vesting from a WP fund into the matched portfolio, as well as other minor offsetting economic variances.

The positive variance on owners' funds of £16 million (2018: £(16) million loss) is principally driven by interest rate swaption positions held in the shareholder fund. Such positions are held to hedge the impact of interest rate risk on the regulatory capital position.

A.3.1.2 Analysis of investment return variances and economic assumptions changes – PLAL

The investment return variances and economic assumption changes on long-term business of £24 million gain (2018: £8 million gain) are mainly due to gains on yield changes of £20 million (2018 : £5 million) and gains on credit spread movements of £10 million (2018 : £9 million loss), offset by other movements.

The negative variance on owners' funds of £3 million (2018: £5 million) is driven by losses on equity market hedging offset by gains on yield changes during the period.

A.3.1.3 Analysis of investment return variances and economic assumptions changes – SLAL

The investment return variances and economic assumption changes on long-term business of £(226) million loss (2018: £153 million gain) are mainly due to a decrease in the fair value of derivatives held to protect the value of future profits against reductions in equity markets. 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.

A.3.1.4 Analysis of investment return variances and economic assumptions changes – SLIDAC

The analysis of investment return variances and economic assumptions changes for SLIDAC is included within its solo SFCR.

A.3.1.5 Analysis of investment return variances and economic assumptions changes – Other entities and consolidation adjustments

The positive investment return variances and economic assumptions changes on long term business of £65 million (2018: £(21) million negative) are primarily driven by Group consolidation adjustments relating to the elimination of transactions between the PGL Pension Scheme and PLL and certain tax adjustments.

The positive variance on owners' funds of £8 million (2018: £(171) million negative) is principally driven by gains on foreign currency swaps held by the holding companies to hedge exposure of future life company profits to movements in exchange rates.

The negative variance on owners' funds of £(171) million in 2018 was principally driven by realised losses on derivative instruments entered into by the holding companies to hedge exposure to equity risk arising from the Group's acquisition of the Standard Life Assurance businesses in the period between announcement and completion of the acquisition.

Section A – Business and Performance continued

A.3 INVESTMENT PERFORMANCE CONTINUED
A.3.2 INVESTMENT INCOME AND EXPENSES

The tables below present the actual investment income split by asset class and the component of such income for the PGH Group and each insurance subsidiary. The 2018 comparative includes only four months contribution from the acquired Standard Life insurance subsidiaries post completion of the acquisition. Expenses are shown in total as they all relate to investment management fees.

The actual investment return includes investment returns for the benefit of both policyholders and shareholders.

A.3.2.1 Investment income and expenses – PGH Group

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total £m	
Year ended 31 December 2019	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investment income by asset category:												
Fixed and variable rate income securities	1,455	779	–	–	–	–	2,563	(681)	–	–	4,018	98
Equities		–	420	509	–	–	5,036	(8,249)	–	–	5,456	(7,740)
Loans and receivables	75	108	–	–	–	–	98	5		–	173	113
Derivatives	–	2	–	–	–	–	1,154	124	–	–	1,154	126
Collective investment schemes	5	3	1,229	201	–	–	4,862	(2,583)	56	74	6,151	(2,305)
Participations	–	–	1,261	745	–	–	5,794	(653)	–	–	7,054	92
Investment property	–	–	–	–	247	100	(65)	(9)	–	–	182	91
Cash and deposits	60	26	–	–	–	–	84	–	–	–	144	26
Other assets	1	13	–	–	–	–	4	3	(24)	5	(19)	21
Investment return	**1,595**	**931**	**2,909**	**1,455**	**247**	**100**	**19,530**	**(12,043)**	**32**	**79**	**24,313**	**(9,478)**
Investment expenses											(257)	(263)
Net investment return after deduction of investment expenses											**24,056**	**(9,741)**

The net investment return of £24,056 million (2018: £(9,741) million) for PGH Group reported above differs from the amount reported in the PGH Annual Report and Accounts for the year ended 31 December 2019 of £24,876 million (2018: £(9,457) million loss) as the amount disclosed above excludes the investment return attributable to minority interests in the consolidated investment funds.

The main driver for the increase in investment return compared to the prior period is fair value gains arising in the period, mostly on equities and collective investment schemes held in the policyholder funds, reflecting global equity market gains in 2019. This compares to equity market falls seen during 2018. Falling yields in the period also generated fair value gains on the Group's fixed and variable rate income securities. In addition there was significant gains on derivative contracts, in particular interest rate swaps with receive fixed/pay variable contracts increasing in value as swap rates fell across the curve.

Amounts included as participations comprise collective investment undertakings where the Group holds a greater than 20% interest.

All investment gains and losses are recognised in the income statement. There are no amounts recognised directly in equity.

Section A – Business and Performance continued

A.3 INVESTMENT PERFORMANCE CONTINUED
A.3.2 INVESTMENT INCOME AND EXPENSES CONTINUED
A.3.2.2 Investment income and expenses – PLL

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total PLL £m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investment income by asset category:												
Fixed and variable rate income securities	357	345	–	–	–	–	585	(295)	–	–	942	50
Equities	–	–	65	9	–	–	361	(8)	–	–	426	1
Loans and receivables	73	67	–	–	–	–	191	39	–	–	264	106
Derivatives	–	–	–	–	–	–	358	(111)	–	–	358	(111)
Collective investment schemes	–	–	109	152	–	–	976	(426)	66	66	1,151	(208)
Participations	–	–	434	374	–	–	2,021	(1,137)	–	–	2,455	(763)
Investment property	–	–	–	–	26	22	2	12	–	–	28	34
Cash and deposits	8	5	–	–	–	–	–	–	–	–	8	5
Other assets	–	–	–	–	–	–	3	–	3	9	6	9
Investment return	**438**	**417**	**608**	**535**	**26**	**22**	**4,497**	**(1,926)**	**69**	**75**	**5,638**	**(877)**
Investment expenses											(139)	(133)
Net investment return after deduction of investment expenses											**5,499**	**(1,010)**

The net investment return of £5,499 million (2018: £(1,010) million) includes investment returns attributable to policyholders and shareholders. The main driver for the increase in investment return compared to the prior period is the impact of rising equity markets and falling yields on net fair value gains and losses.

The increase also comprises the Part VII transfer of the assets and liabilities of Abbey Life Assurance Company Limited into Phoenix Life Limited with effect from 31 December 2018. Amounts included as participations comprise collective investment undertakings where PLL holds a greater than 20% interest.

Section A – Business and Performance continued

A.3 INVESTMENT PERFORMANCE CONTINUED
A.3.2 INVESTMENT INCOME AND EXPENSES CONTINUED
A.3.2.3 Investment income and expenses – PLAL

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total PLAL £m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investment income by asset category:												
Fixed and variable rate income securities	121	120	–	–	–	–	213	(126)	–	–	334	(6)
Equities	–	–	5	5	–	–	18	49	–	–	23	54
Loans and receivables	2	2	–	–	–	–	–	–	–	–	2	2
Derivatives	–	–	–	–	–	–	306	(86)	–	–	306	(86)
Collective investment schemes	–	–	36	39	–	–	153	(100)	3	3	192	(58)
Participations	–	–	82	76	–	–	262	(125)	–	–	345	(49)
Investment property	–	–	–	–	–	–	1	2	–	–	1	2
Cash and deposits	5	4	–	–	–	–	–	–	–	–	5	4
Other assets	–	–	–	–	–	–	–	–	1	2	1	2
Investment return	**128**	**126**	**124**	**120**	**–**	**–**	**955**	**(386)**	**4**	**5**	**1,209**	**(135)**
Investment expenses											(31)	(21)
Net investment return after deduction of investment expenses											**1,178**	**(156)**

The net investment return of £1,178 million (2018: £(156) million) includes investment returns attributable to policyholders and shareholders. The main driver for the increase in investment return compared to the prior period is the impact of falling yields and positive equity market performance on net fair value gains and losses on collective investment schemes.

Amounts included as participations comprise collective investment undertakings where PLAL holds a greater than 20% interest.

Section A – Business and Performance continued

A.3 INVESTMENT PERFORMANCE CONTINUED
A.3.2 INVESTMENT INCOME AND EXPENSES CONTINUED
A.3.2.4 Investment income and expenses – SLAL

The table below presents the Company's actual investment income split by asset class. Expenses are shown in total as they all relate to investment management fees.

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total SLAL £m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investment income by asset category:												
Fixed and variable rate income securities	859	300	–	–	–	–	1,616	(253)			2,475	47
Equities	–	–	346	116	–	–	4,533	(4,151)			4,879	(4,035)
Loans and receivables	55	10	–	–	–	–	36	–			91	10
Derivatives	–	–	–	–	–	–	486	493			486	493
Collective investment schemes	–	–	1,038	222	–	–	2,826	(2,062)			3,864	(1,840)
Participations	–	–	747	303	–	–	3,458	(2,771)			4,205	(2,468)
Investment property	–	–	–	246	70	(47)	(30)	199			39	
Cash and deposits	42	13	–	–	–	–	–	–			42	13
Other assets	1	20	–	–	–	–	84	10			85	29
Investment return	**957**	**342**	**2,131**	**641**	**246**	**70**	**12,992**	**(8,763)**	**–**	**–**	**16,326**	**(7,711)**
Investment expenses											(80)	(40)
Net investment return after deduction of investment expenses											**16,246**	**(7,751)**

The 2018 comparatives included above are for the 4 month period post acquisition. Full year comparatives are available within the underlying SLAL SFCR for the year ended 31 December 2018.

The net investment return of £16,246 million (2018: £(7,751) million) includes investment returns attributable to policyholders and shareholders.

The main driver for the increase in investment return compared to the prior period is fair value gains arising in the period, mostly on equities and collective investment schemes and participations held in the policyholder funds reflecting global equity market gains in 2019. This compares to equity market falls seen during the last four months of 2018.

The amounts included for interest, dividend and rent have increased as the 2018 amounts reflect the shorter four-month period from 1 September 2018.

A.3.2.5 Investment income and expenses – PA(GI)

There was a small element (less than £1 million) of investment income arising from PA(GI)'s investment in collective investment schemes.

A.3.2.6 Investment income and expenses – SLPF

There was a small element (less than £1 million) of investment income arising from SLPF's investment in collective investment schemes.

A.3.2.7 Investment income and expenses – SLIDAC

A full year analysis of investment income split by asset class and the component of such income for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2019.

Section A – Business and Performance continued

A.3 INVESTMENT PERFORMANCE CONTINUED
A.3.3 INFORMATION ON SECURITISATION

The Group has limited direct investments in securitisation vehicles within its shareholder and non-profit funds (excluding unit-linked funds) of £326 million as at 31 December 2019 (2018: £235 million). The total investment return on these investments is £16 million (2018: £5 million). In addition, the Group carries out internal securitisations of ERM loans to facilitate inclusion in Matching Adjustment portfolios.

A further breakdown is shown in the table below. The Group adjustments relate to eliminations on consolidation for underlying ERM loans and the loans from SPVs, for PLL.

SLPF and SLIDAC have no investments in securitisations.

	PLL £m		PLAL £m		SLAL £m		Group adjustments £m		PGH Group £m	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investments in securitisation	2,613	1,660	35	33	131	136	(2,543)	(1,594)	236	235
Investment return	207	41	3	1	8	1	(202)	(38)	16	5

Any indirect exposures via the collectives falls within the unit-linked and with-profit funds where such investments are held primarily for the benefit of the policyholders and are not deemed significant to the Group.

The main risks that the securitised assets are exposed to are market and credit risk. The risk management procedures in respect of these risks are set out in section B.3.1.

A.4 PERFORMANCE OF OTHER ACTIVITIES
A.4.1 OTHER MATERIAL INCOME AND EXPENSES

Other material income and expense items for the year ended 31 December 2019 and 31 December 2018 are outlined below.

Year ended 31 December 2019	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Other income and expense items:							
Amortisation of acquired-in-force business and other intangibles	(12)	–	–	–	–	(383)	(395)
Other non-operating items	188	172	(3)	(65)	(3)	(458)	(169)
Finance costs attributable to owners	(15)	–	–	–	–	(112)	(127)
Total other income and expenses	**161**	**172**	**(3)**	**(65)**	**(3)**	**(953)**	**(691)**

Year ended 31 December 2018	PLL £m	PLAL £m	ALAC £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Other income and expense items:								
Amortisation of acquired-in-force business and other intangibles	(14)	–	–	–	–	–	(193)	(207)
Other non-operating items	84	(2)	(89)	2	(7)	–	(26)	(38)
Finance costs attributable to owners	(15)	–	–	–	–	–	(99)	(114)
Total other income and expenses	**55**	**(2)**	**(89)**	**2**	**(7)**	**–**	**(318)**	**(359)**

1 Other items comprise performance of SLPF, non life entities in the Group and the impacts of consolidation adjustments at the PGH Group level.

Section A – Business and Performance continued

A.4 PERFORMANCE OF OTHER ACTIVITIES CONTINUED
A.4.1 OTHER MATERIAL INCOME AND EXPENSES CONTINUED
A.4.1.1 Other income and expenses – PLL
Acquired in-force business of £388 million has been recognised on the IFRS balance sheet following various Part VII transfers into the Company from 2006 to 2012. This is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The remaining estimated life of the contracts is approximately 21 years. The amortisation charge for the period was £12 million (2018: £14 million).

Non-operating items other than investment return variances in 2019 include a £138 million gain recognised in respect of the 'Buy-in' arrangement with PGLPS (eliminated on consolidation at the PGH Group level); £46 million in respect of a reduction in future expense assumptions resulting from the revised MSA with the Service Companies; and £4 million in respect of the ALAC Part VII transfer.

Other non-operating items of £84 million include an £82 million gain in respect of the ALAC Part VII transfer, £49 million gain in respect of a strategic review of outsourcing relationships and a £(52) million loss in respect of charge capping for non-workplace pensions.

Finance costs attributable to owners of £15 million (2018: £15 million) relate to a £200 million 7.25% unsecured subordinated loan, for which further details are included in section D.1.2.

A.4.1.2 Other income and expenses – PLAL
Non-operating items other than investment return variances in 2019 include £178 million in respect of a reduction in future expense assumptions, resulting from the revised MSA with the Service Companies. Other non-operating items in 2018 of £(2) million loss relate to a £(15) million loss in respect of charge capping for workplace pensions and £13 million gain in respect of a strategic review of outsourcing relationships.

A.4.1.3 Other income and expenses – SLAL
Other non-operating items in 2019 include a £77 million one-off impact of expense assumption changes following SLAL entering into a master services agreement for the provision of services by the service company; a £24 million one-off impact on IFRS insurance contracts of establishing a reserve for expected future costs arising in relation to the reinsurance agreement with SLIDAC, a £48 million benefit from a reduction in the annuity sales provision and restructuring and corporate transaction expenses amounting to £12 million.

Other non-operating items in 2018 related to restructuring and corporate transaction expenses.

A.4.1.4 Other income and expenses – PA(GI)
Other non-operating items of £(3) million reflect the net movement on balances related to redress exposures arising from creditor insurance policies underwritten by the company prior to 2006.

A.4.1.5 Other income and expenses – SLIDAC
Full year details of other income and expenses for SLIDAC is included within the solo SFCR within section A.4.

Section A – Business and Performance continued

A.4 PERFORMANCE OF OTHER ACTIVITIES CONTINUED
A.4.1 OTHER MATERIAL INCOME AND EXPENSES CONTINUED
A.4.1.6 Other income and expenses – Other entities and consolidation adjustments

	Service Companiesn £m		Holding Companies £m		Consolidation Adjustments £m		Total other £m	
Year ended 31 December	2019	2018	2019	2018	2019	2018	2019	2018
Amortisation of acquired in-force business and other intangibles	–	–	–	–	(383)	(193)	(383)	(193)
Other non-operating items	13	3	(239)	(143)	(231)	114	(458)	(26)
Finance costs attributable to owners	–	–	(104)	(90)	(9)	(9)	(112)	(99)
Total other income and expenses	**13**	**3**	**(343)**	**(233)**	**(623)**	**(88)**	**(953)**	**(318)**

Amortisation of acquired in-force business and other intangibles of £383 million (2018: £193 million) was principally driven by a full 12 months amortisation charge in respect of the acquired-in-force business relating to the Standard Life Assurance businesses. The acquired in-force business is being amortised in line with the expected run-off profile of the profits to which it relates.

Other non-operating items of £(458) million (2018: £(26) million) mainly relate to Group consolidation adjustments in addition to external costs incurred or provided for with regard to transition activity and the transformation of the Group's operating model and extended relationship with Tata Consultancy Services. It also includes costs associated with preparations to ready the business for Brexit and costs related to other corporate related projects, including the Group's Internal Model harmonisation project and the acquisition of ReAssure Group. The prior period result included a gain on acquisition reflecting the excess of the fair value of the net assets acquired over the consideration paid for the acquisition of the Standard Life Assurance businesses.

Finance costs attributable to owners of £112 million (2018: £99 million) have increased by £13 million, reflecting the interest charges on the €500 million Tier 2 debt issuance in September 2018.

A.4.2 LEASING ARRANGEMENTS

The Group has adopted IFRS 16 Leases from 1 January 2019. The new standard replaces IAS 17 Leases and removes the classification of leases as operating or finance leases for the lessee, thereby treating all leases as finance leases. This has resulted in the recognition of the Group's previously classified operating leases on balance sheet as right of use assets and lease liabilities. The Group's finance leases in respect of ground rents payable in connection with investment properties are recognised as investment properties and lease liabilities.

As lessor, the Group and Life Companies primarily leases out investment properties. Rental income from these operating leases is recognised as income in the consolidated income statement on a straight-line basis over the period of the lease.

As lessee, the Group has elected not to apply the measurement requirements of IFRS 16 to its low value leases and as such costs of these leases are recognised on a straight-line basis as expense within administrative expenses.

The table below presents the operating lease rental income and expense for the period, which is included in total investment return and within administrative expenses. PA(GI), SLIDAC and SLPF have no lease arrangements.

	PLL		PLAL		SLAL		Other Group entities		PGH Group	
Year ended 31 December £m	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Rental income	26	22	–	–	246	76	26	10	298	108
Rental expense		2		–		–	1	7	1	9

A.5 ANY OTHER INFORMATION

There is no further material information to be disclosed regarding business and performance.

SECTION B
SYSTEM OF GOVERNANCE

IN THIS SECTION

SECTION B SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

This section provides information on the system of governance in place for Phoenix Group Holdings plc (the 'Group", 'PGH plc') and the 'Life Company' insurance subsidiaries (namely Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited).

Further details of the system of governance for the Standard Life Pension Fund Limited subsidiary is included within section B.1.7 Any material changes that have taken place over the reporting period are also included. Details of the structure of the Boards are provided, with a description of their main roles and responsibilities and those of the relevant committees, as well as a description of the main accountabilities and responsibilities of all key functions.

The system of governance in place for Standard Life International DAC ('SLIDAC') can be found in section B.1 of the SLIDAC SFCR for the year ended 31 December 2019.

B.1.1 SYSTEM OF GOVERNANCE

The objective of the Group's Governance Model is to ensure that management is empowered to run the business on a day-to-day basis in accordance with the delegated authority received from the respective Boards, whilst ensuring that Directors are able to discharge their statutory and regulatory responsibilities, and that the Boards have appropriate oversight and supervision of the Group's business. Accordingly, there is a clear organisational structure, with documented delegated authorities and responsibilities, from the PGH plc Board to the insurance subsidiary Boards and onwards to the Executive Committee ('ExCo') and divisional senior management.

There is a uniform model across the Group which sets the responsibilities of each Board and which also stipulates the matters reserved for each Board. Each Board has the power to manage the relevant subsidiary company in accordance with legislation (Companies Act), regulations (including the Listing, Prospectus and Disclosure Transparency Rules and the regulations of the FCA and the PRA), constitution (Memorandum and Articles of Association), and, where relevant, governance code (for example, the UK Corporate Governance Code). This also involves referral of certain matters to shareholders for approval. Therefore each Board:

- where relevant has the power to manage the insurance subsidiaries in accordance with laws and regulations;
- sets 'Matters Reserved' which is a schedule of items which must go to that Board for approval. This operates as an escalation route to ensure that relevant matters are referred up through the appropriate Board structures;
- delegates powers to Board committees through terms of reference; and
- delegates powers to Executive Directors and management through Delegations of Authority.

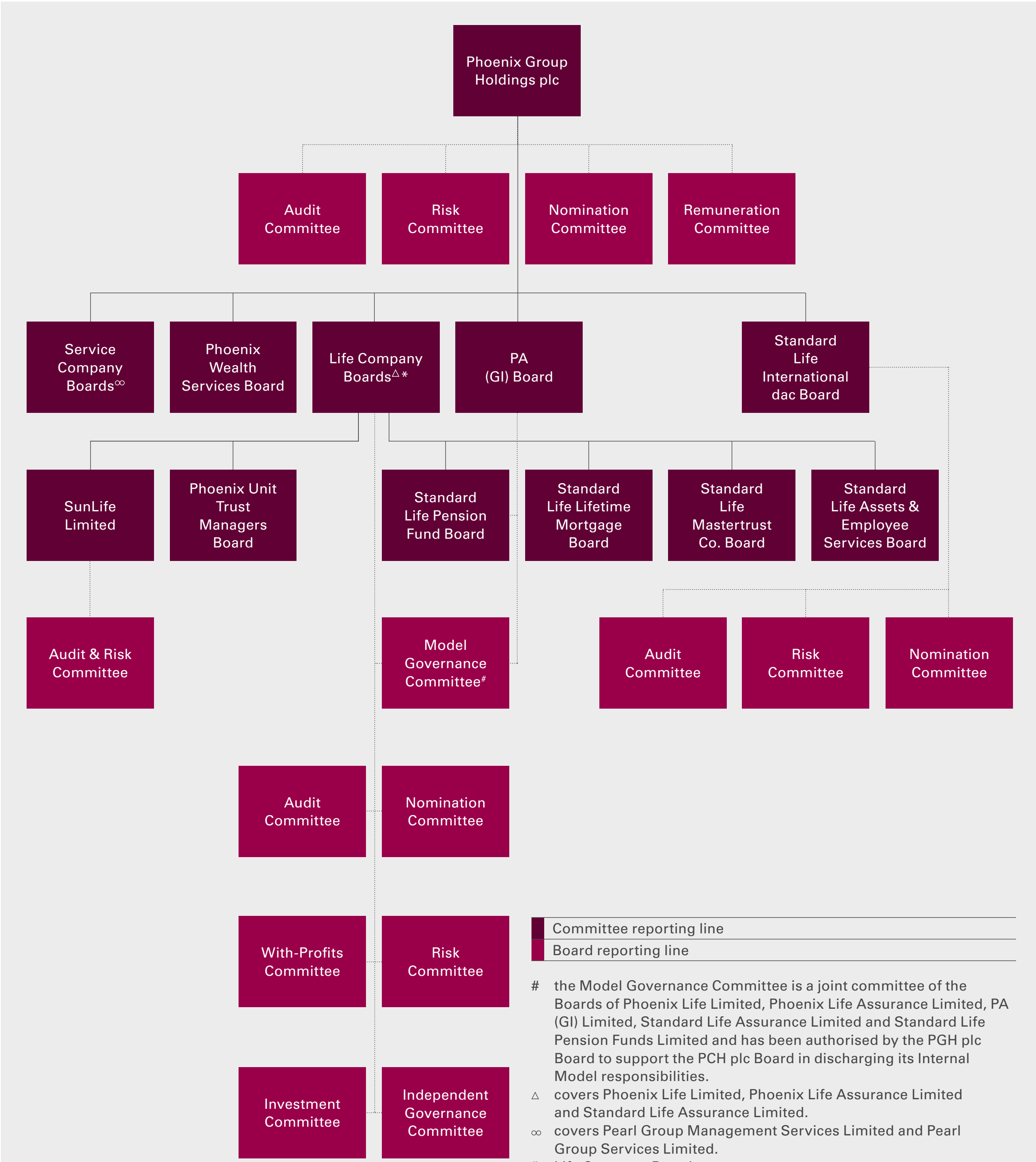
Management oversight committees support management in making decisions under the Delegations of Authority (and are also used to review proposals before they go to the Boards).

A system of Solvency II key functions (Actuarial, Internal Audit, Risk and Compliance) operates within the Group, reporting to both management oversight committees and Board committees accordingly. Representatives from Actuarial and Risk and Compliance functions are members of the ExCo (further information can be found in section B.1.4). In addition, the Internal Audit function reports directly to the Board Audit Committees. There are also a number of other key functions in the Group including Group Finance, Treasury, Tax, Legal Services, Human Resources ('HR'), Corporate Communications, Strategy and Corporate Development, Investor Relations and Company Secretariat.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.2 BOARD AND COMMITTEE STRUCTURE

The chart below shows the operating Boards and Board Committee structure within the Group as at 31 December 2019. The second chart shows their high level responsibilities.



\# the Model Governance Committee is a joint committee of the Boards of Phoenix Life Limited, Phoenix Life Assurance Limited, PA (GI) Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited and has been authorised by the PGH plc Board to support the PCH plc Board in discharging its Internal Model responsibilities.

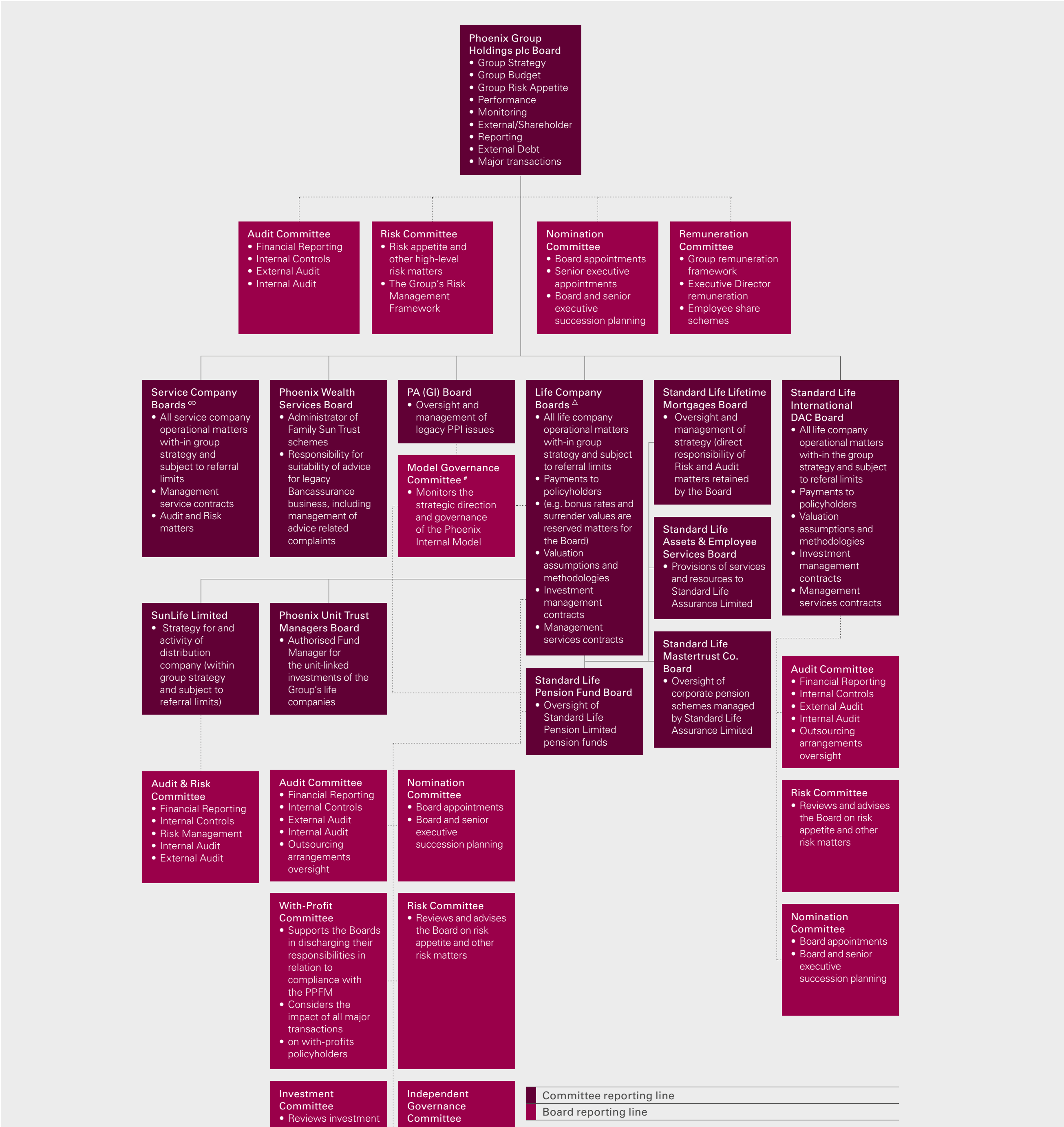
△ covers Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.

∞ covers Pearl Group Management Services Limited and Pearl Group Services Limited.

* Life Company Boards.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.2 BOARD AND COMMITTEE STRUCTURE CONTINUED



\# the Model Governance Committee is a joint committee of the Boards of Phoenix Life Limited, Phoenix Life Assurance Limited, PA(GI) Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited and has been authorised by the PGH plc Board to support the PGH plc Board in discharging its Internal Model responsibilities.

△ covers Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.

∞ covers Pearl Group Management Services Limited and Pearl Group Services Limited.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.3 PGH SYSTEM OF GOVERNANCE
B.1.3.1 Board responsibilities
PGH plc is listed on the London Stock Exchange. The Board is committed to high standards of corporate governance and complies with the UK Corporate Governance Code which sets standards in good practice for UK listed companies. The PGH plc Board sets the strategy and risk appetite for the Group and is responsible for elements of external and shareholder reporting.

B.1.3.2 Composition and running of the PGH plc Board
The PGH plc Board comprises 12 Directors including a Non-Executive Chairman, two Executive Directors and seven independent Non-Executive Directors ('NEDs'). Following the strategic partnership entered into with Standard Life Aberdeen plc ('SLA plc') in 2018, two senior SLA plc employees were appointed to the PGH plc Board at the time, Campbell Fleming and Barry O'Dwyer. Mr O'Dwyer was replaced by Mike Tumilty during 2019 following Mr O'Dwyer's departure from SLA plc . These NED positions are in addition to their current roles within SLA plc. Those performing roles which require approval pursuant to the Senior Managers and Certification Regime ('SMCR') have been duly approved.

The terms of appointment for the Directors state that they are expected to attend in person regular (at least six per year) and additional Board meetings and to devote appropriate preparation time ahead of each meeting. The PGH plc Board met nine times during 2019 and is scheduled to meet at least seven times in 2020 including for a two day strategy setting meeting. Additional meetings will be held as required and the NEDs will hold meetings with the Chairman, without the Executive Directors being present, as they did on several occasions in 2019.

B.1.3.3 PGH plc Board Committee Framework
The PGH plc Board has delegated specific responsibilities to four standing committees of the Board. The terms of reference of the committees can be found on the Group's website (http://www.thephoenixgroup.com/about-us/corporate-governance/board-committees/terms-of-reference.aspx) and further details are also available in the PGH plc Annual Report and Accounts for the year ended 31 December 2019. The four committees which support the PGH plc Board are:

- Audit Committee;
- Risk Committee;
- Nomination Committee; and
- Remuneration Committee.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.4 ROLE OF EXECUTIVE MANAGEMENT TEAM

The Executive Management team is led by the Group CEO, who is supported by the ExCo. Their roles at 31 December 2019 are summarised in the table below.

Name	Position	Roles and responsibilities
Clive Bannister	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. • Manages the Group's key external stakeholders.
James McConville	Group Finance Director and Group Director, Scotland	• Develops and delivers the Group's financial business plan in line with strategy. • Ensures the Group's finances and capital are managed and controlled. • Develops and delivers the Group's debt capital strategy and other treasury matters. • Ensures the Group has effective processes in place to enable all reporting obligations to be met. • Supports the Group Chief Executive Officer in managing the Group's key external stakeholders. • Enhances shareholder value through clear, rigorous assessment of business opportunities.
Andy Moss	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. • Ensures that Phoenix Life deploys capital efficiently and effectively, with due regard to regulatory requirements, the risk universe and strategy.
Susan McInnes	Chief Executive, Standard Life and Group Director, Open Business	• Leads development and delivery of the Standard Life business strategy including ensuring the customer proposition is evolved to ensure it continues to meet the market need. • Focuses 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	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. • Delivers HR services to the Group.
Tony Kassimiotis	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. • Ensures that the Group's procurement activities and shared services are efficient and effective.
John McGuigan	Group Head of Customer	• 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. • Provides customer oversight, complaint handling and remediation activity.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.4 ROLE OF EXECUTIVE MANAGEMENT TEAM CONTINUED

Name	Position	Roles and responsibilities
Jonathan Pears	Chief Risk Officer	• Leads the Group's risk management function, embracing changes in best practice and regulation including Solvency II. • Oversees and manages the Group's relationship with the FCA and PRA. • Supports the Board Risk Committee in the oversight of the Group's risk framework, in line with risk strategy and appetite. • Leads on the Group's ORSA.
Rakesh Thakrar	Deputy Group Finance Director	• Leads on the Group's Annual Report and Accounts and Pillar 3 reporting. • Manages the Group's financial plans and management information in line with strategy. • Contributes to the effective management of the Group's balance sheet and financial plan (including Mergers and Acquisitions ('M&A')). • Leads on all financial aspects of any M&A.
Simon True	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. • Identifies and delivers opportunities to enhance shareholder value across the Group.
Quentin Zentner	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. • Designs and implements a whistleblowing framework within the Group.

On 8 November 2019, the PGH Board announced that Clive Bannister would retire on 10 March 2020 following the publication of the Group's full year results. On 1 January 2020, Andy Briggs joined the business as CEO Designate, joining the PGH Board on 10 February 2020 and becoming the Group CEO on 10 March 2020 following Clive Bannister's departure. Andy Briggs' roles and responsibilities mirror those of Clive Bannister's as noted within the above table from that date.

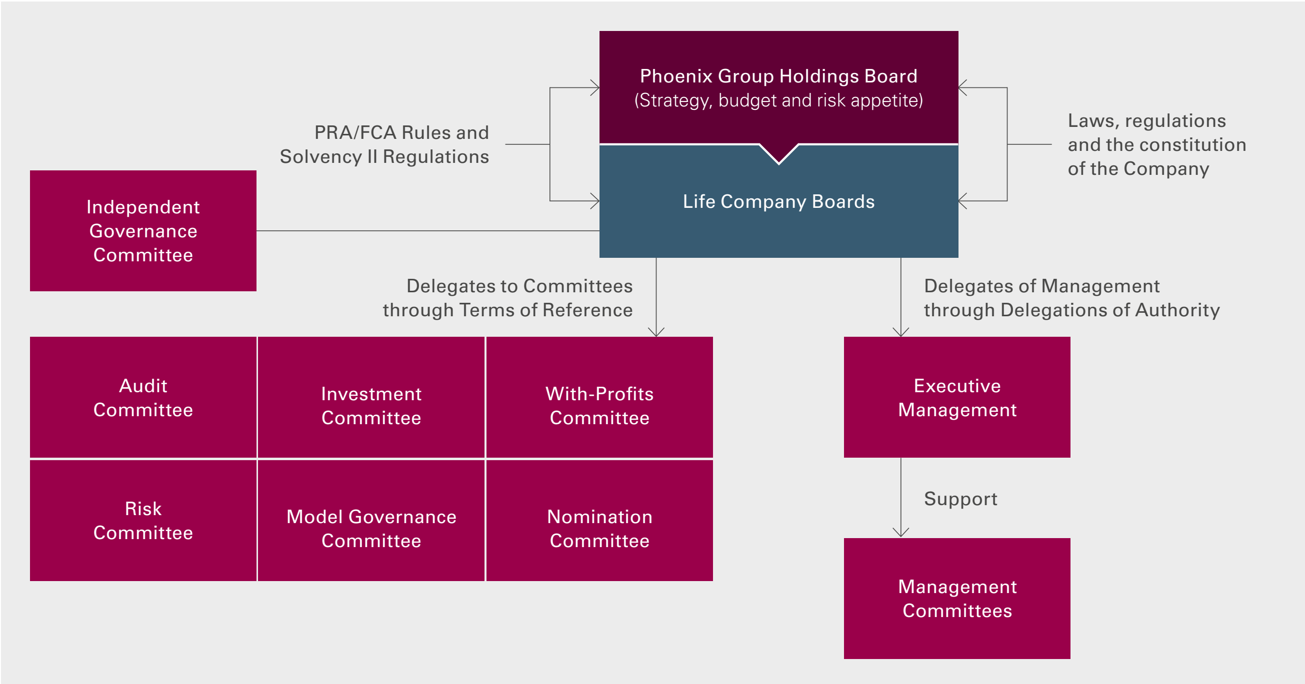
On 9 March 2020, the PGH Board announced that Jim McConville will be standing down on 15 May 2020. He will be succeeded by Rakesh Thakrar, the current Deputy Group Finance Director.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.5 BOARD AND COMMITTEE STRUCTURE – PLL, PLAL AND SLAL

The chart below summarises the governance and delegation structure of PLL, PLAL and SLAL as at 31 December 2019.



Following an initial period of holding separate meetings, the Phoenix Life Companies (PLL and PLAL) met concurrently with the Standard Life Assurance Limited Board from June 2019 onwards.

B.1.5.1 Roles and responsibilities of the PLL, PLAL and SLAL Boards

The PLL, PLAL and SLAL Boards are responsible and accountable for strategic matters (within the strategy set by the PGH plc Board), oversight of management and the performance of the PLL, PLAL and SLAL business.

The role of the PLL, PLAL and SLAL Boards are to:

- provide entrepreneurial leadership of PLL, PLAL and SLAL within a framework of prudent and effective controls which enable risks to be assessed and managed;
- set PLL, PLAL and SLAL's strategic aims, ensure that the necessary financial and human resources are in place for the Companies to meet their objectives, and review management performance; and
- uphold PLL, PLAL and SLAL's values and standards and ensure that obligations to its shareholders, policyholders and other stakeholders are understood and met.

B.1.5.2 Composition of the PLL, PLAL and SLAL Boards

During 2019, the PLL, PLAL and SLAL Boards comprised of twelve Board members, five of whom were Executive Directors and seven of whom were independent NEDs. From 1 January 2020, the number of Non-Executive Directors reduced to five.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.5 BOARD AND COMMITTEE STRUCTURE – PLL, PLAL AND SLAL CONTINUED
B.1.5.3 PLL, PLAL and SLAL Committee Framework

The PLL, PLAL and SLAL Boards have established and delegated specific responsibilities to the following standing committees of the Boards:

- Audit Committee;
- Investment Committee;
- Independent Governance Committee;
- Model Governance Committee ('MGC');
- Nomination Committee;
- Risk Committee; and
- With-Profits Committee.

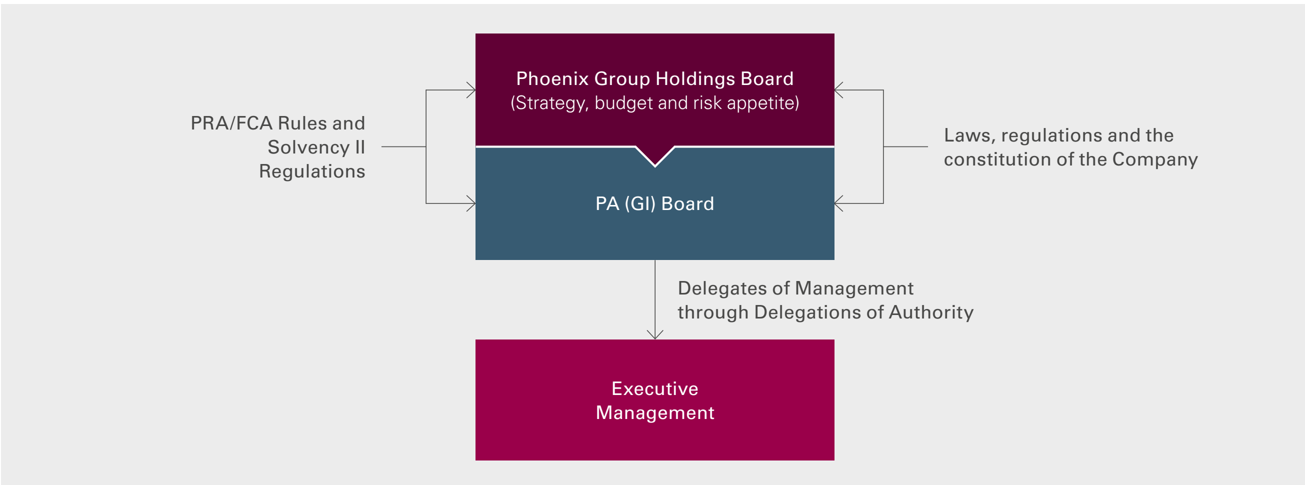
The Independent Governance Committee and With-Profits Committee are each chaired by an independent member of the committee who is not a Director. Both of these committees have a number of independent members who are not Directors.

The other standing committees of the PLL, PLAL and SLAL Boards are chaired by NEDs.

Further details regarding each of these committees are set out in section B.1.7.

B.1.6 BOARD AND COMMITTEE STRUCTURE – PA(GI)

The chart below shows the PA(GI) Board structure as at 31 December 2019.



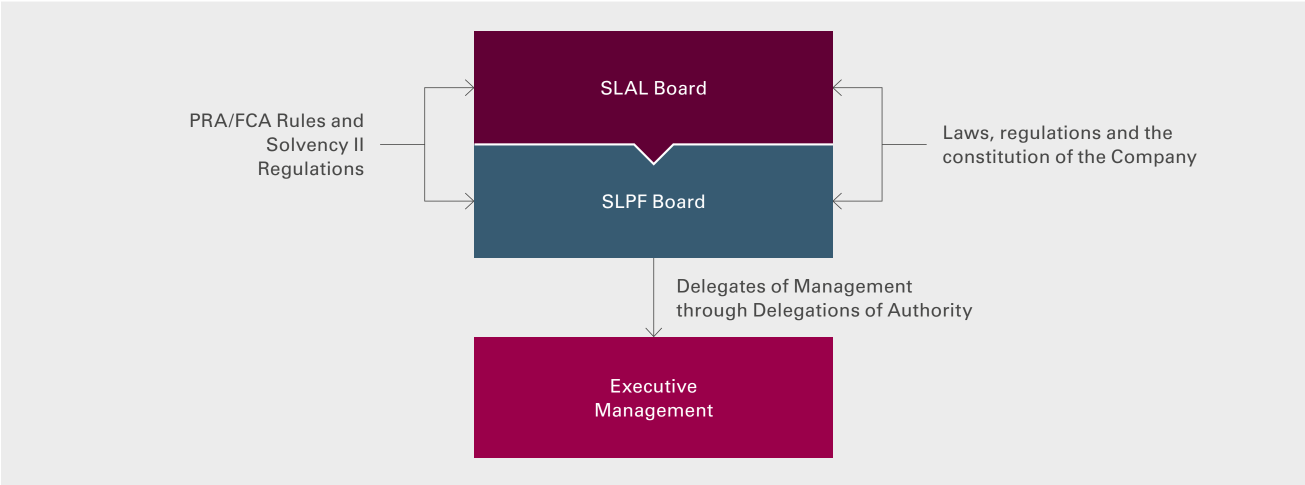
The PA(GI) Board comprises of four Executive Directors. The PA(GI) Board has one formal committee, the MGC, which is also a committee of the Boards of the Group's Life Companies. Further details are included in section B.1.7.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.7 BOARD AND COMMITTEE STRUCTURE – STANDARD LIFE PENSION FUNDS ("SLPF")

The chart below shows the SLPF Board structure as at 31 December 2019.



The SLPF Board comprises of two Executive Directors and a non-executive Chairman. The SLPF Board has one formal committee, the MGC, which is also a committee of the Boards of the Group's Life Companies. Further details are included in sections B.1.8 and B.1.9.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.8 COMMITTEES OF THE BOARDS

Details of the composition and role/duties of each standing committee of the Boards are outlined below:

Committee	Role, duties and responsibilities
Audit Committee	• Monitor the overall integrity of financial reporting. • Review the overall effectiveness of the relevant Company's internal control and risk management system and the Internal Audit function. • Agree the nature and scope of external audits and to oversee the relationship with the external auditors. • Monitor and review the effectiveness of the Finance function and the integrity of financial reporting. • Approve the remit of the Group Internal Audit ('GIA') function.
Investment Committee	• Establish and implement investment strategy and to regularly review investment and Asset Liability Management ('ALM') strategy whilst ensuring customers are treated fairly. • Initiate or review proposals for material changes in investment direction, and to approve such changes. • Review relative investment performance and oversee the governance of the relationships between the relevant Company and all investment managers, including oversight and review of fees, fee structures and Service Level Agreements. • Oversight and review the appropriateness of investment mandates. • Liaise with management committees which have responsibility for the shareholder impact of investment matters and also with the With-Profit Committee which has responsibility for the policyholder impact of investment matters.
Independent Governance Committee	• Act in the interest of members of the contract-based workplace pension schemes operated by the relevant Company and assess the ongoing value for money delivered by them.
Model Governance Committee	• Monitor the strategic direction and overall governance of the Internal Model used by the relevant Company. • Provide assurance to the relevant Board on the ongoing appropriateness, performance and effectiveness of the Internal Model.
Nomination Committee	• Lead the process for appointments and ensure that the Board retains an appropriate balance of skills, knowledge, experience and diversity to support the strategic objectives of the relevant Company. • Ensure there is a formal, rigorous and transparent approach to the appointment of Directors including maintaining an effective framework for succession planning. • Approve proposals for the appointment or removal of Directors to/from the Board. • Regularly review the structure, size and composition of the Board and make recommendations with regard to any changes that are deemed necessary. • Identify and nominate candidates to fill Board vacancies as and when they arise, and give consideration to succession planning. • Review annually the time required from NEDs and recommend the re-appointment to the Board of any NED at the end of their specified term of office.
Risk Committee	• Advise the relevant Board on all risk matters including risk appetite and tolerance in setting the future strategy. • Maintain the RMF, reviewing the risk appetite framework and limits. • Approve the overall risk management strategy and principal risk policies including monitoring compliance. • Oversight of the design and execution of the stress and scenario testing framework, and also ensuring that risks to the business plan are adequately identified and assessed through stress testing and scenario analysis.
With-Profits Committee	• Support the relevant Board in discharging its governance responsibilities in relation to compliance with the Principles and Practices of Financial Management ('PPFM'). • Assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on the way in which each with-profits fund is managed and whether this is properly reflected in the PPFM and on any other issue which the Board or Committee considers that with-profits policyholders might reasonably expect the Committee to be involved. • Provide independent judgement in the assessment of PPFM compliance and how any competing or conflicting rights and interests of policyholders and, if applicable, shareholders have been addressed. • Consider all major transactions involving the Company (for example Part VII transfers, reinsurances, outsourcing) to the extent to which they impact upon with-profit policyholders. • Consider at the request of the Board all proposals for the exercise of discretion in respect of non-profit policies and the conduct and overall approach to treating customers fairly.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.9 MODEL GOVERNANCE COMMITTEE

B.1.9.1 Roles and responsibilities of the MGC

The role of MGC is to monitor the strategic direction and overall governance of the Group's Internal Models. The Committee provides assurance to the relevant Boards on the ongoing appropriateness, performance and effectiveness of the Internal Models.

B.1.9.2 Composition and running of the MGC

The MGC is a committee of the Life Company, PA(GI) and SLPF Boards and also supports the PGH plc Board in discharging its Internal Model related responsibilities. MGC membership comprises a Non-Executive Chairman and thirteen other members of whom five are independent NEDs.

The MGC meets at least four times a year at appropriate times in the reporting cycle or more frequently as circumstances require.

The Committee Chairman reports in writing to the respective Boards on proceedings after each meeting, on all matters within its duties and responsibilities. This ensures the Boards receive appropriate information to ensure the Internal Model is operating properly on a continuous basis. The Committee makes whatever recommendations to the Boards it deems appropriate on any area within its remit where action or improvement is needed.

B.1.9.3 Assignment of responsibilities

The MGC has delegated the tasks required under the regulations to the Actuarial, Finance and Risk departments in accordance with their current responsibilities under a 'Three Lines of Defence' model (further details are included in the governance section of section B.3.2). The RMF is underpinned by the operation of the Governance model with clearly defined roles and responsibilities of Boards and their committees, management oversight committees, Group Risk and Group Internal Audit.

In their role as first line of defence (where risk is delegated from the Board to the Group CEO, ExCo members and through to business managers), the Finance and Actuarial departments have delegated responsibility for:

- design, implementation, operation and use of the Internal Model set by the Group Risk function;
- operation of the validation framework in line with the requirements set by the Risk Management function;
- documenting the Internal Model process and any subsequent changes; and
- informing the Board about the performance of the Internal Model, its limitations, areas needing improvement, and the status of activity to address previously identified weaknesses.

In its role as second line of defence (where risk oversight is provided by the Group Risk function, the PGH plc Board Risk Committee and the relevant Life Company Risk committees), the Risk function has delegated responsibility for governance and oversight of the Internal Model, including but not limited to:

- sponsorship of the model governance policy;
- ownership of the Internal Model validation framework;
- independent validation of the design, implementation and operation of the Internal Model, including compliance with the model governance policy; and
- in relation to independent validation activity performed and summary reports produced, informing the administrative or management body about the performance of the Internal Model, suggesting areas needing improvement, and providing a review of the Finance and Actuarial departments' reporting in relation to weaknesses and limitations of the Internal Model, and the activity to improve previously identified weaknesses.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED

B.1.10 KEY FUNCTIONS

Solvency II defines 'function' within a system of governance as an internal capacity to undertake practical tasks and to operate a system of governance which includes the Risk Management function, the Compliance function, the Internal Audit function and the Actuarial function.

The functions which operate within the Group are as follows:

- Risk Management function (see section B.3 for further details);
- Compliance function (see section B.4 for further details);
- Internal Audit function (see section B.5 for further details); and
- Actuarial function (see section B.6 for further details).

Their duties and responsibilities are allocated, segregated and coordinated in line with Phoenix Group policies. This ensures that all the important duties are covered and that unnecessary overlaps are avoided.

Further details on how the key functions have the necessary authority, resources and operational independence to carry out their tasks together with how those functions report to and advise the Boards of the Group are provided in the sections which cover each function (see sections B.3. B.4, B.5 and B.6).

B.1.11 REMUNERATION POLICY

This section details the remuneration policy in place for the Group for the year ended 31 December 2019.

The Group has one consistent remuneration policy for all levels of employees which is made available to all staff. Therefore, the same remuneration policy principles guide reward decisions for all Group employees, including Executive Directors, although remuneration packages differ to take into account appropriate factors for different areas of the business.

The Group-wide remuneration policy is overseen by the Remuneration Committee of PGH plc ('RemCo'). Further details on this Committee can be found in the PGH plc Annual Report and Accounts for the year ended 31 December 2019 and on the governance pages of the PGH plc website (http://www.thephoenixgroup.com/about-us/corporate-governance.aspx).

The policy focuses on ensuring sound and effective risk management and supports management in the operation of their business through the identification of minimum standards and key controls.

The key principles of the remuneration policy which applies across the Group are set out below.

a) **Attract, retain and motivate quality staff** – management keep remuneration practices under review to ensure that these support promotion of the long-term interests of the Group and its stakeholders and adequately and fairly reward staff.

b) **Remuneration is positioned appropriately against external benchmarks** – remuneration is benchmarked against independent third party data at appropriate intervals.

c) **Remuneration is aligned to the long-term success of the Company** – performance related components of remuneration are aligned to measures which reflect achievement of the Group's long-term success and strategy.

d) **Proportion of variable pay is appropriate and balanced and has due regard to any impact of risk** – the ratio of fixed to variable remuneration will differ depending on the specific incentive schemes in operation across the business. However, the Group seeks to ensure that an appropriate balance between fixed and variable remuneration is maintained for all employees, with the fixed proportion being sufficient to allow variable pay to operate on a fully-flexible basis, including the possibility of no payments of variable remuneration in a year. For Solvency II Identified Staff (further details are included in section B.2) there is also an appropriate balance between annual and long-term incentives, with the deferral of annual incentives into shares and all incentives including provision for the application of malus and clawback where appropriate.

e) **Independence and strong governance in decision-making processes** – as the policy is overseen by RemCo this ensures an appropriate level of independent challenge given RemCo exclusively comprises independent NEDs. Certain roles within control functions (Risk, Compliance, Internal Audit and Actuarial) are also subject to different variable pay arrangements which exclude any linkage to financial performance for annual incentives.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.11 REMUNERATION POLICY CONTINUED
B.1.11.1 Variable remuneration plans
Annual Incentive Plan

All permanent members of staff and Fixed term Contractors who are not in receipt of a 'completion payment' participate in an Annual Incentive Plan ('AIP').

For Group staff (with the exception of SunLife staff) this is subject to a mixture of Corporate (financial and strategic) and Personal (individual objectives) performance measures for all staff. This represents a balanced scorecard which includes customer metrics in addition to financial and personal measures.

The quantum of and the balance between Corporate and Personal performance measures varies between different levels of staff although from 2019 all colleagues below Exco+1 level have an equal split between corporate and personal elements. The Corporate performance measures apply on a Group-wide basis to produce a 'corporate factor' in calculating AIP outcomes.

For 2019, the selected performance measures for the corporate element of the AIP were as follows:

Performance Metric	Weighting of Corporate measure
Corporate measures for AIP in 2019	
Operating companies' cash generation	30%
Solvency II management actions	15%
Adjusted Shareholder Solvency II Own Funds	30%
Customer experience	25%

One-third of AIP outcomes for all senior management subject to the regulatory requirements was deferred for a period of three years under the Deferred Bonus Share Scheme; for ExCo this deferral was 40%.

Additionally, all permanent members of SunLife participated in an AIP similar in structure to the Group one described above with a mixture of Corporate (financial and strategic) and Personal (individual objectives) performance measures for all staff. The corporate element is however based on SunLife operating business.

AIP for Solvency II Identified Staff in Control functions (Audit, Risk, Compliance and Actuarial) is based on personal performance only so that their remuneration is not subject to the performance of any part of the business of which they have oversight.

Section B – System of Governance continued

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE CONTINUED
B.1.11 REMUNERATION POLICY CONTINUED
B.1.11.1 Variable remuneration plans continued
Long-term Incentive Plan
The Group operates a Long-term Incentive Plan ('LTIP') for selected senior members of staff.

RemCo sets performance measures for each LTIP grant. Performance measures include an appropriate mix of measures based on growth in suitable performance conditions set at the time of grant. Performance measures are subject to additional 'underpin' requirements which permit RemCo to reduce or prevent vesting in appropriate circumstances.

The weightings of the LTIP performance measures for 2019 are summarised below. Each performance measure is assessed over the period of three financial years from 2019 to 2021.

Performance Metric	Weighting of Corporate measure
Cumulative cash generation	40%
Return on Adjusted Shareholder Solvency II Own Funds	35%
Total Shareholder Return ('TSR')	25%
Total	**100%**

All 2019 LTIP awards are subject to a further underpin measure relating to debt and risk management within the Group. This 'underpin' also includes consideration of customer satisfaction and, in exceptional cases, personal performance.

The relative Total Shareholder Return ('TSR') measure is calculated against the constituents of the FTSE 250 (excluding Investment Trusts) with vesting commencing at median (25% of this part of the award) and full vesting at upper quartile levels, subject to an underpin regarding underlying financial performance.

B.1.11.2 Description of pension arrangements
All members of staff are invited to participate in the Group Personal Pension plan or other defined contribution pension arrangement that are open at that time. Where an individual is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance could be taken as a cash supplement (reduced for the impact of employers' National Insurance Contributions).

The Group does not operate any discretionary pension benefits. Death in Service benefits are provided to all staff.

B.1.11.3 Material transactions with shareholders and members of the Boards
There were no transactions with members of the PGH plc Board and insurance subsidiary Boards other than remuneration provided under the principles set out above.

Details of the actual remuneration of the members of the PGH plc Board are set out in the Directors' remuneration report of PGH plc in the PGH plc Annual Report and Accounts for the year ended 31 December 2019 (see pages 76 to 105).

Material transactions with shareholders reflect the payment of dividends, of which further details can be found in the Directors' Report included in the PGH plc Annual Report and Accounts for the year ended 31 December 2019 (see page 106).

Section B – System of Governance continued

B.2 FIT AND PROPER REQUIREMENTS

This section provides information on the specific requirements concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or hold other key functions; and how they are assessed to be 'fit and proper'.

B.2.1 SENIOR MANAGERS AND CERTIFICATION REGIME ('SMCR')

The aim of the SMCR is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their assigned responsibilities, conduct and competence.

The SMCR aims to:

- encourage a culture of employees at all levels taking personal responsibility for their actions; and
- make sure companies and employees clearly understand and can demonstrate where responsibility lies.

The SMCR contains three separate elements:

- the Senior Managers Regime;
- the Certification Regime; and
- Conduct Rules.

Senior managers who perform key roles (referred to as 'SMF' roles) will need PRA and FCA approval before starting their roles. The regime makes these individuals accountable for the sound and prudent management of their firm and requires them to behave with appropriate integrity, honesty and skill.

The table below provides a summary of SMCR impacted individuals and SMF Roles in insurance companies within Phoenix Group.

SMF1 – Chief Executive	SMF12 – Chair of Remuneration Committee
SMF2 – Chief Finance Function	SMF14 – Senior Independent Director
SMF3 – Executive Director	SMF15 – Chair of With-Profit Committee
SMF4 – Chief Risk Function	SMF16 – Compliance Oversight
SMF5 – Head of Internal Audit	SMF17 – Money Laundering Reporting Officer
SMF7 – Group Entity Senior Manager	SMF18 – Other Overall Responsibility
SMF9 – Chair of Governing Body	SMF20 – Chief Actuarial Function
SMF10 – Chair of Risk Committee	SMF20a With-Profits Actuary
SMF11 – Chair of Audit Committee	SMF24 – Chief Operations Function

The certification regime has a broader application and impacts a greater number of individuals. The company and its senior managers are responsible for the design, management and oversight of the Certification Regime.

All other staff, with a few exceptions of staff not dealing with customers, must comply with the FCA conduct regime.

Section B – System of Governance continued

B.2 FIT AND PROPER REQUIREMENTS CONTINUED

B.2.1 SENIOR MANAGERS AND CERTIFICATION REGIME ('SMCR') CONTINUED

The key components of the SMCR regime comprise:

- a management responsibilities map – detailing senior manager roles and responsibilities, governance structures, matters reserved for the Board and the remit and function of committees;
- statements of responsibility – a summary of individual responsibilities for each key individual captured by the regime;
- handover procedures – to ensure a senior manager taking up a new role has the information and materials needed to perform their new role;
- prescribed responsibilities – 17 responsibilities specified by the regulators that must be allocated to a senior management function holder;
- conduct requirements – rules and standards to be adhered to by all individuals within the scope of the regime;
- fitness and propriety – the requirement to assess the fitness and propriety of certification function holders and individuals holding senior management functions; and
- reasonable steps – the requirement that senior management function holders take reasonable steps to discharge their responsibilities and make records to evidence their actions.

B.2.2 PROCESS FOR ASSESSING FITNESS AND PROPRIETY

The Group has a number of policies and processes established which apply to all regulated entities and provide appropriate guidance and governance to ensure that those effectively running the Group have and maintain appropriate fit and proper status during their appointment. These policies and processes include the requirements to:

- identify and maintain accurate records of all Approved Person, which includes Senior Management Function holders and Certified Individuals, sufficient to meet the requirements of the FCA and PRA;
- ensure new appointments are appropriately authorised, including skills analysis, competence assessment and relevant development plan documentation and monitoring;
- maintain a Group Approved Persons Framework to provide direction and guidance to the Group's Approved Persons ensuring they understand and can evidence how they meet their regulatory requirements;
- complete periodic assessments of Approved Persons to determine their ongoing competence, including consideration of performance development rating, Disclosure and Barring Service ('DBS') check, periodic financial check and interim self-certification;
- maintain an effective performance management framework, ensuring that the performance of employees is effectively managed;
- motivate and retain the right employees through appropriate reward structures;
- deliver an appropriate organisational culture through embedding appropriate values and behaviours;
- identify, plan and implement effective learning and development activities; and
- provide guidance, information and advice regarding the requirements, expectations and obligations of an Approved Person role.

Evidence of adherence to these standards is monitored on a quarterly basis and recorded within the Group centralised risk management system.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

This section provides a description of the Group's Risk Management Framework ('RMF') including information on how the risk management functions are implemented and integrated into the organisational structure and decision-making processes of the Group.

B.3.1 RISK MANAGEMENT FUNCTION

The purpose of the Group Risk function is to promote informed decision-making and controlled risk-taking that improves customer outcomes and delivers long-term value for shareholders. Group Risk provides guidance, advice, challenge, independent review and assurance of the Group's key activities and develops the regulatory relationships that help deliver our strategy. Group Risk also designs and implements the RMF that supports the execution of the Group's strategy.

The Group Risk function is led by the Group Chief Risk Officer ('CRO'). To support our Life Company operating model, a Life Company CRO reports into the Group CRO. The Group Risk function is comprised of the following areas:

- Operational Risk
- Conduct and Compliance
- Financial Risk
- Risk Strategy and Reporting
- Information Security, Data Protection and Financial Crime
- Regulatory Relationships
- Standard Life International Risk

All teams have Group-wide remits with the exception of the Standard Life International Risk team.

Section B – System of Governance continued

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

B.3.2 RISK MANAGEMENT FRAMEWORK

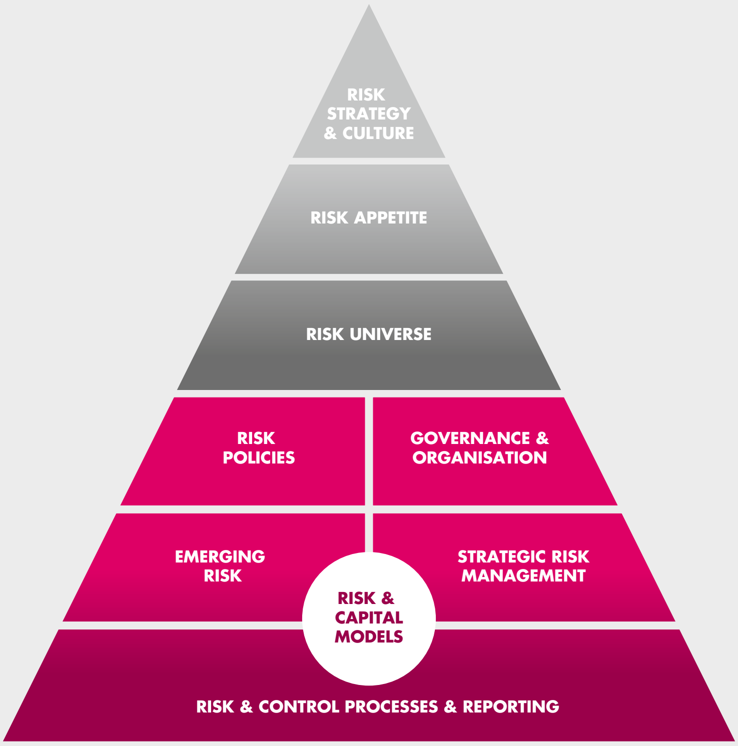
Risk management is the process by which risks are identified, assessed, measured, monitored, reported on and mitigated as necessary.

Achieving the Group's strategy requires strong risk management at all levels of the organisation and a positive risk culture that supports informed decision-making and controlled risk-taking. The Group has developed specialist capabilities in the management of certain risk categories including customer treatment, proposition, capital management, tax, outsourcing and expense management.

The Group's RMF enables the business to analyse its risk exposures and capital requirements, use this analysis to reduce exposure to unwanted risks, optimise capital allocation, and ensure the efficient release of capital to improve cashflows.

The RMF embeds proactive and effective risk management across the Group. It seeks to ensure that risks are identified and managed effectively and that the Group is appropriately rewarded for the risks it takes.

Over 2019 the Group has completed work to design and implement a harmonised framework that takes the best of the legacy-Phoenix and legacy-SLAL frameworks and is fit for purpose in managing the risks to the enlarged Group.



Group Risk conducts an annual assessment of the Group's adherence to the RMF that provides assurance to management and the Boards that the RMF has been implemented consistently and is operating effectively across the Group.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

B.3.2 RISK MANAGEMENT FRAMEWORK CONTINUED

Risk Strategy and Culture

Risk Strategy – The Group's risk strategy is to take rewarded risks that are understood, managed effectively and are consistent with the overall Group vision, purpose and mission. The Group delivers its risk strategy not by risk avoidance, but through the identification and management of an acceptable level of risk ('risk appetite') which ensures that the Group is appropriately rewarded for the risks that are taken.

Risk Culture – Risk culture is the sum of the Group's shared values, behaviours and attitudes towards risks faced by the Group and its customers. The risk culture reflects the way the Group thinks and acts, both individually and collectively. Phoenix seeks to grow an environment that supports informed decision-making and controlled risk taking. The creation of this environment is enabled through the Group's values of Passion, Responsibility, Growth, Courage and Difference. Underpinning each of these are the individual and collective attitudes and behaviours that allow this environment to be realised. Indicators of risk culture include focus on customers, encouragement of challenge, willingness to talk about and learn from mistakes, effectiveness of governance, and rewarding good risk management.

Risk Appetite

Risk appetite is used to define the amount of risk that the Group is willing to accept in the pursuit of enhancing customer and shareholder value and attaining our strategic objectives.

The risk appetite statements establish the risk boundaries within which the Group is prepared to operate, sets the tolerance for delivery against objectives and is a key tool in balancing the interests of different stakeholders. They also encapsulate the risk appetite for policyholder security and conduct, earnings volatility, liquidity and our control environment. The following Risk Appetite statements are adopted by the Group:

Capital – The Group and each Life Company will hold sufficient capital to meet business requirements including those of key stakeholders in a number of Board approved asset and liability stress scenarios.

Cashflow – The Group and each Life Company will seek to ensure that it has sufficient cash flow to meet its financial obligations under a range of Board approved scenarios.

Shareholder Value – The Group only has appetite for risks that are rewarded, adequately understood and controlled; and consistent with the Group's strategy. The Group will take action to grow and protect shareholder value.

Control – The Group and each Life Company will, at all times, operate a strong control environment to ensure compliance with all internal policies, applicable laws and regulations, in a commercially effective manner.

Conduct – The Group has no appetite for deliberate or negligent actions leading to unfair customer outcomes, poor market conduct or reputational damage. Where unfair outcomes arise, the Group has a low appetite for delays in rectification.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

B.3.2 RISK MANAGEMENT FRAMEWORK CONTINUED

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
- Operational Risk

The Group has also defined a more granular categorisation for 'Level 2' risks. This helps to further explain our attitude to these risks.

Further details of the Group's principal risks are included within the Risk Management section of the Group's 2019 Annual Report and Accounts.

Risk Policies

The Group Risk 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 the Group. The policies contain the minimum control standards to which each business unit must adhere. 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 standards required in order to manage the risk to an acceptable level; and
- The frequency of the control's operation.

The Group Risk Policies are mapped to risks across the Risk Universe to ensure complete coverage of all material risks. As part of the Risk Policy harmonisation process between legacy-Phoenix and legacy-SLAL in 2019, a Group Conduct Risk Framework has been developed. This provides a consistent and comprehensive approach to the management of conduct risk and risks to the achievement of customer outcomes across the Group. The Conduct Risk Framework overarches all risk policies to provide a holistic view of conduct risk.

Section B – System of Governance continued

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

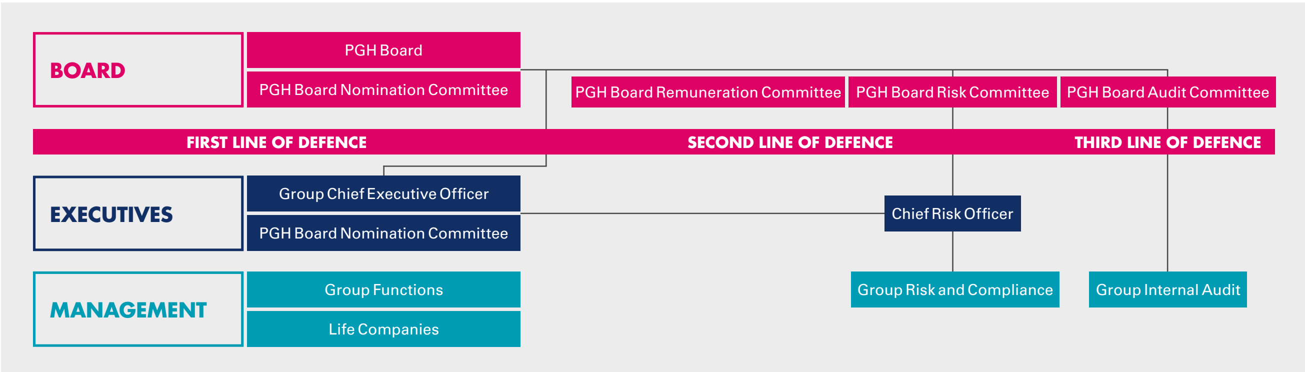
B.3.2 RISK MANAGEMENT FRAMEWORK CONTINUED

Governance and Organisation

The RMF sets out a three lines of defence model with clearly defined roles and responsibilities for all components. Risk accountability and ownership is embedded in Line 1.

Overall responsibility for approving the RMF rests with the Board, with maintenance and review of the effective operation of the RMF delegated to the Group Board Risk Committee. This delegation also includes approval of the overall risk management strategy and the review and recommendation to the Board of the relevant risk policies, risk appetite statements, risk profile and any relevant emerging risks.

The governance framework in operation throughout the Group can be found in the chart below.



First Line: Risk Management

Management of risk is delegated from the Board to the Group Chief Executive Officer, Executive Committee members and through to business managers. Line 1 is responsible for implementation of the RMF, ensuring that risks to the Group and its customers are identified, assessed, controlled, monitored, managed and reported.

Second Line: Risk Oversight

Risk oversight is provided by the Group Risk Function and the Board Risk Committee. Group Risk provides a common Risk Management Toolkit to support Line 1 in their management of risks. The purpose and responsibilities of the Group Risk function are set out in its annual Risk Function Mission and Mandate.

Third Line: Independent Assurance

Independent verification of the adequacy and effectiveness of the internal controls and risk management is provided by the Board Audit Committee, supported by the Group Internal Audit function.

Emerging Risk

The Group defines an emerging risk (or opportunity) as an event that is perceived to be potentially significant but is not yet fully understood. Mitigating action may not be necessary until further information is known about the impact.

The distinction between a risk and emerging risk predominantly relates to the time horizon, with emerging risks generally being medium to longer term in nature. In many cases the potential impact, including whether there is one, for the Group is not yet clear and may change over time.

The Group captures emerging risks, and emerging opportunities, in a dashboard covering potential likelihoods, timeframes and impacts.

Senior management and the Board regularly review and challenge the validity of the dashboard and also discuss items which should be added. These conversations help drive out potential new risks and opportunities, pulling on the collective expertise and experiences of senior individuals.

Section B – System of Governance continued

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

B.3.2 RISK MANAGEMENT FRAMEWORK CONTINUED

Strategic Risk Management

Strategic risks threaten the achievement of the Group strategy through poor strategic decision-making, implementation or response to changing circumstances. The Group recognises that core strategic activity brings with it exposure to strategic risk.

The identification and assessment of strategic risks is an integrated part of the RMF; Strategic Risk is a Level 1 Risk Category in the Group's Risk Universe.

A strategic risk policy is also maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Life Company and Group's strategic ambitions.

Risk and Capital Models

A continuous process is followed for the identification and assessment of risk types and the corresponding resilience of the Group's capital position. The Group continually strives to enhance its internal risk and capital models and the related modelling must be sufficiently accurate to enable appropriate ranking and management of risks.

Under Solvency II, the development and production of any Internal Model output contributing to regulatory capital requirements must comply with validation standards. This is supported by a Model Governance Policy, which sets out the standards that must be satisfied to demonstrate meeting the self-assessment tests. The output of the Internal Model is used within the Group's ORSA process to provide insight into the risks of Group objectives.

Our Stress and Scenario Testing Programme uses the Internal Model to assess the capital impact of a range of plausible and extreme stresses.

Risk Control Processes and Reporting

Identification, assessment, management and reporting of risks, including learning lessons from incidents, is undertaken across the three lines of defence, and reported through business and management governance to the relevant Boards and Committees.

Section B – System of Governance continued

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

B.3.3 OWN RISK AND SOLVENCY ASSESSMENT PROCESS ('ORSA')

The Group's ORSA cycle includes a set of inter-linked risk management, capital and strategic processes that occur throughout the year.

The ORSA provides:

- a linkage between strategy, risk, capital and stress testing, as well as the effectiveness of management actions required to meet strategic objectives;
- processes to identify, assess, control and monitor risks that the Group faces;
- an understanding of current and potential risks to the business; including financial and non-financial risks under base and stressed scenarios;
- our appetite to accept these risks and how the Group manages them;
- a forward looking, internal assessment of the Group's solvency position in respect of its risk profile and how it is likely to change given business plans and strategy.

The ORSA plays an important role in supporting strategic decision-making and strategy development at our Boards and committees.

The Group's ORSA Report is reviewed and approved at least annually by the Boards of the Group and the insurance entities in scope of the Group's ORSA Policy.

Section B – System of Governance continued

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT CONTINUED

B.3.4. RISK MANAGEMENT AND INTERNAL MODEL GOVERNANCE

The Group has two PRA approved Internal Models, which means that the capital the Group holds is directly related to the risks the Phoenix and Standard Life entities respectively are exposed to and takes account of the benefit from the risk management tools in place. The governance in place for the Internal Models ensures that they remain up to date and appropriate for use, for example via regular assessments of the risk environment as reported in the ORSA summary.

The Group currently uses a Partial Internal Model to calculate Group SCR, aggregating outputs from the existing Phoenix Internal Model, the Standard Life Internal Model and Standard Life International's Standard Formula, without further diversification. A harmonisation programme to combine the two Internal Models into a single Internal Model is ongoing, which will allow the Group to adopt a harmonised view on risk across the Group.

The Model Governance Committee has specific roles and responsibilities in relation to the governance of the internal model on an ongoing basis. The Committee monitors the strategic direction and overall governance of the Internal Model and provides assurance to the relevant Board on the ongoing appropriateness, performance and effectiveness of the Internal Model.

Full details of the Committee's responsibilities are set out in its terms of reference.

The validation process which is used to monitor the performance and ongoing appropriateness of the internal model is carried out by the Group Financial Risk team. The output of this activity is presented to the Model Governance Committee through a quarterly validation report. The process is as follows:

- All proposed internal model methodology changes are reviewed extensively within the first line before undergoing a robust second line independent review and challenge. The second line review conclusions are presented to the Model Governance Committee alongside the first line proposal for approval.
- All methodology underlying the internal model is subject to a comprehensive periodic review within the first line. The second line will independently review the appropriateness of the conclusions following this process, as well as initiate their own periodic reviews. External expertise may be sought to add new insight into the review and challenge process.
- The Solvency II Pillar 1 balance sheet results are subject to second line independent review and challenge. In particular, the appropriateness of the SCR is considered from both a top-down and bottom-up perspective alongside a review of the control environment underlying the production process.

Section B – System of Governance continued

B.4 INTERNAL CONTROL SYSTEM

B.4.1 INTERNAL CONTROL FRAMEWORK

The Group's Internal Control Framework places reliance on the effective operation of a 'Three Lines of Defence Model', which is outlined in section B.3.2.

The following five key elements are required in order to ensure the effective operation of the Internal Control Framework thereby enabling Lines 1, 2 and 3 to fully discharge their responsibilities:

- **Key Controls:** The identification of the key controls within the business to effectively manage risks within risk appetite. This is undertaken as part of the Group Policy refresh process as outlined in the Group Policy Framework. This outlines the process for developing and maintaining a Risk Policy for each Level 2 risk category within the Risk Universe. Each of the Risk Policies contains a description of:
  - 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; and
  - the Minimum Control Standards ('MCS') required in order to manage the risk within appetite.
- **Expected evidence:** For each of the MCSs defined, ensuring that there is a clear articulation of the expected evidence to support an assertion that the MCS is operating effectively.
- **Self-assessment:** The quarterly assessment is performed by designated control owners of the operating effectiveness and design of each MCS in line with the Risk & Control Self-Assessment ('RCSA') process.
- **Controls assurance program:** Implementation of a proportionate program of controls assurance activity by Line 1 supported by further risk review and assurance activity in Lines 2 and 3:
  - Line 2 – risk reviews that provide assurance regarding Line 1 adherence to the RMF and sample testing of integrity of completed MCS assessments;
  - Line 3 – independent assessments to provide assurance that all significant risks have been identified and appropriately reported and opining as to whether they are adequately controlled.
- **Control Management Information ('MI') reporting:** Reporting on MCS performance to provide assurance and MI to all stakeholders confirming that the controls are operating as expected or highlighting exceptions as required. This in turn enables the data to be incorporated and referenced with Line 1 and Line 2 risk reporting to appropriate management committees and boards.

Each of these elements is an integral part of the Group's RMF (see section B), in particular Risk Appetite; Governance and Organisation; Risk Policies; and Risk & Control Processes and Reporting.

B.4.2 THE COMPLIANCE FUNCTION

The Compliance Oversight requirements of the Compliance function are delivered by the Conduct and Compliance team which sits within Group Risk. This is an independent function in the second line and provides assurance to the Boards that the Group is operating within a compliant framework. Whilst compliance with regulation remains the responsibility of senior management assigned to specific roles, the Conduct and Compliance function ensures that the appropriate mechanisms exist to support management in discharging their responsibilities to this end. The Conduct and Compliance function provides assurance through its annual Compliance Monitoring plan, which is developed through a risk-based approach and approved by the relevant Board Risk Committee.

The Policy, Advice and Guidance team monitors regulatory and industry developments which may impact the Group and its policyholders and ensures that these developments are identified in a timely manner, interpreted, cascaded appropriately, and that relevant actions are agreed and effectively implemented. The team, which supports both Group and the Life Companies, monitors the delivery of actions, providing challenge, oversight and senior management assurance around the effective management of regulatory risk in this regard.

Section B – System of Governance continued

B.5 INTERNAL AUDIT FUNCTION

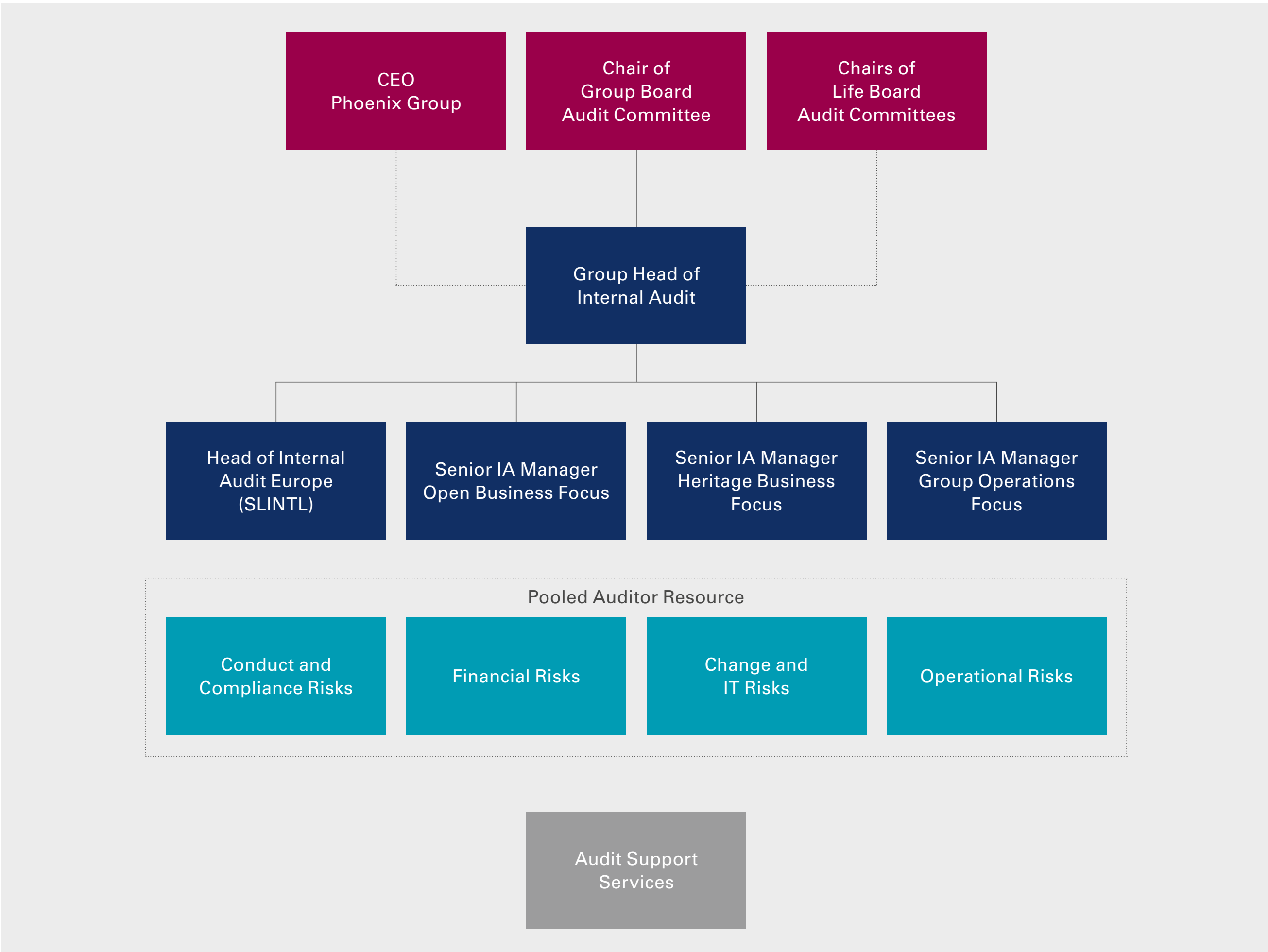
The primary role of the Phoenix Group Internal Audit ('PGIA') function is to support the Board and Executive Management in protecting the assets, reputation and sustainability of the organisation. This is achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

PGIA operates in compliance with the International Standards for the Professional Practice of Internal Auditing, the Internal Audit Code of Ethics, the Guidance on Effective Internal Audit in the Financial Services Sector and Internal Audit guidance provided by the European Confederation of Institutes of Internal Audit ('ECIIA').

The full Internal Audit Charter can be found on the governance pages of the Group's website (http://www.thephoenixgroup.com/about-us/corporate-governance/board-committees/audit-committee/group-internal-audit-charter.aspx).

B.5.1 STRUCTURE OF INTERNAL AUDIT

A summarised structure chart for the Phoenix Group Internal Audit function (as at 31 December 2019) is shown below:



Section B – System of Governance continued

B.5 INTERNAL AUDIT FUNCTION CONTINUED
B.5.2 ROLES AND RESPONSIBILITIES OF INTERNAL AUDIT

The Internal Audit scope is unrestricted and there are no aspects of the organisation which PGIA is prohibited from reviewing. Key business risk areas and industry themes identified both internally and externally, are prioritised to receive more extensive coverage, regular ongoing review and opinion formation.

The function has a number of responsibilities, including the following:

- Production of Internal Audit plans: PGIA plans, and material changes to plans, are approved by the Group Board Audit Committee BAC ('BAC') (further details on the Committee are included in Section B.1). They have the flexibility to deal with unplanned events to allow PGIA to prioritise emerging risks. Changes to the audit plan are considered through PGIA's ongoing assessment of risk. In setting its plans, PGIA takes into account business strategy, risk and control culture. PGIA forms an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assesses how effectively these risks are being managed. PGIA's independent view is informed, but not determined, by the views of Management or the Risk function. In deciding the audit plan, PGIA focuses on areas where it considers risk to be higher and will not necessarily cover all risk universe scope areas every year.
- Oversight of Internal Audit functions: In the case of the Group's OSPs, PGIA operates a risk-based oversight model to ensure the activities of the outsourced Internal Audit functions meet PGIA standards (which are aligned to Chartered Institute of Internal Audit standards).

B.5.3 REPORTING

PGIA attends and issues reports to the PGH BAC and Phoenix Life BACs (see section B.1.6) and any other governing bodies and Board committees as appropriate.

PGIA's reporting to the PGH BAC includes significant control weaknesses, root-cause analysis, themes and a view on management's remediation plans. Bi-annually, PGIA provides an opinion on the strength of the design and operation of the Risk Management/Internal Control Framework (and adherence to the risk appetite framework across the business).

B.5.4 INDEPENDENCE AND OBJECTIVITY OF THE INTERNAL AUDIT FUNCTION

In order to maintain its independence and objectivity from the activities it reviews, PGIA ensures the following:

- The Group Head of Internal Audit ('GHIA') reports to the Group BAC (through the Chair) and to the CEO on a day-to-day basis. The GHIA is supported by a Head of Internal Audit for SL International ('SLIHIA'), whose primary focus is Phoenix's European business.
- Where the GHIA's tenure exceeds seven years, the Group BAC will explicitly assess independence and objectivity annually. The Group BAC Chair is the final approval point for recommendations made by the CEO regarding the performance objectives, appraisal, appointment or removal of the GHIA, as well as the overall compensation package of the GHIA which is further ratified by the RemCo.
- The remuneration of the GHIA, the SLIHIA and the Senior Internal Audit Managers is structured in a manner such that it avoids conflicts of interest, does not impair independence and objectivity and is not directly or exclusively linked to the short term performance of the organisation.
- The GHIA ensures that PGIA remains free from anything that impacts its ability to carry out its responsibilities in an unbiased manner.
- PGIA has the right to attend and observe all or part of executive management meetings and any other key management decision-making forums. It also has sufficient and timely access to all Board and Executive management information and a right of access to all of the organisation's records, necessary to discharge its responsibilities.
- Effective Risk Management, Compliance and other assurance functions are an essential part of the Group's corporate governance structure. PGIA is independent of these functions and is neither responsible for, nor part of, them. In evaluating the effectiveness of internal controls and risk management processes, in no circumstances does PGIA rely exclusively on the work of these other assurance providers. PGIA exercises informed judgement as to when to leverage the work of other assurance providers and always examines for itself an appropriate sample of the activities under review, after a thorough evaluation of the effectiveness of other assurance providers' work in relation to the applicable area.

B.5 INTERNAL AUDIT FUNCTION CONTINUED

B.5.4 INDEPENDENCE AND OBJECTIVITY OF THE INTERNAL AUDIT FUNCTION CONTINUED

It is acknowledged that GIA may also be asked, by the Board or Executive Management, to provide consultancy, advisory and/or undertake investigative assignments. In these circumstances, the results of any such activities would always be shared with the Chair of the Group BAC, regardless of the origin of such request.

GIA co-operates with the Group's nominated External Auditors, generally through the sharing of planning information and audit results.

B.6 ACTUARIAL FUNCTION

B.6.1 ORGANISATIONAL STRUCTURE

The Actuarial function within the Group comprises:

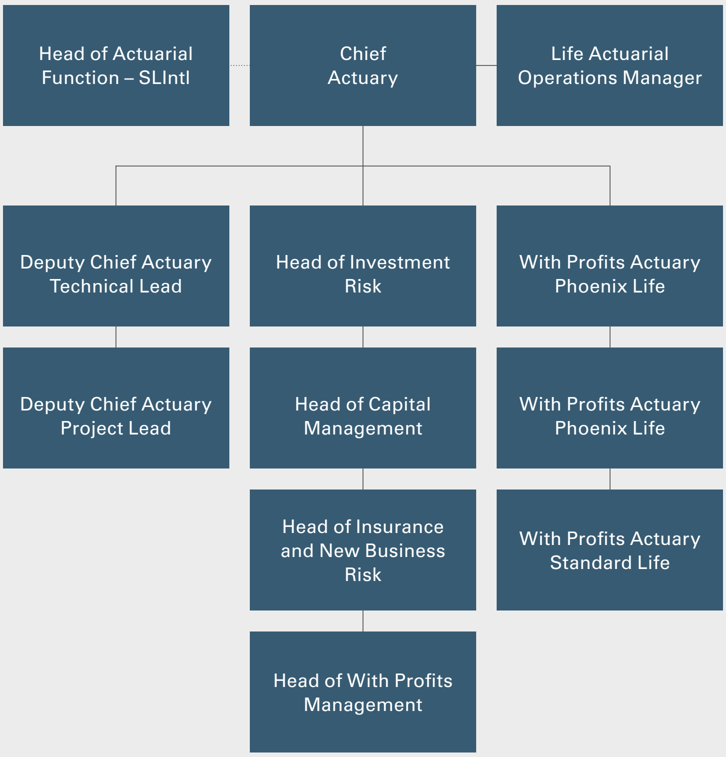
- The Life Actuarial department, headed by the Chief Actuary; and
- The Group Actuarial department, headed by the Group Chief Actuary.

The Actuarial function provides a range of actuarial services and advice to the Boards and management teams of the insurance subsidiaries and PGH.

During 2019, the Standard Life business Actuarial department has been merged into the Phoenix Life Actuarial department. There is a separate Actuarial Function covering SLIDAC which can be found in section B.6 of the SLIDAC SFCR for the year ended 31 December 2019.

B.6.2 PHOENIX LIFE ACTUARIAL DEPARTMENT

A structure chart for the Phoenix Life Actuarial department is provided below.



The Phoenix Life Chief Actuary holds the SMF20 function for PLAL. The Deputy Chief Actuary Technical and Deputy Chief Actuary Project Lead hold the SMF20 function for PLL and SLAL respectively.

Section B – System of Governance continued

B.6 ACTUARIAL FUNCTION CONTINUED
B.6.2 PHOENIX LIFE ACTUARIAL DEPARTMENT CONTINUED
B.6.2.1 Key team roles within Phoenix Life Actuarial department

A summary of the role of each team within the Phoenix Life Actuarial department is outlined below.

Capital Management

The Capital Management team's role is to ensure that an appropriate amount of capital is held in each of the Group's insurance subsidiaries. The team oversees a capital policy which is designed to achieve the following objectives:

- to provide appropriate security for policyholders and meet all regulatory capital requirements while not retaining unnecessary excess capital; and
- to ensure sufficient liquidity to meet obligations to policyholders and other creditors.

The capital policy framework comprises a suite of capital management policies that govern the allocation of capital throughout the Group to achieve these objectives under a range of stress conditions. The policy suite is defined with reference to policyholder security, creditor obligations, dividend policy and regulatory capital requirements.

This team also review the results of the solvency monitoring process which estimates how the solvency of the companies has changed since the last full valuation. These results are reported weekly to senior management and monthly to management committees and Boards. The team also ensures processes are in place to escalate any breaches of the SCR and identify remedial actions.

Internal Model team

The Internal Model team works with other teams within the business to ensure that the Phoenix partial Internal Model remains in line with the PRA-approved model. This includes managing the regulatory approval process for any changes required to models, methodology and reporting processes in line with the latest regulatory and industry requirements.

In particular, the team recommends the methodology for calculating Solvency II regulatory capital and co-ordinates an opinion on the adequacy and reliability of the Technical Provisions.

This team is also responsible for the oversight of the Life Actuarial department's compliance with the risk reporting requirements of the RMF.

Investment Risk team

The primary role of the Investment Risk team is to ensure that the assets backing liabilities are appropriately matched. This work considers cash flow matching, hedging via use of derivatives, and review of asset mixes and investment strategy. Other key roles include providing support for shareholder and policyholder related projects, management actions and managing the associated ALM implications.

Insurance Risk and New Business Risk team

The Insurance Risk and New Business Risk team is made up of three sub teams as described below.

Insurance Risk team

The Insurance Risk team is involved in all areas of managing longevity, mortality, persistency and morbidity risk. Longevity and persistency risk are key risks to which the Group is exposed and effective management of these is critical to meeting Phoenix's objectives.

The team ensures appropriate management of insurance risk by developing a risk management strategy, conducting experience investigations, setting best estimate and Solvency II stress assumptions and reporting and oversight of activities in other functions relating to insurance risk.

New Business Risk team

This team is responsible for new business pricing which includes significant annuity and protection new business volumes.

Section B – System of Governance continued

B.6 ACTUARIAL FUNCTION CONTINUED
B.6.2 PHOENIX LIFE ACTUARIAL DEPARTMENT CONTINUED
B.6.2.1 Key team roles within Phoenix Life Actuarial department continued
Insurance Risk and New Business Risk team continued

BPA and Reinsurance team

This BPA and Reinsurance team is responsible for ensuring the successful onboarding of new bulk annuity and reinsurance business and leads Trustee and Reinsurance counterparty relationship management to ensure that PLL meets its contractual obligations.

The team develops and has oversight of the operating model for BPA and Reinsurance business, seeking to leverage capital efficiencies from existing and potential new insurance and reinsurance agreements. The team also maintains oversight of key reinsurance risks to which the Group is exposed to through existing reinsurance arrangements.

Project Developments team

The Project Developments team lead and provide technical support for the planning and execution of a wide range of strategic projects to meet fund, entity and Group objectives. Projects include intra group and external Part VII transfers (a court-sanctioned legal transfer of some or all of the policies of one company to another) and a variety of other projects (for example, developing new reassurance arrangements, and with-profit initiatives).

The Phoenix Life Actuarial department provides project support to all parts of the Group.

With-Profits Actuary

The role of the With Profits Actuary is to act as With-Profits Actuary for designated funds. This involves proactively monitoring all aspects of the financial management of the With-Profits funds to ensure that policyholders are treated fairly and developing the future strategy for the financial management of these funds.

With-Profits Management team

The With Profits Management team is involved in all areas of managing with profits business. This includes PPFM management and compliance, setting reversionary and final bonus rates, setting surrender value factors, policyholder communications relating to bonuses and fund performance and managing with-profit fund estate run off.

B.6.2.2 Key responsibilities of the Phoenix Life Actuarial function under Solvency II
The key responsibilities of the Phoenix Life Actuarial function under Solvency II are to:

- inform stakeholders about the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the adequacy of reinsurance arrangements;
- express an opinion on the overall underwriting policy; and
- ensure processes are in place to escalate any breaches of the SCR capital policy and identify remedial actions.

Reliability and adequacy of technical provisions

The Phoenix Life Actuarial department plays a critical role in determining the technical provisions across the following key areas:

- methodology;
- data;
- assumptions;
- calculations; and
- validation.

B.6 ACTUARIAL FUNCTION CONTINUED
B.6.2 PHOENIX LIFE ACTUARIAL DEPARTMENT CONTINUED
B.6.2.2 Key responsibilities of the Phoenix Life Actuarial function under Solvency II continued
Reliability and adequacy of technical provisions continued

Ultimately, the Life Actuarial department is responsible for presenting the final technical provisions results to the Boards for approval.

The Life Actuarial department is responsible for overseeing the calculation of technical provisions which are performed by the Life Finance department. The role of the Life Finance department and the interaction with Life Actuarial is summarised briefly below.

The Life Finance department are responsible for ensuring the technical provisions have been calculated in accordance with methodology specified by the Life Actuarial department. As part of this work the Life Finance department are responsible for:

- deriving best estimate demographic and expense assumptions from experience investigations;
- running the models and processes used to calculate the technical provisions;
- the accuracy and reliability of liability data and asset data required to calculate the technical provisions;
- initial review of the technical provision results, and understanding key drivers for changes since the previous valuation; and
- operation of validation controls, such as profit and loss attribution, and comparison of actual results with projected results from the solvency monitoring process.

The Life Actuarial department reviews and challenges the technical provisions produced by the Life Finance department and reports on the reliability and adequacy of these to the Boards. The appropriateness of the technical provisions for use in the balance sheet is assessed by carrying out a detailed review of the technical provisions, which may include studying the control reports and analysing the profit and loss attribution.

B.6.2.3 Reinsurance arrangements
The Life Actuarial department is responsible for forming an overall opinion on the adequacy of reinsurance arrangements. This is to ensure that existing arrangements operate effectively and provide the intended risk mitigation. It also includes the monitoring of the credit quality of reinsurance counterparties.

This opinion is largely guided by the oversight responsibilities and activities performed by the Group's Reinsurance Management Committee ('RMC'). The RMC conducts annual reviews of the reinsurance strategy with consideration given to risk limits, risk profile and effectiveness of risk transfer. The RMC may propose changes to reinsurance arrangements consistent with the risk appetite developed and adopted by the Group.

B.6.2.4 Underwriting policy
The Life Actuarial department is also responsible for forming an overall opinion on the underwriting policy. This is to ensure that the underwriting policy and practices in place are appropriate to the risk appetite of the Group and that the technical provisions are determined in a consistent manner.

This opinion is largely guided by the oversight responsibilities and activities performed by the New Business and Pricing Committee and the MCS imposed by the Group's insurance risk policy.

B.6 ACTUARIAL FUNCTION CONTINUED

B.6.2 PHOENIX LIFE ACTUARIAL DEPARTMENT CONTINUED

B.6.2.5 Contribution to the risk-management system

The Life Actuarial department contributes to the implementation of key parts of Phoenix's RMF, including:

- methodology to calculate the Internal Model SCR;
- on-going development of the Internal Model;
- review and challenge of the calculated SCR results, which are calculated by the Life Finance department;
- on-going management of risks faced by the insurance subsidiaries and Group by considering capital policy, asset/liability matching and investment strategy;
- managing and monitoring the insurance subsidiaries balance sheets; and
- developing, reviewing, and implementing management actions that may be called upon to improve the financial soundness of the Life Companies and the Group.

The Phoenix Life Chief Actuary, Deputy Chief Actuaries and other senior members of the Actuarial department also sit on or chair a number of key internal governance committees.

This role within the governance process ensures the function is well placed to contribute to the development, monitoring and improvement of the Group's risk management system.

B.6.2.6 Reporting of Actuarial department activities to the Boards

The key tasks undertaken by the Phoenix Life Actuarial department are reported to the Boards and other key stakeholders annually in the 'Actuarial Function Report'.

This report describes the results and outcomes of the key tasks performed by the Actuarial department, along with any material deficiencies arising from them, and highlights where further details can be found regarding recommendations made to address any material deficiencies.

B.6.3 GROUP ACTUARIAL DEPARTMENT

The Group Actuarial department supports the PGH and PA(GI) Boards in ensuring capital is managed efficiently, managing the Group's solvency position, contributing to the development of the Group's investment strategy and identifying and delivering opportunities to enhance shareholder value across the Group.

Group Actuarial relies on the controls, governance and oversight provided by the Phoenix Life Actuarial department in respect of actuarial activities that relate to the insurance subsidiaries, while maintaining oversight through membership on Governance committees.

Group Actuarial key activities are:

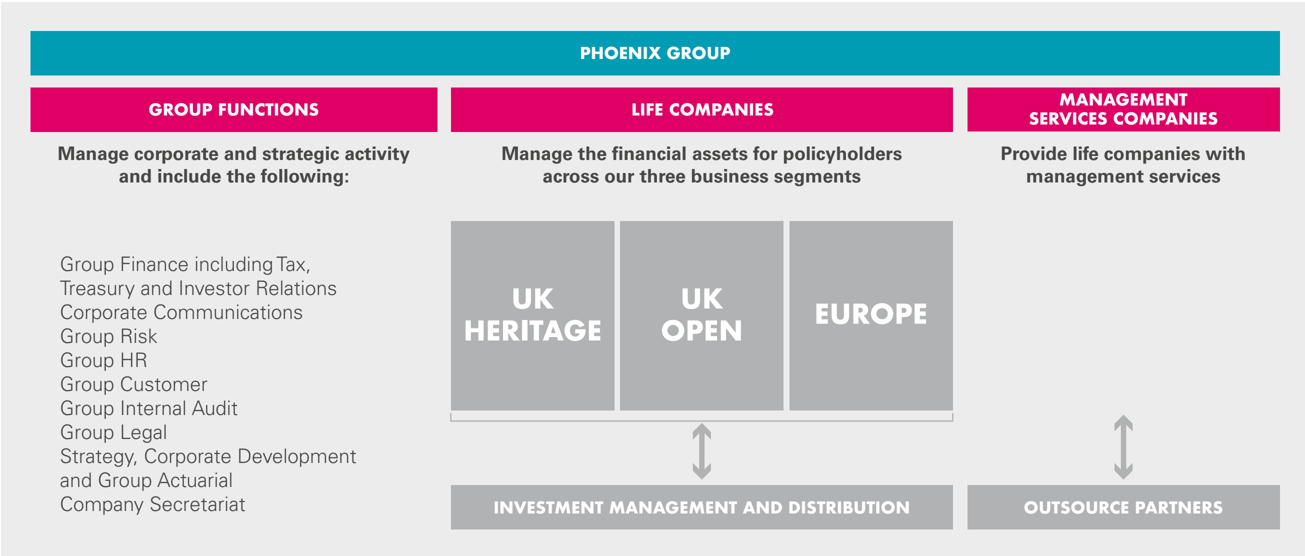
- managing and monitoring the Group balance sheet and capital management policies;
- management of the Group's pension schemes;
- maintaining and developing the Group partial Internal Model, particularly in relation to the staff pension schemes and SCR aggregation;
- supporting the development of a single Group-wide Harmonised Internal Model;
- support on projects;
- pricing and assessment of potential acquisitions;
- pricing and assessment of bulk purchase annuity transactions; and
- development of the Group's investment strategy.

Section B – System of Governance continued

B.7 OUTSOURCING

This section provides information on the material outsourcing arrangements undertaken by the Group and details of its outsourcing policy.

The diagram below presents the operating structure of the Group and the interaction with the outsource partners.



B.7.1 SERVICE PROVIDER RELATIONSHIPS

One of the Group's key strategic decisions is to outsource to providers who deliver a range of key services. All service providers are carefully selected following appropriate due diligence.

The Group operates a supplier oversight model, which is a defined MCS within the sourcing and procurement policy detailed in section B.7.2 below. The sourcing model allows for all providers of service to be categorised based upon their risk and materiality to the business. The policy details the minimum standards which the Group are required to employ in establishing and overseeing suppliers, with particular focus on those suppliers who are deemed to be critical and strategically important. All critical and strategically important suppliers have been identified within a supplier management model which defines the manner in which each supplier is overseen. The contracts for strategically important and critical suppliers fully define the requirements of them as a provider of services to the Group. These contracts make clear the obligations which are placed on each supplier.

A Contingency Framework is also in place and recognises that there are risks associated with OSP failure/default which the Group may be accountable for. This framework is reviewed on an annual basis and outputs of any reviews are shared with the FCA, upon request.

The outsource partners have scale and common processes, often across multiple clients, which provide several benefits for the Group, including reducing investment requirements, improving the technology used within our administrative capability, and reducing our operational risk.

The most significant outsourcing relationships for policy administration services are with Diligenta and Capita Life and Pensions. The Group intends to grow its relationship with Diligenta over the next 3 to 5 years, transferring circa 2 million legacy Phoenix policies and a further 4 million SLAL policies.

Specialist roles such as Finance, Actuarial, Risk and Compliance and oversight of the outsource partners are retained in-house, ensuring the Services Companies and Life Companies retain full control over the core capabilities necessary to manage and integrate closed life funds.

B.7 OUTSOURCING CONTINUED

B.7.1 SERVICE PROVIDER RELATIONSHIPS CONTINUED

The services provided across the Group's outsourcers are as follows:

B.7.1.1 Management Services Agreements ('MSAs') with Service Companies

The Service Companies are responsible for providing the Life Companies with all required management services.

The Service Companies manage relationships with the outsource partners. Without further acquisitions, the number of Life policies decline over time and the cost of our operations as a proportion of policies will increase. This risk is managed by paying a fixed price per policy to our outsource partners for policy administration services, which reduces this fixed cost element of our operations and converts it to a variable cost structure.

B.7.1.2 Policy administration

Full policy administration for policyholders of our Life companies includes:

- call centre handling;
- policy servicing; and
- claims handling.

Policy administration services are principally UK based, and all fall under FCA jurisdiction with the exception of a small book of policies administered by SS&C who are based in Dublin.

The Group's key OSPs for policy administration are listed below. There are also a number of suppliers who service a small number of policies operating under the Phoenix Supplier management model. SLAL does not outsource any of its policy administration.

Policy administration OSPs	PLL	PLAL
Diligenta Established in 2005, Diligenta are a UK-based subsidiary of Tata Consultancy Services ('TCS'), and a leading provider of business process services for the life and pensions industry. Specifically, Diligenta provide life and pensions business process services to our policyholders delivering contact centre, policy servicing and claims administration for circa 3.2 million live policies. In managing the Phoenix account, Diligenta operate out of three principal UK locations, Peterborough, Liverpool and Basingstoke, and are supported by overseas locations in India.	✓	✓
Capita Life and Pensions A major supplier of business process services to the UK life and pensions industry. Specifically, Capita Life and Pensions provide life and pensions business process services to our policyholders delivering contact centre, policy servicing and claims administration for circa 1.7 million live policies. In managing the Phoenix account, Capita operate out of two principal UK locations, Glasgow and Bournemouth, and are supported by overseas locations in India.	✓	–
HCL (formerly Liberata) A smaller, but critical, UK regulated business process service relationship exists with HCL (circa 120k live policies) who operate out of Romford, supported by overseas locations in India.	✓	–
SS&C (formerly International Financial Data Services ('IFDS')) A smaller, but critical, UK regulated business process service relationships (circa 14k live policies) who operate out of Dublin.	✓	–
FNZ A smaller, but critical, UK regulated business process service relationship (circa 3k policies) who operate out of Basingstoke.	✓	–

B.7 OUTSOURCING CONTINUED

B.7.1 SERVICE PROVIDER RELATIONSHIPS CONTINUED

B.7.1.3 Fund accounting and investment management

Service providers are used which provide the Life Companies with:

- fund accounting and custody services; and
- investment management of assets owned by the Life Companies under agreed Investment Management Agreements and associated mandates.

Investment, fund accounting and custody services are all operated by service providers who are principally UK based. The Group's key providers of these services are listed below.

Fund accounting and investment management OSP	PLL	PLAL	SLAL
HSBC Provide end-to-end securities services incorporating fund accounting and custody services	✓	✓	
Aberdeen Standard Investments A leading investment management group providing investment management services, plus fund accounting services for SLAL	✓	✓	✓
Janus Henderson A global investment company, providing investment management services	✓	✓	
Citi Provide custody services			✓

There are also a number of Investment managers who service a small number of investments operating under the Phoenix supplier management model.

B.7.1.4 Other relationships

SLAL also uses a number of outsourcing partners to operate and deliver core systems, capabilities and processes. Key relationships include TCS, Accenture, IBM and Oracle.

B.7.2 SOURCING AND PROCUREMENT POLICY

Sourcing is the structuring of the supply base, including the evaluation, selection and appointment of suppliers to support the operating model of the organisation and key functions. Procurement is the acquisition of goods or services to meet specific business needs and the creation of commercial and legal agreements to fulfil specific requirements.

The Group has a sourcing and procurement policy in place which seeks to manage sourcing and procurement risk (the risk of reductions in earnings and/or value through financial or reputational loss associated with procuring services and managing service providers).

The policy covers the Group's MCS which are to be adhered to when evaluating, selecting, implementing and managing suppliers in order to ensure risk is managed appropriately. The policy also contains the key risks associated with sourcing and procurement and the MCS in place to mitigate those risks to within an acceptable risk appetite. This aligns with the Risk and Control Framework operated across the Group to manage risk. Further details on the Risk and Control Framework can be found in section B.3.

B.7.3 BOARD OVERSIGHT

Management oversight committees are in place to oversee OSPs. A material outsourcer report is produced monthly and presented to the Operations Committee on a quarterly basis.

Risk and control reporting, including the outsourcer view is maintained through the completion of a Line 1 risk report (an outcome report, aligned to the Phoenix risk universe and RMF). This report is reviewed and approved by the relevant Management Board on a monthly basis and is submitted to the relevant Life Risk Committee on a quarterly basis.

Section B – System of Governance continued

B.8 ANY OTHER INFORMATION

B.8.1 SYSTEM OF GOVERNANCE – ASSESSMENT OF ADEQUACY

Overall, it has been deemed that the system of governance in place within the Group is adequate to meet the requirements of the Solvency II Directive, demonstrated by the framework described herein.

There is no further material information to be disclosed regarding the system of governance.

SECTION C
RISK PROFILE

IN THIS SECTION

SECTION C
RISK PROFILE

Section B.3 sets out the risk management system including information on how the Risk Management Framework is implemented and integrated into the organisational structure and decision-making processes of the Group and its Life insurance subsidiaries.

This section provides information on the risk profile of the Group and its Life insurance subsidiaries, including for each category of risk, a description of the risks, a description of the measures used to assess these risks, material risk exposures, concentrations and risk mitigation techniques.

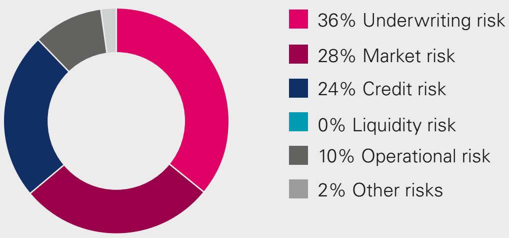
Sensitivity analysis for each category of risk is also provided for the Group and its main insurance subsidiaries.

To show an indicative PGH Group view, (where relevant) the underlying tables within this section present the risk profile of the Phoenix Life insurance subsidiaries (Method 1 entities) alongside the risk profile of the Standard Life insurance subsidiaries (Method 2 entities). However, the risk capitals are calculated on two different Internal Models (together with a Standard Formula component for SLIDAC), each with different stress calibration assumptions and methodologies. PA(GI) is within the scope of the legacy Phoenix Internal Model.

The PGH Group SCR is a straight sum of the Method 1 and Method 2 entities without any allowance for differences in underlying Internal Models. To give an indicative exposure of the overall risk profile for the PGH Group, the risk profiles for each entity have been aggregated across the different risk types using a simple pro rata approach.

The chart below shows a high-level view of the composition of the PGH Group undiversified SCR, aggregated across Method 1 and Method 2 entities, based on the different Internal Models and Standard Formula component.

Risk profile



Section C – Risk Profile continued

The undiversified SCR of the underlying insurance subsidiaries is presented below.

Risk profile of insurance subsidiaries and the Group	Section reference	PLL	PLAL	PA(GI)	PGH Group Method 1	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Underwriting risk	C.1	34%	45%	0%	36%	38%	33%	2%	37%	36%
Market risk	C.2	28%	15%	0%	25%	31%	29%	0%	31%	28%
Credit risk	C.3	28%	31%	0%	27%	18%	25%	98%	19%	24%
Liquidity risk	C.4	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operational risk	C.5	8%	8%	100%	9%	13%	13%	0%	13%	10%
Other risks	C.6	2%	1%	0%	3%	0%	0%	0%	0%	2%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%

The Group and its Life insurance subsidiaries are generally exposed to similar risks although the extent of exposures varies depending on the LoB underwritten by the insurance undertaking and the asset portfolios held.

Sections C.1 to C.6 set out, for each of the risks, a description of the material risks that the Group and the Life insurance subsidiaries are exposed to, the risk measurement techniques used to assess these risks, risk concentrations, and a description of risk mitigation techniques used for mitigating these risks. Section C.7 sets out the results of stress testing and sensitivity analysis for material risks.

The Group and its Life insurance subsidiaries do not hold SCR for liquidity risk, as explained further in Section C.4.1.

More details regarding the SCR are set out in section E.

Section C – Risk Profile continued

C.1 UNDERWRITING RISK
C.1.1 RISK EXPOSURE

This section describes the underwriting risk exposures of the Phoenix Group for the year ended 31 December 2019. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2019.

Underwriting risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. Contracts underwritten within the Group include the following sources of underwriting risk:

Risk source	Description
Mortality risk (including catastrophe risk)	Higher than expected number of death claims on assurance products or occurrence of one or more significant claims.
Longevity risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Morbidity risk	Higher than expected number of inceptions on critical illness or income protection policies and lower than expected termination rates on income protection policies.
Expense risk	Unexpected timing or value of expenses incurred.
Persistency risk	Adverse movement in either surrender rates, lapse rates, premium paying rates, income withdrawal rates or premium indexation rates on policies, leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
New Business pricing risk	Inadequate or inappropriate pricing of new business.

The table below shows the split of the undiversified SCR in respect of underwriting risk.

Components of underwriting risk	PLL	PLAL	PGH Group (Method 1)	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Longevity risk	55%	59%	59%	31%	11%	0%	30%	45%
Lapse risk (including persistency risk)	34%	38%	33%	48%	73%	0%	49%	40%
Other life underwriting risk	11%	3%	8%	22%	16%	100%	21%	14%
Total underwriting risk	100%	100%	100%	100%	100%	100%	100%	100%

Details of the undiversified SCR in respect of underwriting risk for SLIDAC are included within the SLIDAC SFCR for the year ended 31 December 2019.

In addition to exposure arising from contracts underwritten by the insurance subsidiaries, the Group is also exposed to longevity risk arising from the Pearl Group Staff Pension Scheme ('Pearl Scheme') and the Abbey Life Assurance Company Limited Staff Pension Scheme ('Abbey Life Scheme').

During the year ended 31 December 2019, the key changes to underwriting risk exposure include:

- the update of longevity and mortality assumptions to reflect recent experience (specifically, fewer deaths have occurred than expected) and the latest views on future trends, resulting in a release of longevity risk reserves and capital and an increase in mortality risk reserves and capital;
- the introduction of an MSA expense model for SLAL (akin to the model in place for the other Phoenix Life Companies) along with changes to MSA rates for PLL/PLAL business. These MSAs typically specify a per policy charge for each policy type/fund together with associated increase rates; and
- the successful acquisition of Bulk Purchase Annuity books, however most resulting longevity exposure is reinsured externally.

Section C – Risk Profile continued

C.1 UNDERWRITING RISK CONTINUED

C.1.2 RISK MEASUREMENT

The Group use several methods to assess and monitor underwriting risk exposures both for individual types of risks insured and the overall risks. These methods include the two PRA approved Internal Models (a Phoenix Internal Model covering all the Phoenix Life entities and a Standard Life Internal Model covering SLAL and SLPF), experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. The Irish entity, SLIDAC, determines its capital requirements in accordance with the Standard Formula.

The risk capital requirement for underwriting risk is assessed using the Group's partial Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2019, underwriting risk represented 36% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.1.3 RISK CONCENTRATION

The Group is not exposed to any material concentration of underwriting risk. For all underwriting risks described above, the Group's exposure is spread across a diversified portfolio of products with approximately 10 million individual policyholders. No individual policyholder contract size is large enough to represent a material concentration as a proportion of the Group's total risk exposure.

C.1.4 RISK MITIGATION

The Group seeks to manage exposure to underwriting risk by establishing Minimum Control Standards ('MCS') and supporting practices that align with its agreed principles. Risk appetite statements have been established for underwriting risks and the risk exposures are monitored against agreed limits.

The ongoing effectiveness of insurance risk mitigation is monitored on a regular basis by the Financial Risk Committee ('FRC') and the Group Finance Committee ('GFC').

The hedging of underwriting risk through reinsurance and other forms of risk transfer is used to manage the overall level of exposure to underwriting risk.

As at 31 December 2019, the Life Companies and the Group held the following reinsurance recoverable balances.

Method 1	Reinsurance recoverables £m	Largest counterparty
PLL	7,227	Legal & General Assurance (Pensions Management) Limited
PLAL	2,534	PLL
Other[1]	(1,634)	–
PGH Group	8,127	Legal & General Assurance (Pensions Management) Limited

1 Other includes consolidation items in respect of intra-group reinsurance arrangements.

Method 2	Reinsurance recoverables £m	Largest counterparty
SLAL	7,846	Canada Life Re Ireland Designated Activity Company
SLPF	9	SLAL

The majority of the underwriting risk that has been ceded relates to annuitant longevity risk, which has been transferred by a mixture of conventional reinsurance treaties and longevity swaps.

The ongoing effectiveness of the reinsurance ceded externally by the Phoenix Life Companies is monitored on an ongoing basis by the Reinsurance Management Committee ('RMC').

Section C – Risk Profile continued

C.1 UNDERWRITING RISK CONTINUED
C.1.5 SENSITIVITY ANALYSIS

As part of the Group's internal risk management processes, the impact of a number of underwriting risk scenarios on the SCR is monitored. The results of such stress testing on the Group's SCR and each main insurance subsidiary's SCR are provided below.

	PLL		PLAL		SLAL		PGH[4]	
SCR £m (or %)	SCR	SCR Ratio (%)	SCR (£m)	SCR Ratio (%)	SCR	SCR Ratio (%)	PGH Group	SCR Ratio (%)
Base: 1 January 2020[1]	**(3,182)**	**142%**	**(1,244)**	**148%**	**(2,539)**	**173%**	**(7,689)**	**140%**
Following 6% decrease in annuitant mortality rates[2]	(3,189)	135%	(1,259)	138%	(2,554)	164%	(7,724)	133%
Following 10% increase in assurance mortality rates	(3,135)	140%	(1,245)	148%	(2,539)	172%	(7,643)	139%
Following a 10% change in lapse rates[3]	(3,118)	138%	(1,251)	135%	(2,537)	172%	(7,620)	136%

1 Assumes stress occurs on 1 January 2020.
2 Equivalent of six month increase in longevity applied to the annuity portfolio.
3 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.
4 The impact of the sensitivity on the overall Group including the acquired Standard Life insurance subsidiaries.

As can be seen from the results, the Group and its insurance subsidiaries are resilient to such scenarios, with the largest exposure being to a decrease in annuitant mortality rates.

Section C – Risk Profile continued

C.2 MARKET RISK
C.2.1 RISK EXPOSURE

This section describes the market risk exposures of the Phoenix Group for the year ended 31 December 2019. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2019.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market influences. The Group and its Life insurance subsidiaries are exposed to the following sources of market risk:

Risk source	Description
Interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate relative to the respective liability due to the impact of changes in market interest rates and the associated guarantees on certain insurance contracts.
Equity risk	The risk of reduction in earnings and/or value, from unfavourable movements in equity asset values and/or equity volatility. In this context, equity assets should be taken to include shares, equity derivatives and equity collectives (OEICs, unit trusts, investment trusts).
Property risk	The risk of reduction in earnings and/or value, from unfavourable movements in property asset values and/or property volatility. In this context, property assets should be taken to include direct property investment, shares in property companies, property collectives (OEICs, unit trusts, investment trusts), Equity Release Mortgages and structured property assets.
Gilt swap spread risk	The risk of reduction in earnings and/or value, from unfavourable movements in the spread between government bond yields and swap rates used to discount insurance liabilities.
Inflation risk	The risk of reduction in earnings and/or asset and liability values, due to inflation, e.g. price inflation or wage inflation. This could lead to an unanticipated change in insurance cost, or change in asset values relative to the respective liabilities.
Currency risk	The risk of reduction in earnings and/or asset and liability values, arising as a consequence of changes to currency exchange rates. This risk category also covers the risk of a change in swap rates in one currency, relative to the swap rate in another currency.
Alternative assets risk	The risk of reduction in earnings and/or value, from unfavourable movements in the value and/or volatility of investments in alternative asset classes. In this context, alternative asset classes should be taken to include hedge funds and private equity vehicles.

Stock markets showed strong returns in 2019. UK equity markets gained, with the FTSE 100 up 12% off a low starting base following poor returns in 2018. Phoenix seeks to hedge out the majority of shareholder exposure to declines in the equity markets through the use of derivatives.

The increase in equity price over the period led to a decrease in value of the hedge derivatives, which have been recognised in the IFRS results, with the solvency position broadly unchanged as expected. Swap yields have decreased markedly over the period from 2% to 0.70%. Credit spreads have narrowed across ratings and implied future inflation as measured by real yields on Index linked Gilts have decreased over the year.

During the year ended 31 December 2019, the key changes to market risk exposure included:

- Sale of credit assets outside of the Matching Adjustment portfolio in SLAL;
- successful acquisition of Bulk Purchase Annuity books; predominantly backed by a mixture of ERM, credit and government bonds;
- increased investment in illiquid assets; and
- upon announcing the proposed acquisition of the ReAssure Group plc, the Group entered into an equity hedge covering c. 80% of the equity risk exposure in ReAssure, resulting in the Group overall being over-hedged against equities until the acquisition completes.

Section C – Risk Profile continued

C.2 MARKET RISK CONTINUED
C.2.1 RISK EXPOSURE CONTINUED
The table below shows the split of the undiversified SCR in respect of market risk for each of the insurance subsidiaries and the Group.

Components of market risk	PLL	PLAL	PGH Group (Method 1)	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Interest rate risk	34%	37%	34%	54%	5%	0%	50%	42%
Gilt swap spread risk	18%	38%	20%	0%	0%	0%	0%	10%
Other market risks	48%	25%	46%	46%	95%	0%	50%	48%
Total market risk	100%	100%	100%	100%	100%	0%	100%	100%

C.2.2 RISK MEASUREMENT
The Group and its insurance subsidiaries use several methods to assess and monitor market risk exposures both for individual market risk categories and for the aggregate exposure to all market risks. These methods include monitoring of asset portfolio composition, interest rate mismatch risk metrics, strategic asset allocation, and hedge effectiveness.

In addition, these methods include the two PRA approved Internal Models (a Phoenix Internal Model covering all the Phoenix Life entities and a Standard Life Internal Model covering SLAL and SLPF), experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. The Irish entity, SLIDAC, determines its capital requirements in accordance with the Standard Formula.

The risk capital requirement for market risk is assessed using the Group's partial Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2019, market risk represented 28% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.2.3 RISK CONCENTRATION
The asset concentrations are managed through the Group's strategic asset allocation process, with the allocation to each asset class being agreed by the insurance subsidiaries' Boards.

The operation of agreed market risk concentration limits at fund level ensures that the Group and its insurance subsidiaries are not overly exposed to any single country, sector or individual counterparty.

C.2 MARKET RISK CONTINUED

C.2.4 RISK MITIGATION

Interest rate risk

With-profit business and non-participating business within the with-profit funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include fixed interest securities and derivatives. For with-profit business, the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits dependent on the existence of policyholder guarantees. The contribution of these funds to the Group result is determined primarily through the impact on the value of future shareholder transfers and/or by the change in value of the current or assumed future level of shareholder support within the relevant insurance subsidiaries' with-profit funds. The shareholder capital is exposed to all economic movements until the estate is rebuilt to cover the required capital, at which point the fund becomes 'unsupported'.

Interest rate risk is managed by matching assets and liabilities where practicable and by entering into derivative arrangements for hedging purposes where appropriate. This is particularly the case for the health and other life insurance funds including Matching Adjustment annuity funds. For participating business, increased exposure to interest rate risk is permitted where it is consistent with the principles of treating customers fairly. The with-profit funds of the Group provide capital to allow such mismatching to be effected. In practice, the Life insurance subsidiaries within the Group maintain an appropriate mix of fixed and variable rate instruments (including cash and derivatives) according to the underlying policyholder liabilities and a review is performed at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

In the non-profit fund and particularly the Matching Adjustment annuity funds, policy liabilities' sensitivity to interest rates are matched primarily with fixed and variable rate income securities and derivatives, with the result that sensitivity to changes in interest rates is low.

The Matching Adjustment portfolios include exposure to ERM. The interest rate risk in respect of these illiquid assets is matched to liabilities in order to leave a low residual interest rate risk exposure. The potential adverse loss in respect of these illiquid assets is modelled using bespoke in-house models reflecting the specificities of these asset classes.

The Group's pension schemes exposure to interest rates is largely hedged through the use of long dated gilts and interest rate swaps, within the schemes.

Equity and property risk

The Group's objective in holding equity and property assets is to earn higher long-term returns by investing in a diverse portfolio of equities and properties. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Group's equity holdings are diversified across industries, and concentrations in any one company or industry are limited.

The Group's exposure to property risk has increased due to increased investment in illiquid credit assets such as ERM and Commercial Real Estate ('CRE'). This is in addition to maintaining the current exposure from: existing ERM & CRE investments; collectives in the UL funds and WPFs; and some direct property holdings in the SLAL WPFs.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for each of the Group's life funds in respect of maintaining adequate regulatory capital and treating customers fairly. This is largely achieved through asset class diversification and within the Group's ALM framework through the holding of derivatives or physical positions in relevant assets to hedge equity risk where appropriate. Any residual equity exposure emanating at Group is hedged, if necessary, to keep the Group exposure within risk appetite. The Group's pension schemes also retain a material exposure to property risk. Risk exposures are managed via each scheme's investment strategy, as agreed with the trustees.

Inflation risk

The Group is exposed to inflation risk through annuity policies and the Group's pension schemes, which may provide for future benefits to be paid taking account of changes in the level of experienced and implied inflation, and also through the Group's cost base. The Group seeks to manage inflation risk through the holding of derivatives, such as inflation swaps, or physical positions in relevant assets, such as index-linked gilts, where appropriate.

Section C – Risk Profile continued

C.2 MARKET RISK CONTINUED
C.2.4 RISK MITIGATION CONTINUED
Gilt swap spread risk
The Life insurance subsidiaries accept some residual exposure to gilt-swap spread risk. This exposure arises where UK Gilts are held as assets but policyholder liabilities are discounted using the EIOPA risk-free reference rate, which is based on the swap curve. For the Group's pension schemes, where liabilities are valued using a gilts-based curve, gilt-swap spread exposure exists where swaps are held to hedge the liabilities. The exposure to gilt-swap spread risk is managed to stay within the overall risk appetite of the Group.

Currency risk
The Group and its insurance subsidiaries' financial assets are primarily denominated in the same currencies as its policyholder liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which policyholder liabilities are expected to be settled and, indirectly, from the earnings of UK companies arising abroad.

The Group and its life insurance subsidiaries have some exposure to overseas assets which is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed through investment mandates which are subject to the oversight of the investment committees of the Boards of each insurance subsidiary. Fluctuations in exchange rates from certain holdings in overseas assets are hedged against currency risks.

Following the issue of US Dollar/Euro Tier 2 bonds in 2017 and 2018, the Group entered into cross-currency swaps in order to fix the GBP value of the coupon and principal payments on the bonds. The Group holds risk capital against the risk of adverse changes in foreign exchange rates and foreign currency swap margins, which may reduce the value of the swaps. In the assessment of currency risk, adverse movements in the value of the swaps are not offset by movements in the value of the foreign currency Tier 2 bonds, as the bonds qualify as Solvency II eligible capital, so do not provide an offset in the capital position.

The Group is also exposed to currency risk relating to currency forwards held at Group level. These instruments are held to hedge the currency risk exposure from Standard Life's unit-linked business and the Group capital injection into Standard Life International.

Alternative assets risk
PLL, PLAL and SLAL hold alternative assets as part of their wider diversified portfolios. The risks are managed in accordance with the ALM framework, taking into account the ALM targets and risk appetite of the funds in question.

The Group's pension schemes also retain a material exposure to alternative assets risk. Risk exposures are managed via each Scheme's investment strategy, as agreed with the trustees.

The ongoing effectiveness of market risk mitigation is monitored on a regular basis by the Investment Management Committee ('IMC').

Section C – Risk Profile continued

C.2 MARKET RISK CONTINUED
C.2.5 SENSITIVITY ANALYSIS

As part of the Group's internal risk management processes, the impact of a number of market risk scenarios on the SCR is monitored. The results of that stress testing on the Group's and each main insurance subsidiary's SCR are provided below.

	PLL		PLAL		SLAL		PGH[3]	
SCR £m (or %)	SCR (£m)	SCR Ratio (%)	SCR (£m)	SCR Ratio (%)	SCR (£m)	SCR Ratio (%)	PGH Group	SCR Ratio (%)
Base: 1 January 2020[1]	(3,182)	142%	(1,244)	148%	(2,539)	173%	(7,689)	140%
Following a 20% fall in equity markets	(3,157)	143%	(1,246)	148%	(2,496)	175%	(7,634)	142%
Following a 15% fall in property values	(3,301)	135%	(1,244)	148%	(2,537)	172%	(7,806)	137%
Following a 73bps interest rates rise[2]	(2,982)	142%	(1,136)	157%	(2,231)	181%	(7,013)	143%
Following a 88bps interest rates fall[2]	(3,531)	142%	(1,450)	139%	(2,795)	166%	(8,596)	136%

1 Assumes stress occurs on 1 January 2020.
2 Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.
3 The impact of the sensitivity on the overall Group including the acquired Standard Life insurance subsidiaries.

As can be seen from the results, the Group and its main insurance subsidiaries are resilient to such scenarios.

C.3 CREDIT RISK
C.3.1 RISK EXPOSURE

This section describes the credit risk exposures of Phoenix Group for the year ended 31 December 2019. The equivalent information for SLIDAC is available in the SLIDAC SFCR for the year ended 31 December 2019.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. These obligations can relate to both on and off balance sheet assets and liabilities. The Group and the Life insurance subsidiaries are exposed to the following sources of credit risk:

Risk source	Description
Spread risk	The risk of reduction in earnings and/or value, arising from changes in the spread between corporate bond yields and gilt yields or corporate bond yields and the swap curve. In this context, spread risk also includes changes in the spreads on ERM, infrastructure loans, commercial mortgage loans, local authority loans and infrastructure investments.
Illiquid credit risk	The risk of reduction in earnings and/or value, from unfavourable movements in the value and/or volatility of investments in illiquid credit asset classes. In this content, illiquid credit assets include ERM, commercial real estate debt and infrastructure debt.
Investment counterparty risk	The risk of reduction in earnings and/or value, arising from counterparty defaults on investments such as bonds, derivatives and cash deposits. This also includes the residual risk of credit risk mitigation techniques being less effective than expected. For example 'gap risk' where derivative or reinsurance collateral fails to move in line with liabilities following a default event.
Reinsurance counterparty risk	The risk of reduction in earnings and/or value, arising from the failure of a reinsurance counterparty to meet its contractual obligations by way of default or delayed claim settlements.
Outsourcer default risk	The risk of reduction in earnings and/or value, arising from default by firms providing outsourced services such as administration and investment management.
Stock-lending risk	The risk of reduction in earnings and/or value, arising as a result of borrowers defaulting on their obligation to return the original stock and the risk arising from the investment of the collateral received in lieu of the borrowed stock.

During the year ended 31 December 2019, the key change to credit risk exposure is the increased investment in illiquid credit assets, including ERM (by acquisition of further back books and ongoing funding of new loans), CRE loans and private placements.

Section C – Risk Profile continued

C.3 CREDIT RISK CONTINUED
C.3.2 RISK MEASUREMENT
Several methods are used to assess and monitor credit exposures. These methods include monitoring of asset portfolio composition, single name counterparty monitoring, Value-at-Risk ('VaR') and Potential Future Value Exposure modelling.

In addition, these methods include the two PRA approved Internal Models (a Phoenix Internal Model covering all the Phoenix Life entities and a Standard Life Internal Model covering SLAL and SLPF), experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. The Irish entity, SLIDAC, determines its capital requirements in accordance with the Standard Formula.

The risk capital requirement for credit risk is assessed using the Group's partial Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2019, credit risk represented 24%of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.3.3 RISK CONCENTRATION
Concentration of credit risk exists where the Group or its insurance subsidiaries has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. Counterparty credit risk is monitored by the counterparty limits contained within the investment guidelines and investment management agreements. Counterparty risk in respect of over-the-counter ('OTC') derivative counterparties is monitored using a Potential Future Value Exposure metric.

An indication of the exposure to credit risk is the quality of assets. The table below provides information regarding the aggregate credit exposure split by credit rating, for direct holdings in government and corporate bonds included in investments (other than assets held for index-linked and unit-linked contracts).

	PLL		PLAL		SLAL		PGH Group	
Rating	Market value £m	Percentage of Total %	Market value £m	Percentage of Total %	Market value £m	Percentage of Total %	Market value £m	Percentage of Total %
AAA	1,065	8%	247	6%	3,692	19%	5,004	13%
AA	8,146	61%	2,637	64%	7,855	41%	18,638	51%
A	2,718	20%	830	20%	4,893	26%	8,441	23%
BBB	1,192	9%	355	8%	2,212	12%	3,759	10%
BB	–	0%	–	0%	208	1%	208	1%
B and below	82	1%	27	1%	88	0%	197	1%
Non-rated	99	1%	35	1%	211	1%	345	1%
Total	**13,302**	**100%**	**4,131**	**100%**	**19,159**	**100%**	**36,590**	**100%**

As at 31 December 2019, the largest credit counterparty exposures to a single name counterparty in the Group's asset portfolio were:

Top 10 single name credit exposures (£m)	PGH Group
HER MAJESTY'S TREASURY	12,398
BUNDESREPUBLIK DEUTSCHLAND	2,840
FRENCH REPUBLIC	2,010
EUROPEAN INVESTMENT BANK	893
KINGDOM OF BELGIUM	650
DIRECTION GENERALE DU TRESOR	499
HSBC HOLDINGS PLC	442
REPUBLIC OF AUSTRIA	357
FGP TOPCO LTD	326
LLOYDS BANKING GROUP PLC	313

The insurance subsidiaries and the Group are exposed to concentration risk in respect of reinsurance ceded to external counterparties, although this is largely mitigated by collateral arrangements with the reinsurers and concentration limits in respect of individual reinsurance counterparties.

C.3 CREDIT RISK CONTINUED
C.3.4 RISK MITIGATION
The insurance subsidiaries and the Group are also exposed to concentration risk with outsource partners. This is due to the nature of the outsourced services market. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees and measured though the PRA approved partial Internal Model, stress and scenario testing. Further details on the Group's outsourcing arrangements can be found in section B.7.

Credit risk is managed by monitoring aggregate Group exposures to individual counterparties, through appropriate credit risk diversification and via the investment mandates. The Group manages the level of credit risk it accepts through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through the use of derivatives. The credit risk borne by the shareholder on with-profit policies is dependent on the extent to which the underlying insurance fund is reliant on shareholder support.

The ongoing effectiveness of credit risk mitigation described above is monitored on an ongoing basis by the IMC and the RMC.

Further specific mitigation techniques are set out below.

Matching Adjustment portfolio
PLL, PLAL and SLAL have Matching Adjustment approval in respect of blocks of non-participating immediate annuity business. Credit risk and Matching Adjustment is managed via the investment mandates and with investment in Matching Adjustment eligible assets.

Reinsurers
The Group cedes insurance risk in the normal course of business. The Group has policies and procedures in place for the management of reinsurance counterparty default risk, including the design of new treaties and the regular monitoring of reinsurance counterparties by the RMC.

Collateral
The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative contracts, reinsurance arrangements and securities lending in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Group receives collateral depends on the terms agreed with the counterparty, which are subject to an assessment of credit risk.

Outsourcers
The Group receives services from different suppliers in relation to policy administration, asset management and fund accounting services. As a result of receiving services from suppliers, the Group is exposed to the risk of default. Risk capital is assessed under a 'Multiple Policy Administration Outsourcer failure and default' scenario.

The selected scenario considers a situation where a number of policy administration suppliers default on contractual obligations and become insolvent. Risk capital is assessed based on an established methodology and is reviewed and agreed by management oversight committees and the MGC.

The risk capital assessment takes account of the supplier's operating model, control factors and other forms of protection (such as parental letters of credit used to mitigate the risk for certain outsourcers).

Section C – Risk Profile continued

C.3 CREDIT RISK CONTINUED

C.3.5 SENSITIVITY ANALYSIS

As part of the Group's internal risk management processes, the impact of a credit risk scenario on the SCR is monitored. The results of that stress testing on the Group's and each main insurance subsidiary's SCR are provided below and demonstrate the resilience of the Group.

	PLL		PLAL		SLAL		PGH[3]	
SCR £m (or %)	SCR (£m)	SCR Ratio (%)	SCR (£m)	SCR Ratio (%)	SCR (£m)	SCR Ratio (%)	PGH Group	SCR Ratio (%)
Base: 1 January 2020[1]	(3,182)	142%	(1,244)	148%	(2,539)	173%	(7,689)	140%
Following credit spread widening[2]	(3,086)	140%	(1,196)	145%	(2,479)	171%	(7,447)	138%

1 Assumes stress occurs on 1 January 2020.
2 Credit stress equivalent to an average 120bps spread widening across ratings and includes allowance for defaults/downgrades.
3 The impact of the sensitivity on the overall Group including the acquired Standard Life insurance subsidiaries.

C.4 LIQUIDITY RISK

C.4.1 RISK EXPOSURE

This section describes the liquidity risk exposures of the Phoenix Group for the year ended 31 December 2019.

Liquidity risk is defined as the failure of the Group to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and from the operating requirements of the Life insurance subsidiaries. The Group's Life insurance subsidiaries have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet medium and short-term cash flow requirements. In addition, liquidity risk arises as a result of the funding requirements of the Group pension schemes.

The Group and Life insurance subsidiaries do not hold risk capital against liquidity risk. Liquidity risk is managed by holding an appropriate proportion of the assets in liquid form, with the proportion determined based on cash flow projections, stress testing and holding appropriate buffers in respect of the liquidity risks that are applicable to each entity.

C.4.2 RISK MEASUREMENT

Regular monitoring of liquidity takes place in order to establish that all liquidity management activities have progressed appropriately, and to ascertain available liquidity.

The Group and Life insurance subsidiaries carry out a monthly forecast of liquidity resources for the next 12 month period, and a semi-annual forecast covering the five-year planning horizon. Monitoring activities include a review of appropriate liquidity risks and their measures, as agreed by the PGH Board and insurance subsidiaries' Boards.

The Group has established a Contingency Funding Committee that meets regularly in order to assess Contingency Funding Plan. In 2019 the Group raised its Revolving Credit Facility from £0.9bn to £1.25bn

The Capital Allocation and Liquidity Committee meets also on a regular basis to monitor the capital and liquidity positions of the group and its subsidiaries.

C.4 LIQUIDITY RISK CONTINUED

C.4.3 RISK CONCENTRATION

Liquidity Risk for the Life insurance subsidiaries arises primarily from the following key sources:

- Mass Lapse events;
- Collateral calls for derivative assets held;
- Very short-term pre-funding of large investments or switches;
- Injection of assets into Matching Adjustment funds; and
- Support for with profit funds.

The Life insurance subsidiaries are not exposed to material concentrations of liquidity risk due to holding sufficient liquidity to cover fluctuations in cash outflows.

Collateral is mainly obtained in respect of certain reinsurance arrangements, to provide security against the daily mark to market value of derivative financial instruments and as part of securities lending activity. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist and the asset is not fully secured.

Similarly, PGH is exposed to potential collateral calls in respect of the cross-currency swaps held to hedge the currency risk associated with the US$/EUR Tier 2 bonds and FX forwards held to hedge currency risk of SLAL. PGH holds sufficient liquidity to cover fluctuations in cash outflows.

C.4.4 RISK MITIGATION

The Life insurance subsidiaries' Boards have defined a number of governance objectives and principles and the liquidity risk frameworks of each subsidiary are designed to ensure that:

- liquidity risk is managed in a manner consistent with the Board's strategic objectives, risk appetite and PPFM;
- cash flows are appropriately managed and the reputation of the Group is safeguarded; and
- appropriate information on liquidity risk is available to those making decisions.

The Life insurance subsidiaries' policy is to maintain sufficient liquid assets of suitable credit quality at all times including, where appropriate, access to borrowings so as to be able to meet all foreseeable current liabilities as they fall due in a cost-effective manner. Forecasts are prepared monthly to predict the required liquidity levels over both the short- and medium-term allowing management to respond appropriately to changes in circumstances.

For with-profits contracts, a portfolio of assets is maintained in the relevant funds appropriate to the nature and term of the expected pattern of payments of liabilities. Within that portfolio, liquidity is provided by substantial holdings of cash and highly liquid assets. Where it is necessary to sell less liquid assets within the relevant portfolios, then any incurred losses are generally passed onto with-profits policyholders in accordance with policyholders' reasonable expectations.

For unit-linked contracts, assets are invested in accordance with the mandates of the relevant unit-linked funds. Policyholder behaviour and the trading position of asset classes are actively monitored. The unit value and value of any associated contracts would reflect the proceeds of any sales of assets. In stressed conditions, the insurance subsidiaries could be exposed to liquidity risk in its unit-linked funds. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit-linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, both to ensure the fair treatment of all investors in those funds and to protect the Company's own risk exposure, deferral terms within the policy conditions applying to the majority of the Company's unit-linked contracts can be invoked.

The vast majority of the Life insurance subsidiaries' derivative contracts are traded OTC and have a two-day collateral settlement period. As the existing swaps expire, they will be replaced with centrally cleared contracts. The Life insurance subsidiaries' derivative contracts are monitored daily, via an end-of-day valuation process, to assess the need for additional funds to cover margin or collateral calls. Liquid assets are held in appropriate accounts to cover internally set buffers to meet collateral calls on derivative assets. This is monitored on a monthly basis.

Section C – Risk Profile continued

C.4 LIQUIDITY RISK CONTINUED
C.4.4 RISK MITIGATION CONTINUED
For annuity contracts, assets are held which are specifically chosen with the intention of matching the expected timing of annuity payments. Liquidity risk is minimised through the process of asset and liability cash flow matching. In addition, appropriate buffers are held within the relevant funds in respect of the longevity and credit risk within the annuity funds.

The risks associated with pre-funding are carefully managed through credit checks on counterparties and use of appropriate legal arrangements. Large switches are managed through liquidity impact assessments and holding an appropriate liquidity buffer, based on historic experience, in the relevant fund.

Some of the Life insurance subsidiaries' commercial property investments and cash and cash equivalents are held through collective investment schemes. The collective investment schemes have the power to restrict and/or suspend withdrawals, which would, in turn, affect liquidity. Over 2019, the collective investment schemes have continued to process both investments and realisations in a normal manner and have not imposed any restrictions or delays.

A significant proportion of the Life insurance subsidiaries' financial assets are held in gilts, cash, supranationals and investment grade securities which the Companies consider sufficient to meet the liabilities as they fall due. The vast majority of these investments are readily realisable since most of them are quoted in an active market.

The Group also has derivative instruments which hedge its exposure to foreign exchange risk. These are all fully collateralised.

The ongoing effectiveness of liquidity risk mitigation is monitored on a regular basis by the Contingency Funding Committee ('CFC'), as well as the Financial Risk Committee (FRC) and the Capital Allocation and Liquidity Committee (CALC).

C.4.5 STRESS TESTING
Liquidity stress testing is carried out regularly on the Life insurance subsidiaries. As at 31 December 2019, the stress testing demonstrated that the insurance subsidiaries held sufficient liquid assets to cover internally agreed liquidity buffers under stress scenarios, which is within the Life insurance subsidiaries' risk appetite.

C.4.6 EXPECTED PROFITS IN FUTURE PREMIUMS ('EPIFP')
Own Funds are used to cover the SCR (see more details in section E.1). The value of liabilities, included within Own Funds, takes into account expected future premium payments even if the policyholder is not contractually committed to making the payments. This methodology for valuing liabilities therefore implicitly allows for any Expected Profits In Future Premiums ('EPIFP') which reduces the liability value and increases Own Funds.

The contribution of EPIFP to Own Funds is important from a liquidity perspective as the extent of future premiums assumed in the liability valuation may not emerge in practice (for example due to higher than assumed policyholder lapse rates), thus potentially lowering the available Own Funds to cover the SCR.

As at 31 December 2019, the insurance subsidiaries and the Group's EPIFP included as a component of the reconciliation reserve are shown below. This comprised mainly of future profits arising on protection and unit-linked business. The EPIFP shown below is net of policyholder tax. The EPIFP for SLPF is nil.

	PLL £m	PLAL £m	SLAL £m	PGH Group £m
EPIFP	109	13	785	994

C.5 OPERATIONAL RISK

C.5.1 RISK EXPOSURE

This section describes the operational risk exposures of the Phoenix Group (excluding Standard Life International Designated Activity Company 'SLIDAC') for the year ended 31 December 2019. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2019.

Operational risk is defined as the risk of reduction in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people-related or external events.

The main sources of operational risk are customer treatment risk, regulatory & legal risks and model risk.

During the year ended 31 December 2019, the key changes to the Group's exposure to operational risk include:

- A more granular assessment of customer treatment risks. This enables clearer links between management actions that can reduce those risks going forward and operational risk capital;
- A reduction in Model Risk exposure as a result of the strengthening of the control environment due to the enhanced Profit & Loss attribution process;
- An increase in capital to reflect the exposures from process execution risks as a result of manual errors on legacy policies

C.5.2 RISK MEASUREMENT

The risk capital requirement for operational risk is assessed using the Group's PRA approved partial Internal Models for the respective entities which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period. The assessment process is based on a frequency-severity approach in which the quantification for each of the top risks faced by the organisation is parameterised directly through workshops, led by expert opinion and validated by internal and external loss event data.

From a qualitative perspective, the operational risks are regularly reported to management oversight committees.

As at 31 December 2019, operational risk represented 10% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.5.3 RISK CONCENTRATION

Across the universe of operational risks, the Group's largest operational risk concentrations are customer treatment risk, regulatory & legal risk and model risk.

The Group also has concentrations of operational risk that are driven by its business model to outsource to specialist providers of key services covering customer services administration, investment management, certain finance middle office activities and asset custody.

Concentration risk in this respect is defined and managed in line with the Group's Sourcing Strategy which is refreshed on an annual basis.

From a geographical perspective, the Group is not exposed to any material concentration of operational risk, as the Outsourced Service Providers ('OSPs') operate from multiple locations within the UK and offshore. This ensures that within individual OSPs effective business continuity solutions which meet the requirements of the Group can be maintained.

Section C – Risk Profile continued

C.5 OPERATIONAL RISK CONTINUED
C.5.4 RISK MITIGATION
The Group and its insurance subsidiaries seek to manage exposure to operational risk by establishing Minimum Control Standards (MCS), and supporting practices where appropriate, for each risk category. These MCS are defined within individual PGH Group risk policies covering each of the risk categories and are designed to ensure that the Group operates within the low level qualitative risk appetite statements that are defined within those policies. Periodic reporting by risk owners monitors risk exposure against these agreed limits.

The Group risk policies and the MCS outlined within them are key mitigants used to manage the Group's operational risk exposure.

The effectiveness of operational risk mitigation described above is monitored on an ongoing basis by the Operations Committee.

In addition, the Group also places reliance upon:

- the transfer of operational risk to our OSPs as part of the outsourcing of non-core activities, with the obligations/liabilities for each outsource arrangement outlined in the relevant contract; and
- the Group's corporate insurance policies which provide cover in respect of a variety of operational risks including product mis-selling, financial crime and premises.

All the key elements of operational risk mitigation are taken account of on a prudent basis against those operational risk SCR scenarios in which subject matter experts assess that a valid claim could be made. The approach to insurance in the capital model is conservative, with haircuts made for mismatches, willingness of insurer to pay out and residual term of policy from date of a risk event occurring.

C.6 OTHER MATERIAL RISKS
This section describes the other risk exposures of the Phoenix Group (excluding SLIDAC) for the year ended 31 December 2019. The equivalent information for the acquired SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2019.

Other material risks which should be highlighted are summarised below. As at 31 December 2019, other material risks represented 2% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.6.1 TAX RISK
C.6.1.1 Risk exposure
Tax risk is defined as the risk of: financial failure, reputational damage, loss of earnings/value arising from a lack of liquidity, funding or capital, due to an unforeseen tax cost; inappropriate recording, reporting or understanding of tax legislation; and inappropriate disclosure of financial and regulatory information in relation to taxation.

It also includes the following specific risks:

- the risk of a reduction in earnings/value, through financial or reputational damage, resulting from the Group making a material error in its tax reporting;
- material tax cost in excess of the expected/provided tax number;
- failure to implement the optimum financial arrangements to underpin a commercial transaction;
- reputational damage in respect of tax matters; and
- incorrect operation of policyholder tax requirements.

C.6.1.2 Risk measurement
The risk capital requirement for tax risk is assessed using the Group's PRA approved partial Internal Model which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period. The methodology also considers operational tax risk scenarios assessed by experts within the business.

From a qualitative perspective, the tax risks for the Group and its subsidiaries are regularly reported to management oversight committees.

Section C – Risk Profile continued

C.6 OTHER MATERIAL RISKS CONTINUED

C.6.1 TAX RISK CONTINUED

C.6.1.3 Risk concentration

Sources of tax risk that could give rise to concentrations are:

- political: a drive by UK Government to increase tax revenues and to create a social environment in which tax 'avoidance' is considered contrary to the spirit of the law;
- regulatory: changes to tax law that impact the Group's tax position;
- structuring: opportunities to maximise financial or economic value and protect the value of tax assets;
- operational: tax legislation is complex and the potential for operational errors to occur is significant, both by the Group and the OSP in calculating and accounting for direct and indirect taxes; and
- tax penalties: the Tax Authorities have strengthened the penalty regime to levy penalties for non-compliance.

C.6.1.4 Risk mitigation

Tax risk is managed by maintaining an appropriately-staffed tax team who have the qualifications and experience to make judgements on tax issues, augmented by advice from external specialists where required. The Group has a formal tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk, and which details the controls the Group has in place to manage those risks. These controls are subject to a regular review process.

C.6.2 CUSTOMER RISK

C.6.2.1 Risk exposure

Customer Risk is a Level 1 Risk Universe category. Customer risk is defined as the possibility of reductions in expected earnings and/or value to the Group or customers, through financial, reputational or operational losses. It can arise as a result of:

- failure to have a customer centric culture which drives appropriate behaviours and decisions leading to customer interactions and outcomes which meet or exceed reasonable customer and regulator expectations and which take account of potential customer vulnerability.
- the design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, failing to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.
- failure to design and/or manage products/propositions appropriately, or failure of the manufacturer to ensure that products/propositions are distributed to the appropriate target market, perform as intended and in line with the expectations set.
- inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements resulting in poor customer outcomes leading to reputational, financial and/or operational detriment.

C.6.2.2 Risk measurement

The risk capital requirement for customer risk is assessed using the Group's PRA approved partial Internal Model which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period. The methodology is based on scenarios assessed by experts within the business.

From a qualitative perspective, the customer risks for the Group and its subsidiaries are regularly reported to management oversight committees.

C.6.2.3 Risk concentration

The Group is exposed to the risk that it fails to deliver fair outcomes for its customers, leading to adverse customer experience and/or potential detriment. This could also lead to reputational damage for the Group and/or financial losses.

Section C – Risk Profile continued

C.6 OTHER MATERIAL RISKS CONTINUED
C.6.2 CUSTOMER RISK CONTINUED
C.6.2.4 Risk mitigation
Our Conduct Risk Appetite, which sets the boundaries within which the Group expect customer outcomes to be managed, consists of a set of principles and standards for all Group staff to follow to meet the ever changing needs of our customers and our business.

The Group Conduct Risk Framework ('CRF'), which overarches our Risk Universe and all risk policies, ensures that we have embedded and effective controls in place across our business activities to detect where our customers are at risk of poor outcome, minimise conduct risks, and respond with timely and appropriate mitigating actions.

The Group also has a suite of customer polices which set out the key customer risks and minimum control standards in place to mitigate them.

The Group maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes.

C.6.3 STRATEGIC RISK
C.6.3.1 Risk exposure
Strategic risks are those which threaten the achievement of the Group strategy and could occur primarily through poor strategic decision making or poor implementation of the strategy.

C.6.3.2 Risk measurement
The risk capital requirement for strategic risk is assessed using the Group's PRA approved partial Internal Model which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period. The methodology is based on scenarios assessed by experts within the business.

C.6.3.3 Risk concentration
Strategic risk in its broadest sense can be defined as a possible source of loss that might arise from the pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

C.6.3.4 Risk mitigation
A strategic risk policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Life Co and Group's strategic ambitions.

Section C – Risk Profile continued

C.7 ANY OTHER INFORMATION

C.7.1 PRUDENT PERSON PRINCIPLE REQUIREMENTS

The Prudent Person Principle in the Solvency II regulations sets out the principles that should apply in making investment decisions. In particular, this requires that the Group and its insurance subsidiaries should only invest in assets and instruments whose risks they can properly identify measure, monitor, manage, control and report, and appropriately take into account when assessing Solvency needs.

The Prudent Person Principle is implemented through the RMF as part of the Group policy framework of which MCS have been designed to ensure compliance. Compliance with the relevant policies is monitored on an ongoing basis. Examples of the MCS in place include:

- responsibility for agreeing the strategic asset allocation rests with the Life Companies' Boards, as advised by the Phoenix Life Investment Committee, Investment Management Committee ('IMC') and the Actuarial function;
- investments for unit-linked and index-linked contracts are governed by the relevant investment mandates which meet the overarching requirements of Group policies, as well as close-matching rules and policy-specific requirements;
- derivatives are used in many of the Life Companies' funds, within policy guidelines agreed by the relevant Boards. Derivatives are primarily used for risk hedging purposes or for efficient portfolio management;
- equities are invested in by our asset managers to align to the liabilities created from customer investments in Unit Linked and With-Profit funds to achieve the desired investment objective as described in the customer literature. For each fund we set the strategy, risk and return profiles and duration which influences the nature and level of equity investment as set out for customers in the relevant factsheet or annual statement. Diversification across asset classes, duration and risk appetite are key drivers of the asset mix within any fund and assessed against the customer objective;
- arrangements with asset managers are set out in the relevant contract between the Life Company and the Asset Manager and the term varies by Manager. The arrangements are long term in nature and are assessed against medium and long term performance of the manager and criteria are defined within the contract. Fees paid to the asset vary by strategy and asset class and investment performance is monitored regularly;
- the capability of managers to perform active stewardship and discharge our voting rights is taken into account as part of the manager selection and delegated formally in the contract between Phoenix Life/Standard Life and the asset manager; and
- transaction costs and turnover are monitored, assessed and reported on each quarter, alongside investment performance of each strategy or fund. Portfolio turnover is a function of the investment strategy employed, the volatility of the market and the opportunities available to deliver the performance.

More details on how the Group achieves compliance with the requirements (in particular, having the appropriate risk management capability for the invested assets, investments appropriate for the nature and term of the liabilities, use of derivatives for risk mitigation, diversification and concentration risk) are described in sections C.2 and C.3.

Section C – Risk Profile continued

C.7 ANY OTHER INFORMATION CONTINUED

C.7.2 SENSITIVITY ANALYSIS

As part of the Group's RMF, stress and scenario tests are used extensively to support the assessment of risks and provide an analysis of their financial impact.

The most significant market risk sensitivities arise from interest rate risk, equity and property risks. Sensitivity to credit risk arises from spread risk.

The most significant underwriting risk sensitivities arise from longevity, mortality and lapse risk as insurance and pension scheme liabilities are sensitive to the assumptions which have been applied in their calculation. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. This could lead to changes in the assumed asset mix or future bonus rates.

The table below shows the effect of a change on key assumptions, with all other variables held constant, on PLL, PLAL, SLAL and the Group's Solvency II surplus:

Solvency II Surplus £m	PLL	PLAL	SLAL	PGH Group
Base: 1 January 2020[1]	1,339	599	1,854	3,103
Following a 20% fall in equity markets	1,371	598	1,870	3,201
Following a 15% fall in property values	1,144	595	1,833	2,874
Following a 73bps interest rates rise[2]	1,302	649	1,810	3,200
Following a 88bps interest rates fall[2]	1,359	569	1,837	2,936
Following credit spread widening[3]	1,227	542	1,761	2,838
Following 6% decrease in annuitant mortality rates[4]	1,126	482	1,645	2,533
Following 10% increase in assurance mortality rates	1,255	594	1,834	2,993
Following a 10% change in lapse rates[5]	1,182	437	1,832	2,732

1 Assumes stress occurs on 1 January 2020.
2 Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.
3 Credit stress equivalent to an average 120bps spread widening across ratings, and included an allowance for defaults/downgrades.
4 Equivalent of six month increase in longevity applied to the annuity portfolio.
5 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.

For operational risk, stress testing at the 99.5th percentile confidence level is used to determine the operational risk capital requirements, using the PRA approved partial Internal Model.

In addition, as part of the Group's monitoring of the risk appetite position, the impact on the surplus capital position of a 1-in-10 event is stress tested. As of 31 December 2019, the Group and the insurance subsidiaries were able to cover their capital requirements following a 1-in-10 event.

SECTION D VALUATION FOR SOLVENCY PURPOSES

IN THIS SECTION

SECTION D VALUATION FOR SOLVENCY PURPOSES

This section covers the valuation of assets (section D.1), technical provisions (section D.2) and other liabilities (section D.3) on the Solvency II balance sheet for the PGH Group and its insurance subsidiaries. Their valuation is determined in line with the regulations and is consistent across the Group. There are no material differences between the bases, methods and main assumptions used at the Group level for the valuation for solvency purposes of the subsidiaries' assets, technical provisions and other liabilities.

The Balance Sheet QRT S.02.01.02 is included in Appendix 1.1 for the PGH Group, Appendix 2.1 for PLL, Appendix 3.1 for PLAL, Appendix 4.1 for SLAL, Appendix 5.1 for SLPF and Appendix 6.1 for PA(GI).

The Standard Life insurance subsidiaries, SLAL and SLPF, are included in the PGH Group Solvency calculation using Method 2 'Deduction and Aggregation'. In accordance with Solvency II rules such entities are included in the Group balance sheet in the line 'Holdings in related undertakings, including participations' as a single amount representing the Group's interest in those entities' Own Funds, rather than on a consolidated line by line basis.

SLIDAC is also included in the PGH Group Solvency calculation on a Method 2 basis. Further breakdown of the underlying assets and liabilities of SLIDAC can be found in section D of the SLIDAC SFCR for the year ended 31 December 2019.

Section D.1.2 provides separately for each material class of assets and liabilities (excluding technical provisions which are covered in section D.2), description of the bases, methods and main assumptions used in their valuation for solvency purposes. An explanation of differences to the IFRS financial statements is also provided. All classes of assets and liabilities presented are consistent to the S.02.01.02 Balance Sheet QRT where the Solvency II values of the assets and liabilities are set out together with a 'statutory accounts value' column.

The recognition and valuation methods used in the preparation of the 'statutory accounts value' column are those used by the Group in its statutory financial statements in accordance with IFRS. Reclassification of line items has taken place, to align disclosures with the Solvency II presentation format and for ease of comparison between the two sets of numbers. This means that the 'statutory accounts value' column will not directly agree to line items on the financial statements of the PGH Group and each insurance subsidiary.

A few of the Group's assets (mainly financial instruments) and liabilities are determined using alternative valuation methods which use non-observable market inputs and follow accepted market practice. Further details are included in section D.4.1.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS
D.1.1 INTRODUCTION

This section covers the valuation of assets and liabilities on the Solvency II balance sheet.

The tables below set out the Solvency II balance sheets and the 'Statutory accounts value columns' for the Group, PLL, PLAL, PA(GI), SLAL and SLPF. Further details are included in note 7.

METHOD 1 ENTITIES
D.1.1.1 Balance sheet – PGH Group

PGH Group

Balance sheet as at 31 December 2019	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Goodwill	1	–	57	(57)
Deferred acquisition costs	2	–	17	(17)
Intangible assets	3	–	1,349	(1,349)
Deferred tax assets	4	84	84	–
Pension benefit surplus	5	314	314	–
Property, plant and equipment held for own use	6	28	31	(3)
Investments (other than assets held for index-linked and unit-linked contracts)	7	**46,276**	**43,860**	**2,416**
Property (other than for own use)		364	364	–
Holdings in related undertakings, including participations		25,513	23,097	2,416
Equities		143	143	–
Bonds		17,586	17,586	–
Collective Investment Undertakings		1,039	1,039	–
Derivatives		1,539	1,539	–
Deposits other than cash equivalents		91	91	–
Assets held for index-linked and unit-linked contracts	8	22,214	22,214	–
Loans and mortgages	9	2,908	2,908	–
Reinsurance recoverables	10	8,127	9,021	(895)
Insurance and intermediaries receivables	11	8	8	–
Reinsurance receivables	11	49	49	–
Receivables (trade, not insurance)	12	846	846	–
Cash and cash equivalents	14	515	515	–
Total assets		**81,367**	**81,271**	**95**
Technical provisions (BEL plus risk margin)	15	63,494	68,681	(5,186)
Other technical provisions	16	–	907	(907)
Provisions other than technical provisions	17	184	184	–
Pension benefit obligations	18	75	75	–
Deposits from reinsurers	19	333	333	–
Deferred tax liabilities	4	527	498	29
Derivatives	20	190	190	–
Debts owed to credit institutions	21	1,808	1,805	3
Financial liabilities other than debts owed to credit institutions	22	289	289	–
Insurance and intermediaries payables	23	558	558	–
Reinsurance payables	23	20	20	–
Payables (trade, not insurance)	24	679	588	91
Subordinated liabilities	25	1,937	1,863	74
Total liabilities		**70,094**	**75,940**	**(5,846)**
Excess of assets over liabilities[1]		**11,272**	**5,279**	**5,992**

1 The statutory accounts value for the excess of assets over liabilities corresponds to total equity of £5,593m less £314m non-controlling interests in the Group's IFRS statement of consolidated financial position for the year ended 31 December 2019.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.1 INTRODUCTION CONTINUED
METHOD 1 ENTITIES
D.1.1.2 Balance sheet – PLL
Phoenix Life Limited

Balance sheet as at 31 December 2019	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Deferred acquisition costs	2	–	24	(24)
Intangible assets	3	–	123	(123)
Investments (other than assets held for index-linked and unit-linked contracts)	7	**30,350**	**30,337**	**13**
Property (other than for own use)		333	333	–
Holdings in related undertakings, including participations		9,289	9,276	13
Equities		139	139	0
Bonds		15,910	15,910	–
Collective Investment Undertakings		3,614	3,614	–
Derivatives		999	999	–
Deposits other than cash equivalents		66	66	–
Assets held for index-linked and unit-linked contracts	8	21,895	21,895	–
Loans and mortgages	9	3,096	3,096	–
Reinsurance recoverables	10	7,227	8,180	(953)
Insurance and intermediaries receivables	11	20	20	0
Reinsurance receivables	11	49	49	–
Receivables (trade, not insurance)	12	645	708	(63)
Cash and cash equivalents	14	332	332	0
Total assets		**63,614**	**64,764**	**(1,150)**
Technical provisions (BEL plus risk margin)	15	53,330	57,412	(4,082)
Other technical provisions	16	0	596	(596)
Provisions other than technical provisions	17	44	44	0
Deposits from reinsurers	19	333	333	–
Deferred tax liabilities	4	394	119	275
Derivatives	20	90	90	0
Debts owed to credit institutions	21	1,348	1,348	–
Financial liabilities other than debts owed to credit institutions	22	2,488	2,488	–
Insurance and intermediaries payables	23	461	485	(24)
Reinsurance payables	23	11	11	0
Payables (trade, not insurance)	24	194	204	(10)
Subordinated liabilities	25	210	200	10
Total liabilities		**58,903**	**63,330**	**(4,427)**
Excess of assets over liabilities		**4,711**	**1,434**	**3,276**

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.1 INTRODUCTION CONTINUED
METHOD 1 ENTITIES
D.1.1.3 Balance sheet – PLAL
Phoenix Life Assurance Limited

Balance sheet as at 31 December 2019	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Intangible assets	3	–	81	(81)
Deferred tax assets	4	4	4	–
Investments (other than assets held for index-linked and unit-linked contracts)	7	**13,658**	**13,658**	**–**
Property (other than for own use)		31	31	–
Holdings in related undertakings, including participations		4,590	4,589	–
Equities		113	113	–
Bonds		4,168	4,168	–
Collective Investment Undertakings		4,217	4,217	–
Derivatives		515	515	–
Deposits other than cash equivalents		25	25	–
Assets held for index-linked and unit-linked contracts	8	319	319	–
Loans and mortgages	9	18	18	–
Reinsurance recoverables	10	2,534	2,571	(37)
Insurance and intermediaries receivables	11	1	1	–
Reinsurance receivables	11	1	1	0
Receivables (trade, not insurance)	12	90	129	(39)
Cash and cash equivalents	14	84	84	0
Total assets		**16,709**	**16,867**	**(158)**
Technical provisions (BEL plus risk margin)	15	13,759	14,956	(1,197)
Other technical provisions	16	–	311	(311)
Provisions other than technical provisions	17	7	7	0
Deferred tax liabilities	4	72	10	62
Derivatives	20	33	33	0
Debts owed to credit institutions	21	367	363	4
Insurance and intermediaries payables	23	98	100	(2)
Reinsurance payables	23	9	9	–
Payables (trade, not insurance)	24	83	83	0
Total liabilities		**14,428**	**15,873**	**(1,445)**
Excess of assets over liabilities		**2,281**	**994**	**1,287**

METHOD 1 ENTITIES
D.1.1.4 Balance sheet – PA(GI)
PA (GI) Limited

Balance sheet as at 31 December 2019	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Investments (other than assets held for index-linked and unit-linked contracts)	7	**67**	**67**	**–**
Collective Investment Undertakings		67	67	–
Receivables (trade, not insurance)	12	8	8	–
Total assets		**75**	**75**	**–**
Provisions other than technical provisions	17	7	7	–
Payables (trade, not insurance)	24	4	4	–
Total liabilities		**11**	**11**	**–**
Excess of assets over liabilities		**64**	**64**	**–**

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.1 INTRODUCTION CONTINUED
METHOD 2 ENTITIES
D.1.1.5 Balance sheet – SLAL

Balance sheet as at 31 December 2019	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Deferred acquisition costs	2	0	311	(311)
Intangible assets	3	0	34	(34)
Property, plant and equipment held for own use	6	7	7	0
Investments (other than assets held for index-linked and unit-linked contracts)	7	**45,850**	**45,852**	**(2)**
Property (other than for own use)		574	574	0
Holdings in related undertakings, including participations		19,139	19,141	(2)
Equities		3,711	3,711	0
Bonds		18,996	18,996	0
Collective Investment Undertakings		976	976	0
Derivatives		2,406	2,406	0
Deposits other than cash equivalents		48	48	0
Assets held for index-linked and unit-linked contracts	8	88,663	88,663	0
Loans and mortgages	9	967	967	0
Reinsurance recoverables	10	7,845	7,825	20
Insurance and intermediaries receivables	11	32	32	0
Reinsurance receivables	11	13	13	0
Receivables (trade, not insurance)	12	278	291	(13)
Cash and cash equivalents	14	34	34	0
Total assets		**143,690**	**144,029**	**(339)**
Technical provisions (BEL plus risk margin)	15	131,099	135,606	(4,507)
Other technical provisions	16	0	430	(430)
Provisions other than technical provisions	17	35	35	0
Deposits from reinsurers	19	3,881	3,881	0
Deferred tax liabilities	4	488	50	438
Derivatives	20	215	215	0
Debts owed to credit institutions	21	135	135	0
Insurance and intermediaries payables	23	206	212	(6)
Reinsurance payables	23	55	55	0
Payables (trade, not insurance)	24	2,307	2,307	0
Any other liabilities not elsewhere shown	26	–	59	(59)
Total liabilities		**138,423**	**142,985**	**(4,562)**
Excess of assets over liabilities		**5,267**	**1,044**	**4,223**

D.1.1.6 Balance sheet – SLPF
Standard Life Pension Funds Limited

Balance sheet as at 31 December 2019	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Investments (other than assets held for index-linked and unit-linked contracts)	7	**11**	**11**	**–**
Collective Investment Undertakings		11	11	–
Reinsurance recoverables	10	9	9	–
Receivables (trade, not insurance)	12	1	1	–
Total assets		**21**	**21**	**–**
Technical provisions (BEL plus risk margin)	15	11	9	2
Payables (trade, not insurance)	24	1	1	–
Total liabilities		**12**	**10**	**2**
Excess of assets over liabilities		**9**	**11**	**(2)**

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED

D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS

The Group's Solvency II valuation principles (including the bases, methods and main assumptions) for each asset and liability class are set out below. Unless otherwise stated (i.e. where there are differences to the Statutory accounts value column) the valuation methods for IFRS are consistent with the valuation methods of the regulations. Further details on the IFRS valuation principles are set out in the notes to the IFRS consolidated financial statements on pages 154 to 243 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019. There have been no significant changes to the valuation principles set out below during the year.

Any related deferred tax is eliminated for Solvency purposes, with exception to goodwill.

Note	Balance sheet item	Valuation principles
1	**Goodwill**	For Solvency II goodwill is valued at zero. Under IFRS, goodwill is carried on the balance sheet at initially recognised amounts less accumulated impairment.
2	**Deferred acquisition costs**	For Solvency II deferred acquisition costs are valued at zero unless they can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of the deferred acquisition costs in the Group have been assessed as meeting this criteria.
3	**Intangible assets (other than goodwill)**	For Solvency II intangible assets are valued at zero unless the intangible assets can be sold separately and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of the Group's intangible assets have been assessed as meeting this criteria and therefore these are valued at zero. For IFRS, intangible assets are measured on the balance sheet at cost less accumulated amortisation and any impairment loss recognised to date. The exception is the intangible asset of PLAL, PVFP (Present Value of Future Profits), which in Solvency II, forms part of the Best Estimate Liabilities, and hence this intangible is valued at zero.
4	**Deferred tax assets/ liabilities**	Deferred tax is determined on temporary differences between the economic value of assets and liabilities on the Solvency II balance sheet and their tax base at the valuation date. Differences in the value of deferred tax balances between the Solvency II and IFRS balance sheets arise as a consequence of differences in the carrying values of the underlying assets and liabilities. The deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further details on the origin of the deferred tax assets are provided in section D.1.3.
5	**Pension benefit surplus**	PGH has three material defined benefit staff pension schemes, being the Pearl Group Staff Pension Scheme ('Pearl Group Scheme'), the PGL Pension Scheme ('PGL Scheme') and the Abbey Life Staff Pension Scheme ('Abbey Life Scheme'). All are valued in accordance with the regulations consistently with IFRS (i.e. IAS19 valuation basis). Further details on the IAS19 valuation basis can be found on pages 178 to 189 of the PGH plc Annual Report and Accounts for the year ended 2019. It should be noted that because PGH1 (the principal employer of the PGL Scheme) is not classified as an insurance holding company under the regulations, it is not subject to a full line by line consolidation in the PGH Group balance sheet. Instead it (and therefore the PGL Scheme IAS 19 valuation amount) is presented as a single line item in 'holdings in related undertakings including participations' at the value of the Group's share of the excess of assets over liabilities. The value included in the 'pension benefit surplus' line for PGH Group reflects surplus arising from the PGH2 Pearl Group Scheme only. The value of the Abbey Life Scheme is included in 'pension benefit obligations'. Further details on all pension schemes can also be found in section D.3.3.
6	**Property, plant and equipment (held for own use)**	Owner-occupied properties are valued at fair value under Solvency II, using valuation provided by an accredited independent valuer, as a suitable proxy for fair value. Under IFRS, owner-occupied property is stated at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS CONTINUED

Note	Balance sheet item	Valuation principles
7	**Investments (other than assets held for index-linked and unit-linked contracts)**	In line with IFRS, the value of investments (other than assets held for index-linked and unit-linked contracts) is determined using a fair value methodology as follows: • For financial instruments traded in active markets (such as exchange traded securities and derivatives), fair value is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument; • Where quoted market prices are not available, quoted market prices for similar assets or liabilities are used to determine the fair value; • Where either of the above are not possible, alternative valuation methods are used to determine fair value. Where discounted cash flow techniques are used, future cash flows are based on contractual cash flows using current market conditions and market-calibrated discount rates and interest rate assumptions for similar instruments; and • Certain financial instruments are determined by valuation techniques using non-observable market inputs based on a combination of independent third party evidence and internally developed models. Further details are included in section D.4.1. Further details on each item within investments are outlined below. **Property (other than for own use)** Commercial investment properties are measured at fair value by independent property valuers having appropriate recognised professional qualifications and recent experiences in the location and category of the property being valued. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors ('RICS') guidelines with expected income and capitalisation rate. Further details are included in section D.4.1. The residential property reversions, an interest in customers' properties that the Group will realise upon their death, are valued using a DCF model based on the Company's proportion of the current open market value of the property, and discounted for the expected lifetime of the policyholder. Further details are included in section D.4.1. **Holdings in related undertakings, including participations** Holdings in related undertakings, including participations of PGH Group comprise of the Standard Life Assurance Method 2 entities, Collective Investment Undertakings where the Group holds greater than 20% interest (where the interest is less than 20% it is included within 'Collective Investment Undertakings' line) and entities in the Group or owned by the insurance subsidiaries which are valued using the adjusted equity method, each of which are further explained below. For the Life companies, holdings in related undertakings, including participations, comprises collective investment undertakings where the company holds an interest greater than 20% together with subsidiaries of the life company which are valued using the adjusted equity method. Any investments in Collective Investment Undertakings related to unit-linked contracts are included as assets held for index-linked and unit-linked contracts. Within the PGH Group there are a number of non insurance entities (including PGH1 the principal employer of the PGL Scheme) which are treated as other residual related undertakings ('ORRUs'). Quoted market prices are not available for these entities and therefore the option to value using the adjusted equity method is applied. The adjusted equity method requires participations to be valued based on the Group's share of the excess of assets over liabilities of the related undertaking. The excess of assets over liabilities for such participations are valued in accordance with the valuation principles applied by the Group. No alternative valuation methods are used for valuing the ORRUs. The Group's UCITS management company and non-regulated undertakings carrying out financial activities are valued on a local sectoral basis or notional sectoral basis respectively. The Standard Life Assurance subsidiaries are included in the Group Solvency calculation under Method 2 'Deduction and Aggregation'. In accordance with Solvency II rules such entities are included in the Group balance sheet in the line 'Holdings in related undertakings, including participations', rather than on a line by line basis. The presentation in the statutory accounts column is also amended consistently with the above. The table below summarises the valuation differences for each participation.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS CONTINUED

Note	Balance sheet item	Valuation principles		
		Name	**Valuation differences between Solvency II and IFRS £m**	**Explanation**
7	**Investments (other than assets held for index-linked and unit-linked contracts)** continued	Standard Life Assurance Limited	4,224	Further details regarding the valuation differences are set out in section D.1 (assets and other liabilities) and D.2 (technical provisions).
		Standard Life International Designated Activity Company	28	Further details regarding the valuation differences are set out in section D.1 (assets), D.2 (technical provisions) and D.3 (other liabilities) of the SLIDAC SFCR for the year ended 31 December 2019.
		Standard Life Pension Funds Limited	(2)	Further details regarding the valuation differences are set out in section D.1 (assets and other liabilities) and D.2 (technical provisions).
		Standard Life Assets and Employee Services	(23)	This valuation difference largely relates to removal of intangibles which are valued at zero for Solvency II. See note 3.
		Group consolidation adjustments applied to the Standard Life Assurance businesses	(1,813)	This difference relates to valuation adjustments in respect of amounts arising on consolidation of the Standard Life Assurance businesses in the Group IFRS financial statements. Principally this relates to the elimination of intangible assets including the Acquired Value in-force and any related deferred tax on such items which are valued at zero for Solvency II.
		EBT Own Shares	7	Further details are set out in note 13.
		NPI Mutual Sec external loan revaluation	(5)	Further details are set out in Appendix 1.7 – S.32.01.22.
		Total	**2,416**	

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS CONTINUED

Note	Balance sheet item	Valuation principles
7	**Investments (other than assets held for index-linked and unit-linked contracts)** continued	**Equities** Equity instruments listed on a recognised stock exchange are valued using quoted market prices. In relation to hedge fund and private equity investments, non-observable third party evidence in the form of net asset valuation statements are usually used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of underlying investments in the fund, indicates this is required. Further details on mark to model techniques are included in section D.4.1. **Bonds** Government bonds are valued using quoted market prices provided by recognised pricing sources. For corporate bonds listed on a recognised stock exchange, quoted market prices are used. For other corporate bonds, these instruments are valued using pricing data received from external pricing providers or in some cases using broker quotes where observable market data is unavailable. For a small number of investment vehicles and debt securities, standard valuation models (based on a discounted cash flow approach) are used, as by their nature and complexity, they have no external market. Inputs into such models are based on observable market data where applicable. For collateralised securities listed on a recognised stock exchange, quoted market prices are used. For other collateralised securities, these instruments are valued using pricing data received from external pricing providers or in some cases broker quotes where observable market data is unavailable. The majority of the investments are valued using alternative valuation methods and further details are included in section D.4.1. **Collective Investment Undertakings** The Group and insurance subsidiaries receive valuations from investment managers of the underlying funds, based on quoted market prices. Where quoted prices are not available they are estimated using net asset value statements as the basis for the valuation. In respect of a few property collectives, NAV discounts are applied based on recent experience given the illiquid nature of such investments. Where the Group or its insurance subsidiaries holds greater than 20% interest in an investment fund this interest is recognised within 'holdings in related undertakings, including participations'. Where the interest is less than 20% it is included within 'Collective Investment Undertakings'. Any investments in Collective Investment Undertakings related to unit-linked contracts are included as 'assets held for index-linked and unit-linked contracts'. **Derivative assets** The fair value of OTC assets is estimated using pricing models, with inputs based on market related data at the period end. The fair value of exchange traded securities is based on quoted market prices at the period end provided by recognised pricing services. **Deposits other than cash and cash equivalents** Deposits other than cash and cash equivalents are valued at par and comprise short-term deposits that cannot be used to make payments before a specific maturity date or without any penalty or restriction.
8	**Assets held for index-linked and unit-linked contracts**	Assets held for unit-linked funds are measured based on the fair value of the underlying assets and liabilities (other than technical provisions) held within such funds. Under IFRS, assets and liabilities of unit-linked contracts are separately reported on a line-by-line basis, in the annual report and accounts, which have been reclassified to a single line to facilitate comparison to Solvency II. Under Solvency II, all assets and liabilities backing unit-linked contracts are reported on a single line in 'assets held for index-linked and unit-linked contracts'.
9	**Loan and mortgages**	Loans and mortgages are valued at fair value. The majority of the loans, including ERM loans and CRE loans, are valued using alternative valuation methods. Further details are included in section D.4.1.This includes accrued interest reclassified from 'receivables (trade not insurance) in both columns.
10	**Reinsurance recoverables**	The value of reinsurance recoverables is dependent on the expected claims and benefits arising under the related reinsured policies. To the extent that the Solvency II valuation of the related technical provisions differs to the valuation under IFRS, the valuation of the related reinsurance recoverable will also be impacted. Further details on the calculation approach for Solvency II reinsurance recoverables are included in section D.2.8.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS CONTINUED

Note	Balance sheet item	Valuation principles
11	**Insurance and intermediaries receivables Reinsurance receivables**	Given their short-term nature, the carrying amount per the IFRS financial statements is considered to represent the fair value for these assets under Solvency II.
12	**Receivables (trade, not insurance)**	No value is ascribed for certain prepayments under Solvency II, where they cannot be sold separately to a third party. In contrast under IFRS, prepayments are recognised as an asset at amount paid less expenses incurred.
13	**Own shares (held directly)**	Own shares reflect shares held by Phoenix Group Employee Benefit Trust ('EBT') and are valued at fair value which is based on the quoted price of PGH shares at each reporting date. Own shares are from deduction to basic Own Funds and therefore do not contribute to Solvency II surplus. Further details are included in section E.1. In contrast under IFRS where the EBT acquires shares in the Company or obtains rights to purchase its shares, the consideration paid is shown as a deduction from owners' equity.
14	**Cash and cash equivalents**	Cash and cash equivalents are valued at par and comprise of cash balances that are usable for all forms of payments without penalty or restriction.
15	**Technical provisions**	Details regarding the valuation of technical provisions are covered in section D.2.
16	**Other technical provisions**	For IFRS, unallocated surplus, which comprises the excess of assets over the policyholder liabilities of the with-profit funds, is included here. This represents amounts which have yet to be allocated to shareholders since the unallocated surplus attributable to policyholders has been included within technical provisions. Unallocated surplus is classed as an accounting liability on the balance sheet. For Solvency II, no liability is held for this, and the shareholder share of future bonuses forms part of Own Funds (which may be subject to Ring Fenced Fund restriction).
17	**Provisions (other than technical provisions)**	Consistent with IFRS, a provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event, which is likely to result in an outflow of resources and where a reliable estimate of the amount of the obligation can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.
18	**Pension benefit obligations**	The pension scheme obligations are valued in accordance with the regulations which is consistent with the IFRS treatment (i.e. IAS19 Employee Benefits). See section D.3.3 for further information.
19	**Deposits from reinsurers**	It is the Group's practice to obtain collateral to cover certain reinsurance transactions, usually in the form of cash or marketable securities. Where such cash collateral is available to the Group for investment purposes, it is recognised as a 'financial asset' and the collateral repayable is recognised as 'deposits received from reinsurers'. These are valued in line with IFRS, using a discounted cash flow methodology.
20	**Derivatives**	The fair values of OTC derivative liabilities are estimated using pricing models, with inputs based on market-related data at the period end. The fair value of exchange-traded securities is based on quoted market prices at the period end provided by recognised pricing services.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS CONTINUED

Note	Balance sheet item	Valuation principles
21	**Debts owed to credit institutions continued**	Debts owed to credit institutions include obligations for repayment of collateral received, limited recourse bonds and refinancing loans. **Obligations for repayment of collateral received are valued at fair value.** It is the Group's practice to obtain collateral to mitigate the counterparty risk related to OTC derivatives and certain reinsurance transactions, usually in the form of cash or marketable financial instruments. Where the Group or insurance subsidiaries receive collateral in the form of marketable financial instruments which it is not permitted to sell or re-pledge except in the case of default, it is not recognised on the balance sheet. **Limited recourse bonds** are securitised on the future surplus emerging from an explicit block of policies. The Solvency II valuation is calculated using a discounted cash flow methodology, using cash flows derived from a model projecting this future surplus, then applying a suitable discount rate to adjust for Own Credit Standing ('OCS'). When valuing liabilities, for Solvency II no adjustment is made to take account of any changes in the OCS since inception. Financial liabilities are therefore valued at initial recognition in accordance with IFRS, but a subsequent adjustment for changes in OCS is not applicable under Solvency II. This creates a difference between subsequent measurements of financial liabilities for Solvency II compared to the measurement according to IFRS. **Refinancing loans**, related to property reversions held in 'property other than own use' are held at fair value for both Solvency II and IFRS on the basis that they incorporate an embedded derivative.
22	**Financial liabilities other than debts owed to credit institutions**	Financial liabilities other than debts owed to credit institutions are valued consistently with IFRS, at fair value. No adjustment to remove change in OCS is required as it is immaterial.
23	**Insurance and intermediaries payables** **Reinsurance payables**	Insurance and intermediaries payables include liabilities for outstanding claims on both insurance and investment contracts. Unlike IFRS, Solvency II does not distinguish between insurance and investment contracts, requiring a "market consistent approach" for the measurement of all assets and liabilities. As such, these liabilities are valued using a best estimate of liabilities approach. Under IFRS, investment contracts have a demand feature and accordingly the associated outstanding claims are measured at full settlement value under IAS 39–Financial Instruments: Recognition and Measurement. Outstanding claims on insurance contracts are measured consistently with Solvency II. Other Insurance and intermediaries payables are short term in nature and are valued at fair value, i.e. amounts payable on the balance sheet date.
24	**Payables (trade not insurance)**	Deferred income reserves are valued at zero under Solvency II. The difference arising at the Group between IFRS and Solvency II reflects a deferred income liability recognised by the Service Companies in respect of payments received from the Life Companies to transfer risks associated with the costs of future regulatory change. Under IFRS this liability is eliminated against a corresponding prepayment in the Life Companies, however a related technical provision is recognised by the Life Companies and the Group in respect of these risks. As detailed in section D.2.2, the prepayment and technical provision are derecognised under Solvency II. To ensure the risks are appropriately recognised on the consolidated Solvency II balance sheet, the deferred income liability is recognised at its economic value of nil.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.2 ASSET AND LIABILITY VALUATION BASES, METHODS AND MAIN ASSUMPTIONS CONTINUED

Note	Balance sheet item	Valuation principles
25	**Subordinated liabilities (not in Basic Own Funds)** **Subordinated liabilities (in Basic Own Funds)**	Under IFRS subordinated debt is valued on an amortised cost basis, taking into account movements in OCS. Under Solvency II, subordinated debt is valued at fair value, excluding changes in OCS. **PGH Group** The subordinated liabilities for the PGH Group are set out in the table below, along with the difference between Solvency II and IFRS. Further details on these instruments are provided in section E.1.

Instrument	Solvency II value £m	Statutory accounts value £m	Difference £m	Explanation
£428m Tier 2 subordinated debt	443	426	17	The difference is in respect of revaluation from amortised cost to fair value, excluding changes in OCS.
US$ Tier 2 bonds	387	376	11	
€500m Tier 2 bonds	446	417	29	
Tier 3 notes	451	449	2	
PLL subordinated loan notes	210	196	14	The difference is comprised of £10 million in respect of OCS adjustment and £4 million for fair value adjustments recognised upon the Group's acquisition of PLL in 2009. These subordinated loan notes were initially recognised at their fair value and subsequently recognised at amortised cost on an IFRS basis. The difference between the initial fair value and the principal is amortised over the life of the instrument. Under Solvency II, the liability recognised at its current fair value, excluding the impact of change in OCS.
	1,937	**1,863**	**74**	

PLL

Further details regarding the £210 million subordinated loans notes are set out in the table above.

All instruments outlined above are added back as subordinated liabilities to the Basic Own Funds, and further details can be found in section E.1.

Note	Balance sheet item	Valuation principles
26	**Any other liabilities not elsewhere shown**	This balance sheet caption relates to deferred income balances. In the Company's IFRS statutory accounts, front end fees on certain service contracts, including investment management service contracts, are deferred as a liability and amortised. In accordance with the Solvency II valuation rules, nil value has been allocated to deferred income balances.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED

D.1.3 ANALYSIS OF DEFERRED TAX

Deferred tax assets on the Solvency II balance sheet are recognised by reference to expected future taxable profits and valued based on the difference between the carrying value of the asset on the balance sheet and its tax base. Deferred tax assets and liabilities are recognised separately to the extent that the deferred tax asset cannot be offset against corresponding deferred tax liabilities. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to do so and they relate to taxes levied by the same tax authority on the same taxable undertaking. They are comprised as shown in the table below. Deferred tax assets are treated as Tier 3 capital in Basic Own Funds for the PGH Group and its insurance subsidiaries. Further details are set out in section E.1.

The Finance Act 2016 reduced the rates of corporation tax from 20% to 19% in April 2017 and to 17% from April 2020. Consequently a blended rate of tax has been used for the purposes of providing for deferred tax at 31 December 2019 in these financial statements.

It was announced in the 2020 Budget on 11 March that the corporation tax rate will remain at 19% for 2020 which was substantively enacted on 17 March 2020 by resolution under the Provisional Collection of Taxes Act 1968. This corporation tax rate change will lead to a net increase in Solvency II deferred tax liabilities of £49m but there will also be a corresponding increase in the loss absorbing capacity of deferred tax in the SCR.

D.1.3.1 Analysis of deferred tax

The table below summarises the Solvency II deferred tax assets and liabilities compared to the statutory accounts column, for the year ended 31 December 2019. PA(GI) has no deferred tax assets and liabilities.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.3 ANALYSIS OF DEFERRED TAX CONTINUED
D.1.3.1 Analysis of deferred tax continued

Deferred tax assets

Item	PLL £m	PLAL £m	Other Group entities £m	PGH Group £m
Trade losses carried forward	–	–	9	9
Expense and deferred acquisition costs carried forward	4	4	–	8
Committed future pension contributions	–	–	12	12
Accelerated capital allowances	1	1	4	6
Pension scheme deficit	–	–	13	13
Other temporary differences	6	–	42	48
Offset of deferred tax asset and liabilities in Solvency II	(11)	(1)	–	(12)
Total Solvency II deferred tax assets	**(0)**	**4**	**80**	**84**
Reversal of offset of deferred tax asset and liabilities in Solvency II	11	1	–	12
Valuation adjustments	(5)	(1)	–	(6)
Offset of deferred tax asset and liabilities in IFRS	(6)	–	–	(6)
Total statutory accounts column deferred tax assets	**(0)**	**4**	**80**	**84**

Deferred tax liabilities

Item	PLL £m	PLAL £m	Other Group entities £m	PGH Group £m
Technical provisions	(249)	(34)	–	(283)
Shareholder future bonus transfers	(51)	(28)	–	(79)
IFRS transitional adjustments	(13)	(11)	–	(24)
Unrealised gains on investments	(71)	–	–	(71)
Other temporary differences	(21)	–	(61)	(82)
Offset of deferred tax asset and liabilities in Solvency II	11	1	–	12
Total Solvency II deferred tax liabilities	**(394)**	**(72)**	**(61)**	**(527)**
Reversal of offset of deferred tax asset and liabilities in Solvency II	(11)	(1)	–	(12)
Technical provisions	249	34		283
Shareholder future bonus transfers	51	28		79
Acquired on in-force business	(21)	–	(276)	(297)
Other temporary differences	1	1	(32)	(30)
Offset of deferred tax asset and liabilities in IFRS	6	–	–	6
Total statutory accounts column deferred tax liabilities	**(119)**	**(10)**	**(369)**	**(498)**

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.3 ANALYSIS OF DEFERRED TAX CONTINUED
D.1.3.1 Analysis of deferred tax continued

The PGH Group had excess tax losses of £229 million on which a deferred tax asset of £9 million is recognised in both IFRS and Solvency II.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

PGH Group deferred tax assets have not been recognised in respect of:	PLL £m	PLAL £m	Other Group entities £m	PGH Group £m
Tax losses carried forward	–	–	28	28
Deferred tax assets not recognised on capital losses	–	1	1	2

There are no unrecognised deferred tax liabilities at 31 December 2019 within the PGH Group and its insurance subsidiaries.

The following are not included in the tables above because a key life insurance subsidiary, SLAL, is not presented in the Group Solvency II balance sheet on a line by line basis, but instead due to the Method 2 treatment, it is presented in 'holdings in related undertakings including participations'.

An analysis of the Solvency II deferred tax assets and liabilities for the SLAL legal entity is shown in the table below.

Deferred tax assets

Item	SLAL £m
Trade losses carried forward	
Expense and deferred acquisition costs carried forward	6
Committed future pension contributions	
Accelerated capital allowances	1
Other temporary differences	3
Offset of IFRS deferred tax asset and liabilities	(10)
Total Solvency II deferred tax assets	**0**
Valuation adjustments	–
Other temporary differences	–
Total statutory accounts column deferred tax assets	**0**

Deferred tax liabilities

Item	SLAL £m
Technical provisions	(490)
IFRS transitional adjustments	–
Unrealised gains on investments	(100)
Unit-linked policyholder tax reclassification	80
Other temporary differences	11
Offset of IFRS deferred tax asset and liabilities	10
Total Solvency II deferred tax liabilities	**(489)**
Technical provisions	490
IFRS Accounting DAC	(37)
Other temporary differences	(14)
Total statutory accounts column deferred tax liabilities	**(50)**

There are no unrecognised deferred assets or liabilities at 31 December 2019 for SLAL.

It was announced in the 2020 Budget on 11 March that the corporation tax rate will remain at 19% for 2020 which has been substantively enacted. This corporation tax rate change will lead to a net increase in Solvency II deferred tax liabilities of £46m but there will also be a corresponding increase in the loss absorbing capacity of deferred tax in the SCR.

Section D – Valuation for Solvency Purposes continued

D.1 ASSETS CONTINUED
D.1.3 ANALYSIS OF DEFERRED TAX CONTINUED
D.1.3.1 Analysis of deferred tax continued
SLPF and SLIDAC are not presented in the Group Solvency II balance sheet on a line by line basis, but instead due to the Method 2 treatment, are presented in 'holdings in related undertakings including participations'.

SLPF has no deferred tax assets and liabilities. There is an unrecognised deferred tax asset in SLPF in respect of the difference between Solvency II and IFRS technical provisions which is less than £1m.

Details of deferred tax assets and liabilities for SLIDAC are disclosed in the company solo SFCR for the year ended 31 December 2019.

D.2 TECHNICAL PROVISIONS
This section provides separately for each LoB the value of technical provisions, including the amount of the Best Estimate Liability ('BEL') and the risk margin, as well as a description of the bases, methods and main assumptions used in the valuation of technical provisions.

As outlined in section A.1.3 the LoBs relevant to each insurance subsidiary are set out in the table below. The table below excludes PA(GI) as if did not have any technical provisions as at 31 December 2019.

The Standard Life insurance subsidiaries do not contribute to the value of the Group's technical provisions given their recognition in the Group solvency calculation under Method 2, Deduction and Aggregation. Under this Method, the contribution to the Group excess of assets over liabilities is shown as a single item within the 'Holdings in related undertaking, including participations' line.

Further details regarding the valuation of technical provisions for the Standard Life insurance subsidiary, SLIDAC can be found in Section D.2 of its SFCRs for the year ended 31 December 2019.

	PLL	PLAL	SLAL	SLPF
Insurance with-profit participation	✓	✓	✓	–
Index-linked and unit-linked insurance	✓	✓	✓	–
Health insurance	✓	–	✓	–
Other life insurance	✓	✓	✓	✓
Health reinsurance	–	–	✓	–
Life reinsurance	–	–	✓	–

This section also includes a quantitative and qualitative explanation of material differences between the bases, methods and main assumptions used by the Group for the valuation of technical provisions for solvency purposes and those used for their valuation in IFRS.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.1 INTRODUCTION
The technical provisions detailed in this section are inclusive of the Matching Adjustment and TMTP.

The Matching Adjustment is applied to the risk-free curve used for discounting liabilities in the Matching Adjustment portfolio's only and has the effect of reducing technical provisions. The Group has PRA approval to apply a Matching Adjustment to all liabilities in the PLL,PLAL and SLAL Matching Adjustment portfolios.

For all Phoenix Life business, no allowance is currently made for the Volatility Adjustment or transitional measure on interest rates. Regulatory approval is in place from the PRA for the application of the Volatility Adjustment in SLAL.

The Group also has approval to apply the TMTP to liabilities in PLL, PLAL and SLAL entities which allows firms to apply a transitional deduction to their technical provisions. Transitional measures are aimed at providing a smooth transition between the technical provisions under the previous Solvency I regulatory regime and the technical provisions under the Solvency II regulatory regime in order to enhance stability in the insurance sector. Solvency I technical provisions were determined using the ICA basis.

The initial calculation was as at 1 January 2016, but recalculation is expected every two years or sooner if material changes in the risk profile of the business have occurred. The last full recalculation of the PLL, PLAL and SLAL TMTP was performed as at 31 December 2019 following approval by the PRA. The TMTP reported in this valuation allows for four years' run off.

Further details on the application of the Matching Adjustment and TMTP can be found in section D.2.7.1.

D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS
This section provides technical provisions split by Solvency II LoB.

The tables below summarise the Group and insurance subsidiaries technical provisions at 31 December 2019 by Solvency II LoB, including the amount of BEL and risk margin. The TMTP as at 31 December 2019 (see section D.2.7.2) is also shown separately where applicable.

PA(GI) held no technical provisions as at 31 December 2019, and therefore no disclosures are required for the entity.

Table D.2.2.1a Technical provisions by Line of Business – PGH Group
As previously noted the technical provisions for the Standard Life insurance subsidiaries are not included in the Group table below due to their Method 2 treatment and their value being shown as a single line item within 'holdings in related undertakings, including participations.'

31 December 2019 Technical provisions by Line of Business	Insurance with-profit participation £m	Index-linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	20,633	(811)	84	16,312	376	**36,594**
Risk margin	528	112	7	941	13	**1,601**
Technical provisions as a whole	–	27,874	–	–	–	**27,874**
Gross technical provisions pre TMTP	**21,161**	**27,175**	**91**	**17,253**	**389**	**66,069**
TMTP adjustment	(995)	(137)	(9)	(1,416)	(18)	**(2,575)**
Gross technical provisions post TMTP	**20,166**	**27,038**	**82**	**15,837**	**371**	**63,494**
Reinsurance	4	5,509	60	2,352	202	**8,127**
Net technical provisions	**20,162**	**21,529**	**22**	**13,485**	**169**	**55,367**

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED
METHOD 1 ENTITIES:
Table D.2.2.2a Technical provisions by Line of Business – PLL

31 December 2019 Technical provisions by Line of Business	Insurance with-profit participation £m	Index-linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	11,337	(335)	82	15,383	(7)	**26,460**
Risk margin	187	107	7	808	11	**1,120**
Technical provisions as a whole	–	25,574	–	–	1,981	**27,555**
Gross technical provisions pre TMTP	**11,524**	**25,346**	**89**	**16,191**	**1,985**	**55,135**
TMTP adjustment	(393)	(127)	(9)	(1,262)	(13)	**(1,805)**
Gross technical provisions post TMTP	**11,131**	**25,218**	**80**	**14,929**	**1,972**	**53,330**
Reinsurance	120	5,534	58	1,313	202	**7,227**
Net technical provisons	**11,011**	**19,684**	**22**	**13,616**	**1,770**	**46,103**

Table D.2.2.3a Technical provisions by Line of Business – PLAL

31 December 2019 Technical provisions by Line of Business	Insurance with-profit participation £m	Index-linked and unit linked insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	9,298	(59)	2,788	141	**12,167**
Risk margin	340	7	133	1	**481**
Technical provisions as a whole	–	1,881	–	–	**1,881**
Gross technical provisions pre TMTP	**9,638**	**1,829**	**2,920**	**142**	**14,529**
TMTP adjustment	(602)	(9)	(154)	(5)	**(770)**
Gross technical provisions post TMTP	**9,036**	**1,820**	**2,767**	**137**	**13,759**
Reinsurance	–	1,597	937	–	**2,534**
Net technical provisions	**9,036**	**223**	**1,829**	**137**	**11,225**

METHOD 2 ENTITIES:
Table D.2.2.4a Technical provisions by Line of Business – SLAL

31 December 2019 Technical provisions by Line of Business	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	15,464	(2,374)	11	12,182	12,949	**38,232**
Risk margin	13	526	–	653	125	**1,317**
Technical provisions as a whole	–	90,740	–	–	1902	**92,642**
Gross technical provisions pre TMTP	**15,477**	**88,892**	**11**	**12,835**	**14,976**	**132,191**
TMTP adjustment	60	(634)	–	(464)	(54)	**(1,092)**
Gross technical provisions post TMTP	**15,537**	**88,258**	**11**	**12,371**	**14,922**	**131,099**
Reinsurance	–	3,221	7	3,863	754	**7,845**
Net technical provisions	**15,537**	**85,037**	**4**	**8,508**	**14,168**	**123,254**

Table D.2.2.5a Technical provisions by Line of Business – SLPF

31 December 2019 Technical provisions by Line of Business	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	–	–	–	10	–	**10**
Risk margin	–	–	–	1	–	**1**
Technical provisions as a whole	–	–	–	–	–	**–**
Gross technical provisions pre TMTP	**–**	**–**	**–**	**11**	**–**	**11**
TMTP adjustment	–	–	–	–	–	**–**
Gross technical provisions post TMTP	**–**	**–**	**–**	**11**	**–**	**11**
Reinsurance	–	–	–	9	–	**9**
Net technical provisions	**–**	**–**	**–**	**2**	**–**	**2**

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED
Table D.2.2.1b Material differences between IFRS and Solvency II technical provisions – PGH Group

The table below outlines separately for each LoB, the material differences between the bases, methods and main assumptions used for Solvency II and those used for IFRS.

PGH Group

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross[1]		**21,751**	**28,668**	**86**	**17,880**	**416**	**68,801**
Longevity derivative assets and liabilities	1 & 2	–	–	–	(101)	–	(101)
Loan held at fair value	2	–	–	–	–	(19)	(19)
Statutory accounts value technical provisions – gross		**21,751**	**28,668**	**86**	**17,779**	**397**	**68,681**
IFRS reinsurers' share		(4)	(5,482)	(60)	(3,291)	(202)	(9,039)
Longevity derivative assets and liabilities	1	–	–	–	37	(20)	17
Debt held at fair value	2	–	–	–	–	–	–
Statutory accounts value reinsurance recoverable[2]		(4)	(5,482)	(60)	(3,254)	(222)	(9,022)
IFRS technical provisions – net		**21,747**	**23,186**	**26**	**14,525**	**175**	**59,659**
Change to discount curve	1	183	19	–	68	2	272
Change in restriction for negative sterling reserves	2	(67)	(923)	–	–	–	(990)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	(11)	–	(11)
Demographic margin	4	–	–	–	(637)	–	(637)
Annuity profit margin	5	127	–	–	21	1	149
Policyholders' share of estate	6	(1,774)	–	–	(136)	(1)	(1,911)
Prepayments	7	(65)	–	–	(13)	–	(78)
Other	8	478	(728)	(2)	143	(3)	(112)
Solvency II Best Estimate Liabilities/TP as a whole – net		**20,629**	**21,554**	**24**	**13,960**	**174**	**56,341**
Add risk margin		528	112	7	941	13	1,601
Deduct transitional adjustments		(995)	(137)	(9)	(1,416)	(18)	(2,575)
Solvency II technical provisions – net		**20,162**	**21,529**	**22**	**13,485**	**169**	**55,367**
Solvency II reinsurance		4	5,509	60	2,352	202	8,127
Solvency II technical provisions – gross		**20,166**	**27,038**	**82**	**15,837**	**371**	**63,494**

1 The statutory accounts value of gross technical provisions of £68,681 million is different to the IFRS value of £216,416 million reported in the PGH plc Annual Report and Accounts for year ended 31 December 2019, due to presentational differences of £147,615 million relating to the treatment of the Standard Life insurance subsidiaries which are included in the Solvency II balance sheet as a single line item as 'participations' but for IFRS are consolidated on a line by line basis. In addition, there is a further £120 million for presentational differences in respect of longevity arrangements which PLL has in place with corporate pension schemes. These arrangements are recognised as derivative financial instruments under IFRS whereas under Solvency II, they are recognised within technical provisions, and therefore the IFRS balances have been presented within technical provisions in the statutory accounts value column. PLL has also entered into a transaction under which it has accepted reinsurance on a portfolio of single and regular premium life insurance policies and retroceded the majority of insurance risk. Again, this is classified as a financial instrument under IFRS but recognised within technical provisions on a Solvency II basis. These arrangements have also been reclassified. The difference of £120 million in relation to the longevity arrangements is as a result of the reclassification of derivative assets and liabilities of £101 million and £19 million for loan held at fair value being the amount due from the cedant.

2 The statutory accounts value of reinsurance recoverables of £9,021 million is also different to the IFRS value of £16,205 million reported in the PGH plc Annual Report and Accounts for year ended 31 December 2019, as a result of the transactions detailed in note 1. The difference of £7,184 million is as a result of £7,167 million for the Standard Life Insurance subsidiaries and reclassification of derivative assets and liabilities of £17 million.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED
METHOD 1 ENTITIES:
Table D.2.2.2b Material differences between IFRS and Solvency II technical provisions – PLL
Phoenix Life Limited

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross[3]		**11,733**	**26,751**	**84**	**16,950**	**2,014**	**57,532**
Longevity derivative assets and liabilities		–	–	–	(101)	–	(101)
Loan held at fair value		–	–	–	–	(19)	(19)
Statutory accounts value technical provisions – gross		**11,733**	**26,751**	**84**	**16,849**	**1,995**	**57,412**
IFRS reinsurers' share		(120)	(5,507)	(58)	(2,311)	(201)	(8,197)
Longevity derivative assets and liabilities		–	–	–	36	(19)	17
Debt held at fair value		–	–	–	–	–	–
Statutory accounts value reinsurance recoverable[4]		(120)	(5,507)	(58)	(2,274)	(221)	(8,180)
Statutory accounts value technical provisions – net		**11,613**	**21,244**	**26**	**14,575**	**1,774**	**49,232**
Change to discount curve	1	93	20	–	65	–	178
Change in restriction for negative sterling reserves	2	(49)	(830)	–	–	–	(879)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	(11)	–	(11)
Demographic margin	4	–	–	–	(552)	–	(552)
Annuity profit margin	5	89	–	–	20	–	109
Policyholders' share of estate	6	(958)	–	–	(136)	(1)	(1,095)
Prepayments	7	(24)	–	–	(13)	–	(37)
Other	8	453	(729)	(2)	122	(1)	(157)
Solvency II Best Estimate Liabilities/TP as a whole – net		**11,217**	**19,705**	**24**	**14,070**	**1,772**	**46,788**
Add risk margin		187	107	7	808	11	1,120
Deduct transitional adjustments		(393)	(128)	(9)	(1,262)	(13)	(1,805)
Solvency II technical provisions – net		**11,011**	**19,684**	**22**	**13,616**	**1,770**	**46,103**
Solvency II reinsurance		120	5,534	58	1,313	202	7,227
Solvency II technical provisions – gross		**11,131**	**25,218**	**80**	**14,929**	**1,972**	**53,330**

3 The statutory accounts value of gross technical provisions of £57,412 million is different to the IFRS value of £57,532 million reported in the PLL statutory accounts for the year ended 31 December 2019, due to presentational differences in respect of longevity arrangements which PLL has in place with corporate pension schemes. These arrangements are recognised as derivative financial instruments under IFRS whereas under Solvency II, they are recognised within technical provisions, and therefore the IFRS balances have been presented within technical provisions in the statutory accounts value column. PLL has also entered into a transaction under which it has accepted reinsurance on a portfolio of single and regular premium life insurance policies and retroceded the majority of insurance risk. Again, this is classified as a financial instrument under IFRS but recognised within technical provisions on a Solvency II basis. These arrangements have also been reclassified. The difference of £120 million is as a result of the reclassification of derivative assets and liabilities of £101 million and £19 million for loan held at fair value being the amount due from the cedant.

4 The statutory accounts value of reinsurance recoverables of £8,180 million is also different to the IFRS value of £8,198 million reported in the PLL statutory accounts for year ended 31 December 2019, as a result of the transactions detailed in note 3 above. The difference of £18 million is as a result of the reclassification of derivative assets and liabilities of £18 million.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED
Table D.2.2.3b Material differences between IFRS and Solvency II technical provisions – PLAL
Phoenix Life Assurance Limited

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
Statutory accounts value/IFRS technical provisions – gross		**10,017**	**1,918**	**2,880**	**141**	**14,956**
IFRS reinsurance		–	(1,597)	(974)	–	(2,571)
Statutory accounts value/IFRS technical provisions – net		**10,017**	**321**	**1,906**	**141**	**12,385**
Change to discount curve	1	89	(1)	4	2	94
Change in restriction for negative sterling reserves	2	(18)	(93)	–	–	(111)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	–	–
Demographic margin	4	–	–	(84)	–	(84)
Annuity profit margin	5	38	–	1	1	40
Policyholders' share of estate	6	(816)	–	–	–	(816)
Prepayments	7	(40)	–	–	–	(40)
Other	8	27	–	22	(2)	47
Solvency II Best Estimate Liabilities/TP as a whole – net		**9,298**	**225**	**1,850**	**141**	**11,515**
Add risk margin		340	7	133	1	481
Deduct transitional adjustments		(602)	(9)	(154)	(5)	(770)
Solvency II technical provisions – net		**9,036**	**223**	**1,829**	**137**	**11,225**
Solvency II reinsurance		–	1,597	937	–	2,534
Solvency II technical provisions – gross		**9,036**	**1,820**	**2,766**	**137**	**13,759**

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED
METHOD 2 ENTITIES:
Table D.2.2.4b Material differences between IFRS and Solvency II technical provisions – SLAL
Standard Life Limited

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross		**16,824**	**90,756**	**11**	**12,323**	**15,691**	**135,605**
Statutory accounts value technical provisions – gross		**16,824**	**90,756**	**11**	**12,323**	**15,691**	**135,605**
IFRS reinsurers' share		–	–	(7)	(3,838)	–	(3,845)
EFL reclass		–	(3,224)	–	–	(754)	(3,978)
Statutory accounts value technical provisions – net		**16,824**	**87,532**	**4**	**8,485**	**14,937**	**127,782**
Change to discount curve	1	7	–	–	40	89	136
Change in restriction for negative sterling reserves	2	–	(2,454)	–	(2)	(197)	(2,653)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	–	–	–
Demographic margin	4	–	–	–	(311)	(37)	(348)
Annuity profit margin	5	–	–	–	–	–	–
Policyholders' share of estate	6	(1,366)	–	–	–	(701)	(2,067)
Prepayments	7	–	–	–	–	–	–
Other	8	(1)	67	–	107	6	179
Solvency II Best Estimate Liabilities/TP as a whole – net		**15,464**	**85,145**	**4**	**8,319**	**14,097**	**123,029**
Add risk margin		13	526	–	653	125	1,317
Deduct transitional adjustments		60	(634)	–	(464)	(54)	(1,092)
Solvency II technical provisions – net		**15,537**	**85,037**	**4**	**8,508**	**14,168**	**123,254**
Solvency II reinsurance		–	3,221	7	3,863	754	7,845
Solvency II technical provisions – gross		**15,537**	**88,258**	**11**	**12,371**	**14,922**	**131,099**

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED

Table D.2.2.5b Material differences between IFRS and Solvency II technical provisions – SLPF

Standard Life Limited

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross[1]		**–**	**–**	**–**	**9**	**–**	**9**
Statutory accounts value reinsurance recoverable[2]		–	–	–	(9)	–	(9)
Statutory accounts value technical provisions – net		**–**	**–**	**–**	**–**	**–**	**–**
Change to discount curve	1	–	–	–	–	–	–
Change in restriction for negative sterling reserves	2	–	–	–	–	–	–
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	–	–	–
Demographic margin	4	–	–	–	–	–	–
Annuity profit margin	5	–	–	–	–	–	–
Policyholders' share of estate	6	–	–	–	–	–	–
Prepayments	7	–	–	–	–	–	–
Other	8	–	–	–	1	–	1
Solvency II Best Estimate Liabilities/TP as a whole – net		**–**	**–**	**–**	**1**	**–**	**1**
Add risk margin		–	–	–	1	–	1
Deduct transitional adjustments		–	–	–	–	–	–
Solvency II technical provisions – net		**–**	**–**	**–**	**2**	**–**	**2**
Solvency II reinsurance		–	–	–	9	–	9
Solvency II technical provisions – gross		**–**	**–**	**–**	**11**	**–**	**11**

1 The statutory accounts value of gross technical provisions of £57,412 million is different to the IFRS value of £57,532 million reported in the PLL statutory accounts for the year ended 31 December 2019, due to presentational differences in respect of longevity arrangements which PLL has in place with corporate pension schemes. These arrangements are recognised as derivative financial instruments under IFRS whereas under Solvency II, they are recognised within technical provisions, and therefore the IFRS balances have been presented within technical provisions in the statutory accounts value column. PLL has also entered into a transaction under which it has accepted reinsurance on a portfolio of single and regular premium life insurance policies and retroceded the majority of insurance risk. Again, this is classified as a financial instrument under IFRS but recognised within technical provisions on a Solvency II basis. These arrangements have also been reclassified. The difference of £120 million is as a result of the reclassification of derivative assets and liabilities of £101 million and £19 million for loan held at fair value being the amount due from the cedant.

2 The statutory accounts value of reinsurance recoverables of £8,180 million is also different to the IFRS value of £8,198 million reported in the PLL statutory accounts for year ended 31 December 2019, as a result of the transactions detailed in note 3 above. The difference of £18 million is as a result of the reclassification of derivative assets and liabilities of £18 million.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.2 TECHNICAL PROVISIONS BY LINE OF BUSINESS CONTINUED

An explanation of the material changes between the IFRS valuation for technical provisions and that used for Solvency II is included below:

Note	Item	Description
1	**Change to discount curve**	Liabilities are valued using a discount rate derived from the EIOPA swap curve less a credit risk adjustment of 11bps under Solvency II. For IFRS they are valued using a discount rate from the EIOPA swap curve plus an illiquidity adjustment of 10bps.
2	**Change in restriction for negative sterling reserves**	The term 'sterling reserves' represents reserves set aside to cover future cash flow obligations on unit-linked policies, over and above the value of units held. For Solvency II, negative sterling reserves are allowed as a reduction to technical provisions.
3	**Matching Adjustment on non-Matching Adjustment funds**	In addition to the adjustment in the Matching Adjustment portfolio, an adjustment is made to the IFRS technical provisions in the non-Matching Adjustment portfolio (non-profit business only) for liabilities backed by Solvency II Matching Adjustment eligible assets, representing an estimate of the allowance for illiquidity expected to be earned on such assets. This adjustment is not made under Solvency II.
4	**Demographic margin**	A margin for demographic risk is included within the IFRS technical provisions. This item is based on a percentage of undiversified demographic risk capital, relating to mortality, longevity and persistency (and expenses for the SLAL funds). Solvency II does not require this margin to be held over and above best estimate.
5	**Annuity profit margin**	Annuity profit margin includes future profits expected to be recognised when deferred annuities vest from the with-profit funds into the Matching Adjustment portfolio. Under Solvency II, there is no allowance for the reserving of the profit margin. For IFRS this profit margin is included within unallocated surplus.
6	**Policyholders' share of estate**	The proportion of the with-profit estate which is expected ultimately to be distributed to policyholders is included within technical provisions on the IFRS basis. For Solvency II, it is recognised as surplus funds (being accumulated profits which have not been made available for distribution to policyholders or other beneficiaries) and is not recognised within technical provisions but instead as an item of Own Funds. Further details are included in section E.1.
7	**Prepayments**	Under IFRS, the Life Companies recognise a prepayment relating to payment for transfer of certain risks to Service Companies. An offsetting amount is also held within technical provisions to recognise the future charge that will be incurred as the prepayment is released. For Solvency II, the prepayment cannot be recognised, as it is considered to not have any economic value, and therefore the liability held within technical provisions is released.
8	**Other**	The 'other' line includes the impact of reallocation of reserves in the with-profit funds between the two bases. For SLAL the 'other' line also includes: • the costs for any known mandatory requirements; • product development and exceptional costs that the Company has committed to incur in the year after the valuation date; and • ex-gratia payments if additional costs (e.g. legal) would be expected if the payments were not made.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.3 BASES, METHODOLOGY AND MAIN ASSUMPTIONS USED FOR BEST ESTIMATE LIABILITY

Technical provisions represent the value of policyholder obligations, if these were to be transferred to a third party at the valuation date. For its insurance subsidiaries, the Group's approach is to value all actuarial liabilities using BEL plus risk margin, except for unit funds which are valued as 'Technical Provisions as a whole'. The technical provisions for the Group and its insurance subsidiaries can be seen in the tables in section D.2.2 and in the S.12.01.02 technical provisions QRT presented in Appendix 2.3 for PLL, Appendix 3.3 for PLAL, Appendix 4.3 for SLAL and Appendix 5.3 for SLPF.

Sections D.2.3 to D.2.10 set out in detail the bases, methodology and main assumptions used to derive the BEL. Risk margin methodology is covered in section D.2.11.

All data used to calculate technical provisions is assessed for appropriateness, completeness and accuracy. Where there are any material weaknesses, limitations or errors associated with data, these are identified in control and validation reports together with any remedial adjustments made.

D.2.3.1 Best Estimate Liability

BEL is calculated gross, without any deduction for amounts recoverable on reinsurance contracts. Reinsurance recoverables are valued separately, recognised as a reinsurance asset and calculated in the same manner as the BEL (see section D.2.8 for further details).

All assumptions are updated to reflect current economic conditions and demographic experience. Material changes to the relevant assumptions made in the calculation of technical provisions are covered in section D.2.5.

For the majority of policies which have rider contracts (an additional provision attached to an insurance policy), the rider is separated from the main contract for valuation purposes. For example, a term assurance rider contract attached to a unit-linked pension policy is treated as a separate stand-alone term assurance contract. This ensures appropriate assumptions are used to value the rider contract.

The following section details the methodology and key assumptions used to calculate the BEL.

D.2.3.2 Overview of Methodology

A cash flow projection model is used to calculate BEL. This projects cash inflows and outflows required to meet obligations to policyholders over the lifetime of the policy, taking into account the undertaking's regulatory duty to treat its customers fairly.

The projection of future cash flows is performed using realistic assumptions regarding future experience. The key relevant assumptions include mortality, longevity, lapse rates and option take-up rates with allowance for any expected trends. An allowance is also made for future expenses.

The model takes account of the time value of money through discounting at an appropriate risk-free rate (see section D.2.3.3 below). The assessment of the expected cash flows underlying the BEL takes into account any taxation payments which are charged to policyholders, or which would be required to be made to settle the insurance obligations.

In certain specific circumstances, the best estimate may be negative (e.g. for some protection business where the value of future premiums exceeds the value of future claims and expenses). A negative BEL is permitted under the regulations.

D.2.3.3 Discount rates

For the purpose of calculating the Solvency II technical provisions, nominal discount rates, based on swap rates, prescribed by EIOPA are used. These rates vary by currency of liabilities. The vast majority of the Group's insurance obligations are denominated in sterling. The Group's main non-sterling currency exposure relates to euro denominated liabilities.

An adjustment (also specified by EIOPA) is made to the swap curve for credit risk. At 31 December 2019, the sterling credit risk adjustment was minus 11bps, and for euros minus 10bps at each duration. For certain liabilities, a matching adjustment or volatility adjustment is added to the basic risk-free yield curve. (see section D.2.7.1).

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.3 BASES, METHODOLOGY AND MAIN ASSUMPTIONS USED FOR BEST ESTIMATE LIABILITY CONTINUED
D.2.3.4 Tax assumptions
The Finance Act 2016 reduced the rates of corporation tax from 20% to 19% in April 2017 and to 17% from April 2020. Consequently a blended rate of tax has been used for the purposes of providing for deferred tax in these financial statements.

It was announced in the 2020 Budget on 11 March that the corporation tax rate will remain at 19% for 2020 and, it would appear, for the foreseeable future. For IFRS and Solvency II reporting the change in tax rate was substantially enacted on 17 March 2020 by resolution using the provisional Collection of Taxes Act 1968.

D.2.3.5 Contract boundaries
Under the regulations the liability cash flows that need to be considered within the BEL are those that fall within the 'contract boundary'. Depending on the features of the contract type, the contract boundary can vary (e.g. the contract boundary may be the original maturity date, the next policy anniversary or the valuation date).

The boundary used is based on a product level assessment which has been performed against the regulations.

Within SLAL's technical provisions, in general, future premiums with no guarantees and no cap on charges are not included within the contract boundary, even where the policyholder has the right to invest future premiums into with profits or a fund with a charge cap. In this case, the contract boundary is at the reporting date. Contracts investing in a combination of with profits funds, funds with a charge cap and funds with no guarantee or charge cap are unbundled to allow for different contract boundaries on the different parts of the contract. For the avoidance of doubt, all related cash flows in respect of premiums paid up to and including the reporting date are included in the calculation of technical provisions.

D.2.3.6 Grouping of liability data
Policies are grouped into model points to improve computational efficiency. Groups are selected so that the model points appropriately allow for the risk characteristics of the individual policies and do not distort the valuation of BEL.

D.2.4 CALCULATION
The following sub-sections outline how each type of BEL are valued.

D.2.4.1 Insurance with-profit participation
The BEL is typically calculated as the sum of:

- asset shares – the value (as at the valuation date) of the underlying policy cash flows accumulated at the investment returns earned historically on assets backing those policies;
- the market-consistent cost of guarantees and smoothing as these may give rise to claim payments greater than the asset shares; and
- other with-profit future policyholder related liabilities, which includes future discretionary benefits and any remaining options and guarantees.

Cost of option and guarantees
A range of options and guarantees exist. As the cost of an option or guarantee will vary depending on future economic conditions, stochastic methods are used to value the majority of them (see section D.2.6 for further details) and these are included in the BEL.

Investment mix of asset shares
As the value of options and guarantees can depend on the projected asset share, the stochastic model requires assumptions about the current and future mix of investments held within the asset shares. These assumptions reflect the asset share pools as described in each with-profit fund's Principles and Practices of Financial Management ('PPFM').

The change to the asset mix of these asset share pools varies over time as described in the PPFM; certain funds will retain a static mix based on the assets backing asset shares at the valuation date, others will vary from an initial mix to a long term strategic mix.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.4 CALCULATION CONTINUED
D.2.4.2 Other life insurance (including health)
The BEL for the annuity business is the present value of future annuity payments and associated policy administration expenses less any future premiums payable. For non-pension annuities, the annuity payments may include policyholder tax on the income element of any payments.

For other business, BEL represents a realistic assessment of the present value of projected claims payments, plus expenses less premium income.

D.2.4.3 Index-linked and unit-linked business
The BEL for unit-linked business is based on a realistic assessment of the present value of projected claim payments plus expenses, less the present value of future premiums paid.

D.2.5 DEMOGRAPHIC AND EXPENSE ASSUMPTIONS
Actuarial assumptions have been reviewed throughout the year, the most material change being the move to latest version of the CMI projections model (CMI_2018) which reflects a reduction in longevity improvements and is in line with recent experience. In addition moving SLAL to an MSA has led to a material change to the expense assumptions. Further details are set out below.

All demographic and expense assumptions are determined on a best estimate basis (i.e. they include no allowance for prudence). Any changes to external factors are also taken into account when determining the best estimate assumptions.

Assumptions are set in accordance with the regulations. In particular, they:

- are applicable to homogenous risk groups and LoBs within each insurance subsidiary;
- are based on knowledge of the business and practices for managing the business; and
- ensure appropriate allowance for anticipated trends or future changes in the Group and its insurance subsidiaries and portfolio specific factors as well as legal, technological, social, economic or environmental factors.

Typically assumptions are reviewed annually; however for less material assumptions the updates may be less frequent.

The assumption setting process involves analysing experience data from the last two to five years. This ensures data is detailed enough to allow credible statistical analysis to be performed and emerging trends to be identified.

For example, in order to set a particular assumption for a particular group of policies, the annual percentage of policies subject to the relevant decrement (for example, lapses, death) over the last five years is typically considered. The actual rates observed over the last five years are then compared to the best estimate assumption being used to value the BEL. Where the best estimate assumption is materially out of line with actual experience, changes to the best estimate assumption are considered.

Validations are performed to ensure the experience data is accurate, relevant and credible. Other industry data (e.g. industry trend data) may also be used to supplement the Group's experience data, where relevant and credible.

Expert judgement is applied to assess the impact on the proposed assumption of one-off events and likely future policyholder behaviour. It is also used where there is insufficient credible experience/other data to set the assumption.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.5 DEMOGRAPHIC AND EXPENSE ASSUMPTIONS CONTINUED

Key best estimate demographic assumptions are:

1) Early and late retirement rates;

2) Lapse rates;

3) Option take-up rates (e.g. early retirement options, Guaranteed Annuity Options ('GAO'));

4) Mortality rates (using base table and future improvement rates);

5) Income Drawdown rates;

6) Premium escalation rates; and

7) Rate of conversion from premium paying to paid up status.

Other less material best estimate assumptions include morbidity rates and cash withdrawal rates on bonds.

D.2.5.1 Mortality

Base annuitant mortality

The base table mortality assumption review for annuitants is based on individual insurance subsidiary mortality experience primarily over a five year period.

Criteria used to subdivide fund level data into homogenous risk groups are gender and ex-entity (i.e. the original company that sold the policy to the policyholder). However for impaired life annuities, underwriting class is also used.

The mortality tables currently in use are from the "00 Series" of base mortality tables supplied by the CMI. These tables are most representative of the underlying company's experience. A base mortality multiplier is then applied to the assumption so that the assumptions align to the underlying experience.

PCXA00 and RXV00 are examples of standard mortality tables from the "00 series" used by Life Companies to value technical provisions. Adjustments are made to these tables to reflect mortality improvements from the date they were published to the current valuation date.

A separate allowance is made for future mortality improvements applicable after the valuation date, which are detailed below.

Pre-vesting mortality

Pre-vesting mortality assumptions apply to products such as term assurances and endowments.

The assumption review is based on mortality experience primarily over a five-year period. Criteria used to subdivide fund level data are gender, product group, smoker status and ex-entity.

A base mortality multiplier that varies by gender is applied to a standard mortality table. Adjustments may be made to the mortality table to take account of changes in mortality improvements since the table was published.

Base multiplier and mortality assumptions are selected that are in line with the underlying experience data. In some cases, age specific percentages are used where they better match experience.

The main standard mortality tables currently in use are A196770, AX80, AX92, TX92, AXC00, ELT14 and TX00.

Additionally, company specific tables are used to value term policies and certain individual policies which include total and permanent disability benefits.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.5 DEMOGRAPHIC AND EXPENSE ASSUMPTIONS CONTINUED
D.2.5.1 Mortality continued

Future improvement in mortality rates

For immediate annuities, deferred annuities or products with GAO's/Guaranteed Minimum Pension ('GMP') guarantees and for certain whole of life and term assurance business, a separate allowance for future improvements in mortality rates is made when calculating technical provisions.

For annuity business, the future improvement assumption is a material assumption and it is expressed using an industry model (the CMI projections model) which firstly fits a model to England and Wales historic population data. The CMI model then uses assumptions regarding the rate of convergence from the recent historic rates to an appropriate long term rate of future improvement. Internal models are used to set and validate these assumptions. The published projection model currently in use is the CMI_2018 projections model which was published in March 2019 and uses historic data up to 2018.

For certain whole of life and term assurance business, the future improvement assumption is less material and a single rate of future improvement assumption is used.

D.2.5.2 Persistency

The lapse rate assumption review for PLL and PLAL is based on experience primarily over a five-year period, splitting policies into homogeneous risk groups and identifying an assumption for the group as a whole. Criteria used to subdivide fund level data are product type and premium payment status (i.e. regular premium or single premium/paid up). Where experience data is insufficient to perform a credible analysis, the experience from similar products may be aggregated.

The lapse, retirement, withdrawal and paid up rates for SLAL are generally based on two years of experience data and vary by product type, duration of business, policyholder age and territory, depending on the assumption. In addition, an allowance for dynamic policyholder behaviour is made.

With profits contracts in Germany give the policyholder the option of increasing their premium each year, subject to limits. Assumptions are required for both the future eligibility to premium increases, and the take-up rate. The assumption varies by: product, policy term, and maximum indexation level selected at policy outset.

D.2.5.3 Early and late retirement rates

The assumption review for early and late retirement rates is based on experience primarily over a five-year period. The criteria used to subdivide fund level data are product type and ex-entity. Late retirement rates are reviewed for those products where the assumption has a material impact on BEL.

In setting the assumptions, allowance is made for known or anticipated trends (e.g. changes in early and late retirement rates as a result of low interest rate environment or changes in pension legislation from the Pensions' Freedoms Act).

D.2.5.4 Income Drawdown Rates

The assumption review is based on experience over a two-year period. Criteria used to subdivide fund level data are age, pot size and product type. Where experience data is insufficient to perform a credible analysis, the experience from similar products may be aggregated. The analysis is carried out by splitting policies into homogeneous risk groups and identifying an assumption for the group as a whole.

D.2.5.5 Option take-up rates

The current best estimate assumptions for GAO take-up rates are based on experience data since the implementation of the Pensions Freedoms Act in April 2015, where the requirement to take policy benefits in the form of an annuity was removed in the Pensions Freedom Act. Given the significance of this change, it will take some time for sufficient experience to build-up to produce a stable take-up rate assumption.

GAO liabilities are valued using a stochastic model. The take-up rate for PLL and PLAL varies depending on the projected interest rate at policy maturity date in each stochastic scenario. An upper and lower bound apply to the take-up rate based on the degree to which the guarantee is in the money (i.e. by how much the guaranteed annuity rate exceeds the current market annuity rate). For SLAL's UK and Irish GAO liabilities, the take-up rates do not vary dynamically.

The assumed GAO take-up rates across the different funds currently lie between 50% and 85%.

GAO take-up rates are also set on German business where rates vary by age and product type.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.5 DEMOGRAPHIC AND EXPENSE ASSUMPTIONS CONTINUED
D.2.5.6 Expense assumptions
Future expense assumptions are set on a going concern basis, which assumes that Standard Life new business, new vesting annuity business, and SunLife protection business will continue to be written in future, but that other product lines remain substantively closed to new business.

Assumptions are set on a per policy basis, varying by product and/or fund. They are set in line with per policy charges defined in the Master Services Agreements (MSA) signed with the Group's Service Companies for the provision of policy administration. These charges are in respect of all administration costs and any associated overhead costs.

The MSAs also define direct costs (e.g. regulatory and insurance fees) and project costs which are separately billed to the insurance companies as they are incurred. The future expense assumptions include allowances for some direct and project costs where applicable. Those direct and project costs not allowed for in modelled expense assumptions are held as an actuarial provision within the overall calculation of BEL.

For European business, future expense assumptions on a per policy basis are derived from an analysis of management expenses. This allows for all expenses incurred in servicing policies, including overheads, and also assumes that the Company continues to write new business.

Investment management expense assumptions include explicit inputs to the valuation models, as well as reductions to the investment returns used to calculate BEL. For with-profit funds and some non-profit funds investment expenses are set by considering the underlying asset mix of the asset shares and those assets backing other liabilities and Own Funds.

D.2.6 STOCHASTIC MODEL
D.2.6.1 Economic Scenario Generators
An Economic Scenario Generator ('ESG') developed by a third party supplier has been used to support the stochastic valuation of all material options and guarantees in the with-profit funds. A stochastic methodology is required for options and guarantees due to their potential volatility and asymmetric behaviour under different sets of future economic scenarios. The stochastic methodology involves valuing the options and guarantees under 1,000 different future economic scenarios for PLL and PLAL and then averaging over all scenarios. However the stochastic methodology for SLAL values the options and guarantees under 2000 different scenarios. The central scenario in the ESG is equal to the single deterministic scenario used to value all non-profit and unit-linked business.

The ESG generates projected asset returns consistent with asset prices observed in financial markets and assumes no arbitrage opportunities exist. The calibration of the parameters and scenarios is consistent with the relevant risk-free interest rate term structure used to calculate the BEL provided by EIOPA. Where possible the ESG has been calibrated to assets from deep, liquid and transparent markets which are appropriate to the nature of the funds' options and guarantees.

D.2.6.2 Management actions
The methods and techniques for the estimation of future cash flows take account of potential future actions taken by management. The management actions allowed for are determined and justified in accordance with the regulations. For PLL and PLAL management actions in this context are mainly relevant to with-profit liabilities and, in the calculation of technical provisions, primarily relate to discretion over the amount of annual and final bonuses. In each ESG scenario, the level of annual future reversionary bonus applied to benefits is determined dynamically, and is set at a level such that the final bonus is targeted at a specified percentage of the guaranteed benefit.

Some reversionary bonuses are guaranteed at a specified minimum. Where this is the case the model uses the dynamic methodology as above, but applies a floor of the guaranteed minimum.

The final bonus rates are typically assumed to be adjusted in each scenario so as to correspond to the rate that can be covered by the difference between the asset share and the guaranteed benefit, including any reversionary bonuses. The overall final bonus is subject to a minimum of zero.

In addition, for SLAL, management actions include, the regular review of deductions for guarantees, the application of smoothing on payouts, and management of with profits assets.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.6 STOCHASTIC MODEL CONTINUED
D.2.6.3 Policyholder actions

For PLL and PLAL the impact of policyholder actions is considered primarily in relation to GAO take-up rates, as these take-up rates are expected to be correlated with the financial benefit gained from the option, which is in turn highly correlated with the level of interest rates.

The central GAO take-up rate assumptions in the stochastic models are supported by the analysis of historical data. This analysis takes into account the following:

- how beneficial exercise of the option was and will be to policyholders under circumstances at the time of exercising the option;
- the influence of past and future economic conditions;
- the impact of past and future management actions; and
- any other circumstances that are likely to have influenced the decisions on whether to exercise the option (e.g. changes in legislation such as Pension Freedom legislation introduced in April 2015).

The modelling of SLAL's cost of guarantees includes an allowance for policyholder behaviour in light of the value of the guarantees and options available and the length of time until those guarantees and options apply.

D.2.7 SOLVENCY II LONG TERM GUARANTEE AND TRANSITIONAL MEASURES

Within PLL, PLAL and SLAL, regulatory approval has been received from the PRA for the application of:

- Matching Adjustment, which is applied to all liabilities in the Matching Adjustment portfolios; and
- the TMTP which is applied to all liabilities.

Within SLAL, regulatory approval has also been received from the PRA for the application of the Volatility Adjustment. This applies to almost all business within the entity, except unit-linked business and business in the Matching Portfolio[1].

D.2.7.1 Matching Adjustment

The application of the Matching Adjustment allows insurers to use a (typically) higher discount rate when valuing liabilities that meet strict eligibility criteria, with the effect of increasing Own Funds and reducing the SCR. The assets and liabilities in each of the Matching Adjustment portfolios meet the Matching Adjustment eligibility criteria as set out in the regulations.

The Matching Adjustment is based on the expected yield from eligible assets held to back eligible liabilities, less a margin for defaults and downgrades. It is applied as a flat increase to the Solvency II basic risk-free curve used to discount liabilities.

The calculation of the Matching Adjustment requires EIOPA specified assumptions for the basic risk free curve and fundamental spreads. These assumptions are combined with asset and liability cash flows to generate the Matching Adjustment for each currency of liabilities.

The liabilities in the PLL Matching Adjustment portfolio consist of sterling denominated non-profit immediate and deferred annuities. There is also a relatively small block of non-profit euro denominated immediate annuities. The immediate and deferred annuities provide policyholders with a mixture of level, fixed escalation and inflation linked benefits. Liabilities in the PLAL Matching Adjustment portfolio consist of sterling denominated non-profit immediate annuities from which policyholders receive a mixture of level, fixed escalation and inflation linked benefits.

Liabilities in the SLAL Matching portfolios consist of sterling immediate annuity liabilities which include index-linked annuities and non-linked annuities.

At the current valuation date, assets held to back liabilities in the Matching Adjustment portfolios include: fixed and index-linked government bonds, supranational bonds, corporate bonds, interest rate swaps, gilt total return swaps and cash. For PLL Matching Portfolio CRE Loans and ERM notes issued by ERM SPVs are also held to back liabilities. SLAL also holds infrastructure debt to back the liabilities.

1 Solvency II rules specify that a volatility adjustment cannot be used for unit-linked business or any business where a matching adjustment is already used.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.7 SOLVENCY II LONG TERM GUARANTEE AND TRANSITIONAL MEASURES CONTINUED
D.2.7.1 Matching Adjustment continued

The impact of reducing the Matching Adjustment to zero on the Solvency II balance sheet (including technical provisions, Own Funds and SCR) is summarised below and shown in QRT S.22.01.22 in Appendix for PGH Group and each life company.

The Basic and Eligible Own Funds presented below for PGH Group include the Method 2 Standard Life insurance subsidiaries. The impact to Basic and Eligible Own Funds also include any effect of removal of Matching Adjustment for the Method 2 Standard Life insurance subsidiaries.

Due to the Method 2 treatment of the Standard Life insurance subsidiaries, the impact of the removal of Matching Adjustment on the Group's technical provisions and basic Own Funds in the table below relates only to the Method 1 Group. Impacts on the SCR and Eligible Own Funds to meet SCR for the Group include both Method 1 and Method 2 entities.

PGH Group	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B)–(A)
Technical provisions	63,494	64,611	1,117
Basic Own Funds	6,105	5,075	(1,030)
Eligible Own Funds to meet SCR	10,792	9,260	(1,532)
SCR	7,690	9,286	1,596

PLL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B)–(A)
Technical provisions	53,330	54,347	1,017
Basic Own Funds	4,522	3,592	(930)
Eligible Own Funds to meet SCR	4,522	3,592	(930)
SCR	3,182	4,221	1,039

PLAL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B)–(A)
Technical provisions	13,759	13,859	100
Basic Own Funds	1,844	1,744	(100)
Eligible Own Funds to meet SCR	1,844	1,744	(100)
SCR	1,244	1,363	119

SLAL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B)–(A)
Technical provisions	131,099	131,801	702
Basic Own Funds	4,393	3,890	(503)
Eligible Own Funds to meet SCR	4,393	3,890	(503)
SCR	2,539	2,977	438

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.7 SOLVENCY II LONG TERM GUARANTEE AND TRANSITIONAL MEASURES CONTINUED
D.2.7.2 Transitional Measure on Technical Provisions (Unaudited)

Transitional measures allow insurers to recognise the impact of increased technical provisions calculated under the Solvency II regime compared to the previous Solvency I regime (using the Pillar 2 Individual Capital Assessment ('ICA') basis) on a gradually reducing basis over 16 years. The Group's technical provisions calculated under Solvency II exceed those calculated under the Solvency I regime for two main reasons. Firstly, the regulations require inclusion of a risk margin within technical provisions which was not required under Solvency I. Secondly, the regulations require the use of a swap-based risk-free curve to discount liabilities whereas under Solvency I, the Group used a higher gilts-based risk-free curve to determine the discount rate.

The TMTP is a deduction from the amount of Solvency II technical provisions and is included as part of Tier 1 Basic Own Funds. In summary, the initial deduction is calculated as the difference between Solvency II technical provisions and Solvency I technical provisions as at 1 January 2016. The deduction runs off linearly to zero over the course of the 16-year transitional period unless a faster pace of run-off is required due to the actual run-off of the business being higher than 1/16 per annum.

The regulations allow all firms to recalculate their transitionals every two years after 1 January 2016 or more frequently under circumstances where the risk profile of the business changes materially and to reflect this recalculation in the reported transitionals amount. As a result of a falls in the risk free rate in 2019, a recalculation of the TMTP was conducted as at 30 September 2019 for PLL, PLAL and SLAL. As per the two-year recalculation cycle, a recalculation of the TMTP was also conducted as at 31 December 2019. The TMTP reported in this valuation allows for four years' run off (for example, 12/16 of the figure before run-off) in line with the PRA supervisory statement that confirms the run down should apply on the last working day of 2019 rather than 1 January 2020.

The quantum of the TMTP as at 31/12/18, 30/9/19 and 31/12/19 is shown in the table below.

Entity	TMTP at 31/12/18 £m	TMTP at 31/12/19 £m
PLL		
PLAL		
SLAL		

There is a requirement that the TMTP should not result in the financial resources (technical provisions plus other liabilities plus capital requirements) held under Solvency II to be less than those that would have been held under the Solvency I regime. The assessment on both bases as at 31 December 2019 demonstrated that no such restriction was required.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.7 SOLVENCY II LONG TERM GUARANTEE AND TRANSITIONAL MEASURES CONTINUED
D.2.7.2 Transitional Measure on Technical Provisions (Unaudited) continued

The impact of reducing the TMTP to zero on the Solvency II balance sheet (including technical provisions, Own Funds and SCR) is summarised below and shown in QRT S.22.01.22 in Appendix for PGH Group and each life company.

The Basic and Eligible Own Funds presented below for PGH Group include the Method 2 Standard Life insurance subsidiaries. The impacts also include any impact of removal of TMTP for the Method 2 Standard Life entities.

Due to the Method 2 treatment of the Standard Life insurance subsidiaries, the impact of the removal of TMTPon the Group's technical provisions and basic Own Funds in the table below relates only to the Method 1 Group. Impacts on the SCR and Eligible Own Funds to meet SCR for the Group include both Method 1 and Method 2 entities.

PGH Group	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B)–(A)
Technical provisions	63,494	66,070	2,576
Basic Own Funds	6,105	4,203	(1,902)
Eligible Own Funds to meet SCR	10,792	7,898	(2,894)
SCR	7,689	7,865	176

PLL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B)–(A)
Technical provisions	53,330	55,135	1,805
Basic Own Funds	4,522	3,203	(1,319)
Eligible Own Funds to meet SCR	4,522	3,203	(1,319)
SCR	3,182	3,312	130

PLAL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B)–(A)
Technical provisions	13,759	14,530	769
Basic Own Funds	1,844	1,260	(584)
Eligible Own Funds to meet SCR	1,844	1,260	(584)
SCR	1,244	1,289	45

SLAL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B)–(A)
Technical provisions	131,099	132,192	1,093
Basic Own Funds	4,393	3,401	(992)
Eligible Own Funds to meet SCR	4,393	3,401	(992)
SCR	2,539	2,539	0

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.7 SOLVENCY II LONG TERM GUARANTEE AND TRANSITIONAL MEASURES CONTINUED

D.2.7.2 Transitional Measure on Technical Provisions (Unaudited) continued

In addition to impacting the technical provisions, any change in TMTP also affects the SCRs for PLL and PLAL. This is due to the impact of the change in TMTP on both the Loss Absorbing Capacity of Deferred Tax ('LACDT') and the additional management actions applied in the SCR calculation, which can be used to reduce losses under stressed conditions.

D.2.7.3 Volatility Adjustment

SLAL applies a Volatility Adjustment when calculating technical provisions for all contract types where a matching adjustment is not used, except for unit-linked business.

The volatility adjustment is designed to protect insurers with long term liabilities from the impact of market volatility, by reducing the likelihood that insurers sell their risky assets when markets are failing. The volatility adjustment is a parallel increase in the market segment of the risk free curve. There is no change to the ultimate forward rate.

As noted in section D.2.1 the Phoenix Life insurance subsidiaries do not apply the Volatility Adjustment, and therefore any removal of Volatility Adjustment would not impact the technical provisions of those entities.

The tables below sets out the impact on the Group's and SLAL's Basic Own Funds and Eligible Own Funds as set out in S.22.01.22 in Appendix 1.4 and S.22.01.21 Appendix 4.4. In light of the Method 2 treatment of SLAL, there is no impact on the PGH Group technical provisions of removing the Volatility Adjustment.

Due to the Method 2 treatment of the Standard Life insurance subsidiaries, the impact of the removal of Volatility Adjustment on the Group's technical provisions and basic Own Funds in the table below relates only to the Method 1 Group. Impacts on the SCR and Eligible Own Funds to meet SCR for the Group include both Method 1 and Method 2 entities.

PGH Group	Including Volatility Adjustment £m (A)	Excluding Volatility Adjustment £m (B)	Impact of removing Volatility Adjustment £m (B)–(A)
Technical provisions	63,494	63,494	–
Basic Own Funds	6,105	6,105	–
Eligible Own Funds to meet SCR	10,792	10,765	(27)
SCR	7,689	7,670	(19)

SLAL	Including Volatility Adjustment £m (A)	Excluding Volatility Adjustment £m (B)	Impact of removing Volatility Adjustment £m (B)–(A)
Technical provisions	131,099	131,238	139
Basic Own Funds	4,393	4,366	(27)
Eligible Own Funds to meet SCR	4,393	4,366	(27)
SCR	2,539	2,520	(19)

D.2.8 RECOVERABLES ON REINSURANCE CONTRACTS

The amounts recoverable on reinsurance contracts are recognised as a reinsurance asset on the Solvency II balance sheet and calculated in the same manner as the BEL. The amounts recoverable are adjusted to take account of expected losses due to default of the counterparty which is described below.

D.2.8.1 Assessment of reinsurers' default risk (counterparty default adjustment)

The regulations require that an adjustment is made to the value of the reinsurance asset to reflect the risk that a reinsurer may default on its obligations. This adjustment is known as the counterparty default adjustment.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.8 RECOVERABLES ON REINSURANCE CONTRACTS CONTINUED
D.2.8.1 Assessment of reinsurers' default risk (counterparty default adjustment) continued

A simplified method is used to calculate the counterparty default adjustment for PLL and PLAL. The simplified calculation applies a best estimate probability of reinsurer default to the difference between the reinsured BEL and any collateral held under the arrangement. Further adjustments are then made to reflect the recovery rate from the reinsurer in excess of the collateral and the average duration of liabilities transferred. For internal reinsurance the probability of default has been set to zero, reflecting the enhanced ability to monitor and control the strength of the reinsurer.

For SLAL, the counterparty default adjustment is the best estimate of the expected losses due to default of the reinsurance counterparty over the lifetime of the liabilities. The adjustment is calculated for each counterparty exposure as:

- The cumulative expected probability of default over the lifetime of the reinsurance exposure; multiplied by
- An assumption for losses given default.

The probability of default assumption is determined from long-term average default rates for corporate bonds, adjusted for credit conditions as at the valuation date using corporate bond credit spreads (relative to swaps). Loss given default assumptions are specific to the nature of the exposure.

There is no reinsurance with Solvency II SPVs.

D.2.9 SIMPLIFICATIONS

Where it is proportionate, the Group adopts various simplifications in the calculation of BEL. These simplifications may exist within the calculation methodology, or within the valuation models themselves.

The most material areas where such simplifications are adopted are listed below.

D.2.9.1 Methodology simplifications

This section describes the significant simplifications within the Group's methodology for calculating the Solvency II BEL. However, neither is considered to have a material impact on BEL.

Dynamic policyholder behaviour

How valuable guarantees are to policyholders will vary with economic conditions. In the PLL and PLAL stochastic model, dynamic policyholder behaviour is modelled in respect of the GAO take-up rates, where the take-up rate varies depending on the level of projected interest rates at the policyholder's retirement date. In the SLAL stochastic model cost of guarantees includes an allowance for policyholder behaviour in light of the value of the guarantees and options available and the length of time until those guarantees and options apply.

Variation in economic conditions would also affect the lapse and surrender rates. However, due to a lack of relevant experience data and modelling complexity, dynamic lapse and surrender rates are not currently modelled.

Counterparty default adjustment

The methodology set out in section D.2.8.1 above is a simplification permitted by the regulations.

D.2.9.2 Modelling simplifications

Substantially all of the Group's BEL is calculated using probability weighted averages of future cash flows. However, simplified valuation techniques have been used in certain circumstances. These simplifications are typically used where material uncertainty exists around the size, incidence or timing of liability cash flows or, where further model development is required for a more robust assessment. Examples include provisions set aside to cover items such as additional service fees, data issues, project implementation costs, impacts of system changes, impacts of regulation changes, unknown claims and litigation costs.

The Group uses the skills, knowledge and experience of actuaries, accountants and other subject matter experts to perform these assessments, which are carried out in accordance with the Group's internal framework on application of expert judgement.

The proportion of gross BEL calculated using simplified methods was 1%.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED

D.2.10 UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS

The sources and level of uncertainty associated with the risk margin component are described in section D.2.11.3.

The key sources and level of uncertainty associated with the BEL component of technical provisions are:

- uncertainty of demographic and economic assumptions;
- uncertainty in the timing and frequency of insured events;
- uncertainty in claim amounts, including uncertainty caused by path dependency (i.e. where the cash flows depend not only on circumstances such as economic conditions on the cash flow date, but also on those circumstances at previous dates);
- uncertainty in claims inflation;
- uncertainty in the amount of expenses and expense inflation;
- uncertainty in the actions that are assumed to be taken by management in response to changes in market conditions;
- uncertainty in expected future developments; and
- uncertainty in policyholder behaviour.

Some of this uncertainty is addressed by using a stochastic model. In particular, use of a stochastic model enables both the intrinsic and time value associated with options and guarantees to be determined with greater certainty. Use of a stochastic model also enables key dynamic policyholder behaviour and key management actions to be modelled.

Uncertainty may also emanate from the use of best estimate assumptions that did not accurately reflect the risk profile of the business being modelled. For example, demographic best estimate assumptions are typically based on an analysis of past experience with adjustments to allow for expected future trends and developments. However, these assumptions may not be borne out in practice for a number of reasons, including:

- lack of credible historical data upon which to base the assumption. This may require experience data from different homogenous risk groups being grouped, the use of relevant and credible industry data, or the assumption being set by expert judgement;
- allowance for future trends being different from expected; and
- random variation.

Any simplifications and approximations made when setting non-economic assumptions takes into account the sensitivity and materiality of the assumption.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.10 UNCERTAINTY ASSOCIATED WITH THE VALUE OF TECHNICAL PROVISIONS CONTINUED

An indication of the level of uncertainty associated with a particular assumption can be achieved by testing the sensitivity of BEL to that assumption. The table below (unaudited) shows the increase in net of reinsurance BEL that would result from a strengthening of each key demographic assumption at the 1-in-10 probability level (i.e. the probability of the best estimate assumption being outside of this level is 10% respectively). These impacts allow for the current risk mitigation techniques (e.g. reinsurance) in place.

	Increase In Best Estimate Liability		
	1-in-10 probability level £m		
Method 1 Assumption	PLL	PLAL	PGH Group
Longevity (base table)	202	92	294
Longevity (future improvements)	416	183	599
Mortality	120	4	124
Lapses[1]	225	153	378

	Increase In Best Estimate Liability
	1-in-10 probability level £m
Method 2 Assumption	SLAL
Longevity (base table and future improvements)	446
Mortality	5
Lapses[1]	110
Expenses	200

1 Lapses effect quoted is all persistency, i.e. lapses, PUPs, surrenders, guaranteed annuity rate take-ups and early retirement rates. This is a reduction in persistency (e.g. higher lapse rates) as this is more onerous in total.

D.2.11 RISK MARGIN

The risk margin calculation represents the additional amount above the BEL that is required to be held under the Solvency II regulations. It is calculated at a value to proxy for the amount of compensation above BEL that a third party (i.e. the reference undertaking) would require to take over those liabilities.

The Group uses a simplified methodology to calculate the risk margin, as described in section D.2.11.1 below.

D.2.11.1 Methodology overview

The calculation of the risk margin for the undertaking is based on a 6% per annum cost of capital applied to the projected reference undertaking SCR. The reference undertaking SCR is based on non-hedgeable risks only. The definition of non-hedgeable risks for the reference undertaking SCR includes:

- underwriting risk with respect to the existing business;
- credit risk with respect to reinsurance contracts counterparties, policyholders and any other material exposures related to existing business; and
- operational risk, including tax and regulatory risk.

Section D – Valuation for Solvency Purposes continued

D.2 TECHNICAL PROVISIONS CONTINUED
D.2.11 RISK MARGIN CONTINUED
D.2.11.2 Validation of simplified approach and level of uncertainty

A 'full' calculation of the risk margin would involve:

- a 'full' calculation of the reference undertaking SCR over all future time periods; and
- calculating the risk margin at entity level and allocating this to each LoB.

However, in practice, for the vast majority of business, the Group uses a simplified bottom up approach such that the risk margin is initially calculated at fund LoB level by:

- allocating the time zero reference undertaking SCR to each fund and further by LoB. For each LoB this allocation makes allowance for the expected contribution from individual risks, management actions, diversification benefits and also non-linearity. Non-modelled risks are allocated in a simplified way using LoB weightings based on modelled BEL; and
- applying a 6% cost of capital charge to the 'projected' fund level LoB reference undertaking SCRs and discounting. For this purpose the fund level LoB reference undertaking SCR is typically projected using an annuity factor that is based on the run-off profile of the BEL for each LoB.

The insurance subsidiary risk margins are then the sum of the LoB risk margins across all funds. The Group risk margin is the sum of the insurance subsidiary's risk margins.

In order to understand the impact of the simplification used to allocate the SCR to LoB, alternative methods of allocating the SCR to LoB have been investigated (e.g. the impact of allocating non-modelled risks to LoB using policy counts instead of the BEL). This demonstrated that the risk margin results were relatively insensitive to the alternative allocation methods that were tested.

In order to understand the impact of the simplification used to represent the projection of the SCR, alternative run-off approaches were also assessed. In particular:

- Realistic run-off patterns for key non-market risks. Simplified models were used to produce run-off patterns for key risks and are validated by comparing them to BEL run-off profiles. This showed that the current approach was likely to be prudent for the key risks.
- Alternative proxies to run-off the SCR were used (e.g. sum assured) and the sensitivity of the risk margin calculation was assessed. This showed that the risk margin results were relatively insensitive to the alternative run-off patterns tested.
- For certain product lines, where the general approach described in section D.2.11.1 is not appropriate, more granular techniques are employed to ensure appropriate projection of the reference undertaking SCR.

D.2.11.3 Uncertainty associated with the risk margin

Uncertainty attached to the risk margin calculation primarily stems from its unduly high sensitivity to interest rate movements. Sensitivity to interest rates arises because interest rate movements can have a significant second order impact of the size of the longevity risk SCR and because risk-free rates are used to discount the projected reference undertaking SCRs. This is a general industry-wide concern of which the UK regulator and EIOPA have been made aware. However, a material change in interest rates may trigger a recalculation of the TMTP (see section D.2.7.2), subject to regulatory approval, which would currently act to offset much of the volatility in the risk margin calculation.

Some uncertainty also relates to the simplifications used by the group to calculate the risk margin. However, based on the results of the validation investigations described above, the level of this uncertainty is currently deemed immaterial.

Section D – Valuation for Solvency Purposes continued

D.3 OTHER LIABILITIES

D.3.1 INTRODUCTION

The valuation of other liabilities on the Solvency II balance sheet is covered in section D.1. The valuation of technical provisions is covered in section D.2. Some of the Group's liabilities (mainly financial instruments) are determined using alternative valuation methods which use non-observable market inputs. Further details are included in section D.4.1.

D.3.2 DEFERRED TAX LIABILITIES

Further details regarding deferred tax liabilities are set out in section D.1.3.

D.3.3 PENSION SCHEMES

As detailed in section D.1.2, PGH has three material defined benefit staff pension schemes. In accordance with the regulations, all schemes are valued consistently with IFRS (i.e. IAS19 valuation basis). This section gives further detail on the Group's three main pension schemes for its employees.

At 31 December 2019, the value of the Pearl Group Scheme is £314 million and is shown as 'pension benefit surplus' on the Solvency II balance sheet.

At 31 December 2019, the value of the PGL Scheme in PGH1 is £37 million including the value of its reimbursement rights arising from bulk annuity contracts entered into with PLL, in both 2016 and 2019. As detailed in section D.1.2, this value is not included in the 'pension benefit obligations' line of the balance sheet as it is recognised in an entity which is not subject to line by line consolidation. As PGH1 is treated as a 'participation' for Solvency II, the value of the PGL Scheme is included within 'holdings in related undertakings, including participations'. Transactions between the Group's pension schemes and Life Companies are fully eliminated on consolidation. Accordingly, certain financial assets which under collateral agreements to support the pension scheme obligations are included on a line by line basis, as the risks and rewards are held by PLL. The full pension scheme obligation, calculated in accordance with IAS19 is recognised in 'holdings in related undertakings including participations'.

At 31 December 2019, the value of the Abbey Life Scheme is £(75) million and shown in 'pension benefit obligations' on the Solvency II balance sheet. The Abbey Life Scheme pension obligations are valued in the PeLHL holding company, following the transfer of the Scheme from ALAC.

Further details regarding the Group's pension schemes, including the principal assumptions used in their valuation are set out in note G6 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019 which can be found on the Group's website.

Section D – Valuation for Solvency Purposes continued

D.3 OTHER LIABILITIES CONTINUED
D.3.3 PENSION SCHEMES CONTINUED
D.3.3.1 Scheme assets

The distribution of the scheme assets for each pension scheme as at 31 December 2019 were as follows:

	Pearl Scheme		PGL Scheme		Abbey Life Scheme	
Pension Scheme Assets	Asset value £m	% of total scheme assets	Asset value £m	% of total scheme assets	Asset value £m	% of total scheme assets
Index-linked bonds	–	–	–	–	–	–
Swaps	–	–	–	–	–	–
Government bonds	–	–	–	–	–	–
Equities	–	–	–	–	–	–
Fixed interest gilts	56	2%	–	–	73	29%
Other debt securities	1,329	47%	–	–	–	–
Hedging portfolio	1,569	55%	–	–	–	–
Diversified income fund	–	–	–	–	105	41%
Properties	266	9%	–	–	–	–
Private equities	19	1%	–	–	–	–
Hedge funds	6	0%	–	–	–	–
Corporate bonds	–	–	–	–	71	28%
Cash and other	111	4%	54	100%	15	6%
Derivatives	–	–	–	–	(10)	(4%)
European Investment Bank Bonds	–	–	–	–	–	–
Obligations for repayment of stock lending collateral received	(522)	(18%)	–	–	–	–
Reported scheme assets	**2,834**	**100%**	**54**	**100%**	**254**	**100%**
Add back:	–		–		–	
Insurance policies eliminated on consolidation	–		1,687		–	
Adjustment for amounts due to subsidiary eliminated on consolidation	–		(13)		–	
Economic value of assets	**2,834**		**1,728**		**254**	

D.4 ALTERNATIVE METHODS FOR VALUATION

This section provides information on alternative valuation methods used by the Group. Sections D.1.2 and D.3.2 identified the assets and liabilities valued using this approach. Further information is provided below on the justification for the use of alternative valuation methods and the assumptions underlying this approach. An assessment of the valuation uncertainty is performed by management on a bi-annual basis and the results of such analysis shared via governance.

There have been no significant changes in the recognition, measurement or valuation base used for financial assets and liabilities during the reporting period.

Further details regarding the alternative methods for valuation used by the SLIDAC can be found in section D.4 of the SLIDAC SFCR for the year ended 31 December 2019. The table below covers the Group excluding SLIDAC.

The alternative valuation methods for assets and liabilities are shown in the sections below, with separate tables for SLAL due to its Method 2 status.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED

D.4.1 ALTERNATIVE VALUATION METHODS – ASSETS

Some financial instruments in insurance subsidiaries PLL, PLAL and SLAL are valued using alternative valuation methods, which utilise a combination of observable and non-observable market inputs. All of the alternative valuation methods described below follow accepted market practice.

For SLPF and PA(GI) there are no items valued using alternative methods as at 31 December 2019.

Asset	PLL	PLAL	Other Group entities and Group adjustments	PGH Group	Alternative valuation method	Assumption
Assets held for index-linked and unit-linked contracts	21,332	320	–	21,652	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques are consistent with the market approach (for example, levels of fair value hierarchy).	Various assumptions depend on class of asset.
Property, plant and equipment held for own use	–	–	28	28	Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology.	Further details are set out on page 216 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019.
Property (other than for own use)	324	31	0	355	Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology.	As per RICS valuation manual and based on professional judgement of independent valuers; for the property reversionary loans, mortality rates, discount rate, future growth in house prices are key assumptions. Page 218 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019 shows the valuation techniques used in measuring the fair value of the investment properties (included in property (other than for own use), the significant non-observable inputs used, the inter-relationship between the key non-observable inputs and the fair value measurement of the investment properties.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED
D.4.1 ALTERNATIVE VALUATION METHODS – ASSETS CONTINUED

	Solvency II value £m					
Asset	PLL	PLAL	Other Group entities and Group adjustments	PGH Group	Alternative valuation method	Assumption
Holdings in related undertakings including participations	8,864	4,589	7,047	20,500	Non-observable market input, primarily net asset value statements.	Relevant assumptions and valuation principles as detailed in section D.1.2 applied to the calculation of the net asset value of related undertakings. Further details regarding the valuation of SLIDAC can be found in section D.1 of their respective SFCR for the year ended 31 December 2019.
Corporate bonds	1,188	215	7	1,410	Combination of observable and non-observable market inputs including modelling.	Comparable gilt, and spread applied.
Government bonds	707	104	0	811	Combination of observable and non-observable market inputs including modelling.	Comparable gilt, and spread applied.
Collective Investment Undertakings	3,614	4,216	(7,047)	783	Non-observable market input, primarily net asset value statements.	Relevant assumptions and valuation principles as detailed in section D.1.2 applied to the calculation of the net asset value of related undertakings.
Collateralised securities	2,635	30	(2,584)	81	Combination of observable and non-observable market inputs, including modelling and broker quotes. Underlying loans: Adoption of an equation of value approach, which means that the aggregate value of the notes equal the value of underlying loans (noted below), other than frictional costs.	Comparable gilt and spread applied; broker quotes. ERM: Refer to detail in loans and mortgages section below.
Other[2]	6	4	45	55	Unlisted equities: Non-observable market inputs, primarily net asset value statements and broker quotes. Structured notes: Combination of observable and non-observable market inputs, including modelling.	Unlisted Equities: Net asset valuation statements and broker quotes. Structured Notes: Discount rate, illiquidity discount.

2 Other includes unlisted equities and structured notes.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED
D.4.1 ALTERNATIVE VALUATION METHODS – ASSETS CONTINUED

	Solvency II value £m					
Asset	**PLL**	**PLAL**	**Other Group entities and Group adjustments**	**PGH Group**	**Alternative valuation method**	**Assumption**
Loans and mortgages	3,096	18	(207)	2,907	ERM: Internally developed discounted cash flow models using appropriate assumptions corroborated with external market data where possible. Commercial Real Estate ('CRE') loans: Discounted cashflow model, with discount rate based on observable and non-observable market inputs Intra-group loans: Discounted cash flow model, with the discount rates based on market observable rates. Other loans: Income approach, which converts future amounts, such as cash flows or income or expenses, to a single current amount. The fair value reflects current market expectations about those future amounts. Valuation techniques consistent with the income approach include present value techniques, option pricing models and the multi-period excess earnings method.	ERM: swap curve, house price index, discount rate and loan repayments. CRE: Spread; Gilt curve. Intra-group loans: discount rate. Other loans: Various assumptions depending on loan type.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED
D.4.1 ALTERNATIVE VALUATION METHODS – ASSETS CONTINUED

	Solvency II value £m		
Asset	SLAL	Alternative valuation method	Assumption
Assets held for index-linked and unit-linked contracts	50,937	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques are consistent with the market approach (for example, levels of fair value hierarchy).	Various assumptions depend on class of asset.
Property, plant and equipment held for own use	7	Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology.	Further details are set out on page 216 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019.
Property (other than for own use)	574	Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology.	As per RICS valuation manual and based on professional judgement of independent valuers. Page 218 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019 shows the valuation techniques used in measuring the fair value of the investment properties (included in property (other than for own use), the significant non-observable inputs used, the inter-relationship between the key non-observable inputs and the fair value measurement of the investment properties.
Holdings in related undertakings including participations	18,919	Refer to section D.4.1.	Relevant assumptions and valuation principles as detailed in section D.1.2 applied to the calculation of the net asset value of related undertakings.
Corporate bonds	698	Combination of observable and non-observable market inputs including modelling. Refer to section D.4.4.	Comparable gilt, and spread applied.
Government bonds	20	Combination of observable and non-observable market inputs including modelling. Refer to D.4.4.	Comparable gilt, and spread applied.
Collective Investment Undertakings	976	Prices are obtained from published information representing the value at which units could be redeemed via the investment manager.	None
Deposits other than cash equivalents	–	AVM not applicable	None
Collateralised securities	–	AVM not applicable	None
Equities	92	Non-observable market input, primarily net asset value statements.	Further details are set out on page 115 of the SLAL Annual Report and Accounts for the year ended 31 December 2019.
Derivatives	2,193	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques consistent with the market approach include matrix pricing. All observable market inputs.	Various assumptions used depending on derivative, including interest rate curve, discount curve and implied volatility.
Loans and mortgages	967	Valuation models using discount rate determined by adding a spread to a risk free rate of return. The spread is based on appropriate comparable securities or transactions.	Comparable gilt and spread applied.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED

D.4.1 ALTERNATIVE VALUATION METHODS – ASSETS CONTINUED

In relation to investments in hedge funds and private equity investments (which are included within the table above as holdings in related undertakings including participations, collective investment undertakings and other (equities-unlisted)), non-observable third party evidence in the form of net asset valuation statements are used as the basis for the valuation.

Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required.

Securities that are valued using broker quotes, which cannot be corroborated across a sufficient range of quotes, are considered to be valued using non-observable market data.

For a small number of investment vehicles and debt securities, standard valuation models are used, as due to their nature and complexity they have no external market. Inputs into such models are based on observable market data, where applicable.

Derivative positions are valued using standard valuation models, combining observable and non-observable market inputs. They are subject to price verification against independent sources and are not subject to sensitivity analysis.

D.4.2 FINANCIAL INSTRUMENT SENSITIVITIES

Further details regarding the impact of reasonably possible changes in valuation inputs, including a sensitivity analysis showing how these changes affect the assets, are set out in note E2.3 and G9 (investment properties) of the PGH plc Group Annual Report and Accounts for the year ended 31 December 2019. Sensitivity analysis for the insurance subsidiaries is shown in the financial instrument and risk management notes of the PLL and PLAL financial statements for the year ended 31 December 2019. All figures quoted reflect the impact to both the assets valuation and the Basic Own Funds of the sensitivity being applied.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED

D.4.3 ALTERNATIVE VALUATION TECHNIQUES – LIABILITIES

As outlined in section D.4.2 the Group uses alternative valuation techniques using non-observable market inputs for certain financial liabilities. These are used to value refinancing loans, which are based on a combination of independent third party evidence and internally developed models. All of the alternative valuation methods described below follow accepted market practice.

	Solvency II value £m					
	PLL	PLAL	Other Group entities and Group adjustments	PGH Group	Alternative valuation method	Assumption
Deposits from reinsurers	333	–	–	333	DCF approach, using a market observable discount rate.	Contractual cash flows discounted using a swaps-based risk-free curve.
Derivatives	90	33	68	191	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques are consistent with the market approach (for example, levels of fair value hierarchy).	Various assumptions used are dependent on derivative type, including interest rate curve, discount curve and implied volatility.
Debts owed to credit institutions	69	70	128	267	Refinancing loans: Internally developed model using a combination of observable and non-observable market inputs. Limited recourse bonds: DCF approach, using a market observable discount rate adjusted to exclude the effect of changes in OCS.	Various assumptions including discount rate (based on asset duration, adjusted for liquidity/ mortality risk) and house price inflation. Contractual cash flows discounted using a selected reference gilt yield. Changes in OCS are excluded by reference to the spread to the reference gilt at issue.
Subordinated liabilities in Basic Own Funds	210	–	1,726	1,936	DCF approach, using a market observable discount rate adjusted to exclude the effect of changes in OCS.	PLL: Contractual cash flows discounted using a selected reference gilt yield. Changes in OCS are excluded by reference to the spread to the reference gilt at issue. Other Group companies: Contractual cash flows, discounted using a swap rate. Changes in OCS are excluded by reference to the swap rate at issue.

The valuation of property reversion loans is sensitive to key assumptions of the discount rate and the house price inflation rate, set out in note E2.3 of the PGH plc Annual Report and Accounts for the year ended 31 December 2019.

Section D – Valuation for Solvency Purposes continued

D.4 ALTERNATIVE METHODS FOR VALUATION CONTINUED

D.4.3 ALTERNATIVE VALUATION TECHNIQUES – LIABILITIES CONTINUED

	Solvency II value £m		
Liabilities	SLAL	Alternative valuation method	Assumption
Derivatives	(197)	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques consistent with the market approach include matrix pricing. All observable market inputs	Various assumptions used depending on derivative, including interest rate curve, discount curve and implied volatility.

D.5 ANY OTHER INFORMATION

There is no further material information to be disclosed regarding the valuation of assets and liabilities for solvency purposes.

SECTION E
CAPITAL MANAGEMENT

IN THIS SECTION

SECTION E CAPITAL MANAGEMENT

This section provides information on the Group and insurance subsidiaries' Own Funds and SCR, including changes over the reporting period, together with an explanation of the material differences between net assets under IFRS and the Solvency II excess of assets over liabilities.

The Solvency II capital assessment involves valuation of Own Funds in line with the Solvency II regulations and a risk-based assessment of the SCR. Solvency II surplus is the excess of Eligible Own Funds over the SCR.

The capital assessment for the PGH plc Group presented in this section includes Method 1 and Method 2 Groups.

The Group and insurance subsidiaries hold an amount of Eligible Own Funds that is greater than the SCR to allow for adverse events in the future that may reduce Own Funds and might otherwise cause failure to maintain the minimum level of regulatory capital, the Minimum Capital Requirement ('MCR').

The SCR, shareholder coverage ratios and availability restrictions applied to Own Funds mentioned throughout this section are unaudited.

KEY SOLVENCY METRICS

As at 31 December 2019, the capital position for PGH and its insurance subsidiaries is presented in the table below:

	PLL	PLAL	PA(GI)	SLAL	SLIDAC	SLPF	Other Group entities[1]	Consolidation and other adjustments[2]	PGH Group 31 December 2019	PGH Group 31 December 2018
Eligible Own Funds	4,521	1,844	64	4,393	482	9	21,149	(21,670)	10,792	10,323
SCR	(3,182)	(1,244)	(2)	(2,539)	(371)	(2)	(1,201)	852	(7,689)	(7,085)
Solvency II surplus	**1,339**	**600**	**62**	**1,854**	**111**	**7**	**19,948**	**(20,818)**	**3,103**	**3,238**
Ratio of Eligible Own Funds to SCR	**142%**	**148%**	**3200%**	**173%**	**130%**	**450%**			**140%**	**146%**
Shareholder capital coverage ratio	**162%**	**181%**	**3200%**	**199%**	**130%**	**450%**			**161%**	**167%**

1 Other Group entities includes the Eligible Own Funds of the Group's holding companies and non insurance subsidiaries including unrestricted pension schemes, subordinated liabilities treated as capital for solvency purposes and other assets and liabilities.
2 Group consolidation adjustments includes the elimination of intercompany balances and participations.

As at 31 December 2019, the Group's Solvency II surplus over the Consolidated Group SCR is £3,103 million (2018: £3,238 million), with a ratio of Eligible Own Funds to SCR of 140% (2018: 146%).

79% of the Group's Eligible Own Funds are unrestricted Tier 1 (2018: 76%), and are principally comprised of ordinary share capital, share premium account related to ordinary share capital, surplus funds and the reconciliation reserve. This includes TMTP which are included in the calculation of Basic Own Funds as Tier 1 capital.

The Group and its insurance subsidiaries do not have any Ancillary Own Funds.

All the required SCR quantitative limits have been complied with for the Group and insurance subsidiaries, and result in no restrictions nor are any Own Funds required to be relegated to lower tiers.

Further details regarding the capital position of each of the insurance subsidiaries are set out in section E.1.

Section E – Capital Management continued

SHAREHOLDER CAPITAL COVERAGE RATIO

In the calculation of the Solvency II surplus, the SCR of unsupported with-profit funds and the Group pension schemes are included, but the related Eligible Own Funds are recognised only to a maximum of their respective SCR amounts. Surpluses that arise in with-profit funds and the pension schemes, are therefore not recognised in the Solvency II surplus as there is uncertainty as to the extent (if any) to which such surpluses will accrue to shareholders. However, such surpluses are available to absorb economic shocks, thereby increasing resilience to economic stresses.

The Group focuses on the metric of shareholder capital coverage ratio as a more appropriate measure of the extent to which shareholders' Eligible Own Funds cover the associated risk capital. It is defined as the ratio of Eligible Own Funds to SCR, after adjusting to exclude Own Funds and SCR amounts relating to strong with-profit funds and the unsupported Group pension schemes.

The Shareholder Capital Coverage ratio of PGH Group is 161% as at 31 December 2019 (2018: 167%)

E.1 OWN FUNDS

E.1.1 MANAGEMENT OF OWN FUNDS

The Group's Capital Management Framework for managing its Own Funds is designed to achieve the following objectives:

- provide appropriate security for policyholders and meet all regulatory capital requirements while not retaining unnecessary excess capital;
- ensure sufficient liquidity to meet obligations to policyholders and other creditors;
- optimise the overall financial leverage ratio to maintain an investment grade credit rating; and
- to meet the dividend expectations of shareholders as set by the Group's dividend policy.

The Group and its insurance subsidiaries operate under a suite of capital management policies that govern the allocation of capital throughout the Group to achieve the framework objectives under a range of stress conditions. The policy suite considers policyholder security, creditor obligations, dividend policy and regulatory capital requirements.

A liquidity policy is set by the Boards and monitored each month at both executive and Board level. The policy ensures sufficient liquidity to meet creditor and dividend obligations through the combination of cash buffers and regular cash flow forecasting. Volatility in the latter is monitored at executive and Board level through stress and scenario testing. Where cash flow volatility is judged to be in excess of the relevant Board's risk appetite, de-risking activities are undertaken. Also see section C.4 on liquidity risk management.

A capital policy is also set by the relevant Boards and monitored by management regularly, to ensure there is sufficient capital to meet the SCR under stress conditions which are currently determined at a 1-in-10 level. The capital policy is managed according to the risk profile and financial strength of the Group and insurance subsidiaries.

The Group and its insurance subsidiaries future capital position is projected over a five-year planning horizon as part of the Annual Operating Plan process.

Further details are also provided in section E.5.

During 2019, the Phoenix and SLAL capital management policies were harmonised. SLIDAC operates its own Capital Management Framework; details of which can be found in its solo SFCR.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED

E.1.2 STRUCTURE AND QUALITY OF OWN FUNDS

Own Funds are split into Tiers in line with the regulations. There are three 'Tiers' based on both 'permanence' and 'loss absorbency' (Tier 1 being the highest quality). Tier 1 is further divided into 'unrestricted' and 'restricted' Tier 1.

Own Funds which are classified as 'unrestricted' Tier 1 include share capital, surplus funds and the reconciliation reserve. Relevant Own Funds items which are classified as 'restricted' Tier 1 are certain subordinated liabilities and cannot make up more than 20% of total Tier 1.

The regulations impose limits on the amount of each Tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that may arise. Own Funds items need to be sufficient in amount, quality and liquidity to be available when the liabilities they are to cover arise. Items with a fixed duration or a right to redeem early may not be available when needed. Similarly, obligations to pay distributions or interest will reduce the amount available. The rules on 'tiering' are designed to reflect the existence of such features.

The regulations set out three approaches for calculating Group solvency, 'Method 1' (this is the default accounting based consolidation method), 'Method 2' (the deduction and aggregation method); or a combination of Methods 1 and 2. Under Method 2, the solo Own Funds are aggregated rather than consolidated on a line by line basis, with any double count of capital removed. The SCR is aggregated, with no allowance for diversification and further adjustments.

The Group has approval to use a combination of Methods 1 and 2 for calculating its Group solvency results. Method 2 is used for SLAL and its subsidiaries (including SLPF) and SLIDAC. Method 1 is used for all other entities within the Group.

All intra-group balances within the PGH Group between Method 1 entities are eliminated on consolidation (including internal subordinated debt balances) and therefore the position presented for the Group reflects the Own Funds net of any intra-group transactions (including reinsurance).

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP

The table below summarises the PGH Group's solvency position at 31 December 2019. The Own Funds QRT S.23.01.22 can also be found in Appendix 1.5. In order to better present the position of the Group, the Method 1 and Method 2 Group are combined in the table below. A different presentation is used in the Own Funds QRT to separately identify participations included using a deduction and aggregation basis.

Phoenix Group Holdings plc

		31 December 2019					31 December 2018
Description	Section reference	Tier 1 (Unrestricted) £m	Tier 1 (Restricted) £m	Tier 2 £m	Tier 3 £m	Total £m	Total £m
Ordinary share capital	E.1.3.1	72	–	–	–	72	72
Share premium account related to ordinary share capital	E.1.3.1	2	–	–	–	2	3,077
Surplus funds	E.1.3.1	2,487	–	–	–	2,487	2,511
Reconciliation reserve (pre availability restrictions)	E.1.3.1	8,127	–	–	–	8,127	4,617
Deferred tax assets	E.1.3.1	–	–	–	84	84	101
Preference shares (Tier 1 Notes)	E.1.3.1	–	500	–	–	500	503
Excess of assets over liabilities		**10,688**	**500**	**–**	**84**	**11,272**	**10,881**
Subordinated liabilities	E.1.3.2	–	–	1,486	451	1,936	1,929
Total Basic Own Funds[1]		**10,688**	**500**	**1,486**	**535**	**13,208**	**12,810**
Availability restrictions in reconciliation reserve	E.1.3.3	(1,232)	–	–	–	(1,232)	(1,299)
Availability restrictions on Method 2 entities	E.1.3.3	(1,184)	–	–	–	(1,184)	(1,188)
Eligible Own Funds to meet SCR		**8,272**	**500**	**1,486**	**535**	**10,792**	**10,323**
Consolidated Group SCR	E.1.3.4					(7,689)	(7,085)
Solvency II surplus						**3,103**	**3,238**
Ratio of Eligible Own Funds to SCR						**140%**	**146%**
Shareholder capital coverage ratio						**161%**	**167%**

1 Basic Own Funds do not agree to that presented on the Own Funds QRT due to the different presentation of the Method 2 Group and availability restrictions in the table above.

E.1.3.1 Basic Own Funds

The PGH Group Basic Own Funds pre availability restrictions total £13,208 million (2018: £12,810 million) and comprise of ordinary share capital, share premium account related to ordinary share capital, surplus funds, a reconciliation reserve, subordinated liabilities, preference shares and deferred tax assets. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The Group's issued and fully paid up ordinary share capital is £72 million (2018: £72 million) and is treated as Tier 1 unrestricted Own Funds. The Articles of Association of PGH include the right to cancel and withhold dividends at any time prior to payment.

Share premium account related to ordinary share capital

The share premium account related to ordinary share capital of £2 million (2018: £3,077 million) is treated as Tier 1 unrestricted Own Funds. During the year, the balance of the share premium account as at 31 December 2018 of £3,077 million was transferred into retained earnings. This resulted in an equal and opposite increase in the reconciliation reserve and had no net impact on the Group's Tier 1 unrestricted Own Funds. Further details of this reserve transfer are set out in note A1 of the consolidated financial statements in the PGH plc Annual Report and Accounts for the year ended 31 December 2019. In addition, during the year 315,730 shares were issued at a premium of £2 million.

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.1 Basic Own Funds continued

Surplus funds

Surplus funds represent accumulated profits within a with profits fund which have not yet been made available for distribution to policyholders. They satisfy the characteristics of Tier 1 because they will only be distributed to policyholders and shareholders in the future if it is appropriate to do so and are loss-absorbent because future distributions can be reduced if the amount of accumulated profits reduces due to future losses. They are generally only available to meet losses arising within the relevant with profit fund and this is taken into account by restricting the Own Funds of each fund to the amount required to cover that fund's notional SCR.

The Group Basic Own Funds include surplus funds of £2,487 million (2018: £2,511 million) which are classified as Tier 1 unrestricted Own Funds. The surplus funds included reflect the Phoenix Life insurance subsidiaries (PLL, PLAL and PA(GI)) only. The value of the Standard Life insurance subsidiaries surplus funds are included as part of the reconciliation reserve in the value of the Standard Life insurance subsidiaries surplus funds.

The regulations require certain elements of the Solvency II balance sheet to be ring fenced in order not to disadvantage policyholders in certain funds. Therefore, since the surplus funds exist in the with-profit funds, they are subject to Ring Fenced Fund ('RFF') restrictions. Surplus funds can only be included in Eligible Own Funds up to the value of the SCR they are used to support. A restriction is required to be made for any amount of surplus funds in excess of the relevant SCR through deduction from the reconciliation reserve (see section E.1.3.3).

Preference shares

On 26 April 2018, following PRA approval the Group issued £500 million of Restricted Tier 1 bonds due 2028 with a coupon of 5.75% up to the first call date of 26 April 2028. The Restricted Tier 1 bonds meet the definition of equity for IFRS.

The Tier 1 Notes will be subject to a permanent write-down in value to zero on occurrence of any of the following trigger events:

(a) the amount of Own Fund Items eligible to cover the SCR is equal to or less than 75 per cent. of the SCR;

(b) the amount of Own Fund Items eligible to cover the MCR is equal to or less than the MCR; or

(c) a breach of the SCR has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Further information on the Tier 1 Notes is included in note D3 of the PGH plc Group Annual Report and Accounts for the year ended 31 December 2019.

The Tier 1 notes are included within Own Funds at the value of the proceeds of issue (gross of issue costs).

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and further details regarding the impact of various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows and is stated prior to any availability restrictions recognised in respect of the Method 2 entities:

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.1 Basic Own Funds continued
Phoenix Group Holdings plc

Reconciliation Reserve	31 December 2019 £m	31 December 2018 £m
Excess of assets over liabilities	11,272	10,881
Deduct other Basic Own Funds items:		
Ordinary share capital	(72)	(72)
Share premium account related to ordinary share capital	(2)	(3,077)
Surplus funds	(2,487)	(2,511)
Preference shares–Tier 1 notes	(500)	(503)
Deferred tax asset–Tier 3	(84)	(101)
Reconciliation reserve pre availability restrictions	**8,127**	**4,617**
Adjustment for restricted Own Funds items in respect of RFF (see section E.1.3.3)	(837)	(768)
Non-available Own Funds – pension scheme surplus (see section E.1.3.3)	(94)	(176)
Non-available Own Funds – foreseeable dividends and distributions (see section E.1.3.3)	(173)	(169)
Non-available Own Funds – diversification benefits (see section E.1.3.3)	–	(109)
Non-available Own Funds – PLL availability restriction (see section E.1.3.3)	(121)	(70)
Non-available Own Funds – own shares restriction (see section E.1.3.3)	(7)	(7)
Total non-available Own Funds	**(1,232)**	**(1,299)**
Reconciliation reserve total (as shown on Own funds QRT)	**6,895**	**3,318**

Availability restrictions applied to the reconciliation reserve above together with other relevant considerations made in assessing the availability of Group Own Funds are detailed in section E.1.3.3.

Deferred tax assets

A deferred tax asset of £84 million (2018: £101 million) is included as Tier 3 Own Funds and further detail is included in section D.1.3. The table below sets out an analysis of movement in the deferred tax asset during the year.

Opening deferred tax assets (Tier 3) at 1 January 2019 £m	**101**
Utilisation of trading losses	4
Expenses carried forward	(35)
Capital losses carried forward	–
Committed future pension contributions	(6)
Provisions and other temporary differences	21
Accelerated capital allowances	(1)
Closing deferred tax assets (Tier 3) at 31 December 2019 £m	**84**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.2 Subordinated Liabilities

Details of the Group's subordinated liabilities are shown in the table below:

Note	Instrument description	Issuer	Tier of capital	31 December 2019 Solvency II Value £m	31 December 2018 Solvency II Value £m
A	£200m subordinated loan notes	PLL	Tier 2	210	217
	£428m subordinated debt	PGH	Tier 2	443	434
	US$500m Tier 2 bonds	PGH	Tier 2	387	381
	€500 Tier 2 bonds	PGH	Tier 2	446	451
	£450m Tier 3 notes	PGH	Tier 3	451	446
				1,937	**1,929**

All instruments qualify under the Solvency II regulations.

Notes

A: Transitional measures for PLL Subordinated debt – Tier 2

Scottish Mutual Assurance Limited issued £200 million subordinated loan notes in 2001. With effect from 1 January 2009, as part of the Part VII transfer, these loan notes were transferred into the shareholder fund of PLL. The earliest repayment date of the loan notes is 25 March 2021 and thereafter on each fifth anniversary so long as the notes are outstanding.

These notes qualified as Lower Tier 2 capital under the previous Solvency I regime, but did not meet the full criteria set out in the regulations in order to be treated as either Tier 1 or Tier 2 capital. Under the regulations, the notes have transitioned into Solvency II as Tier 2 Own Funds. The transitional period ends 1 January 2026.

Analysis of movement in subordinated debt

The table below sets out the changes in subordinated debt during the year.

Instrument description	PLL subordinated debt – Tier 2	Subordinated debt – Tier 2	US$500m Tier 2 bonds	€500m Tier 2 bonds	Total Tier 2	Tier 3 notes	Total subordinated debt
Opening subordinated debt at 1 January 2019	**217**	**434**	**381**	**451**	**1,483**	**446**	**1,929**
Foreign exchange retranslation	–	–	(15)	(27)	(42)	–	(42)
Fair value (losses)/gains	(7)	9	21	22	45	5	50
Closing subordinated debt at 31 December 2019	**210**	**443**	**387**	**446**	**1,486**	**451**	**1,937**

E.1.3.3 Availability restrictions

As shown in the reconciliation reserve table above (see section E.1.3.1), the total non-available Group Own Funds relating to the Method 1 Group are £1,232 million (2018: £1,299 million). There are additional availability restrictions in respect of SLAL, a Method 2 entity, of £1,184 million (2018: £1,188 million). Further details on each of the restrictions are included below.

Ring Fenced Funds restriction

The regulations specify that certain Own Funds items in RFFs and Matching Adjustment portfolios should be restricted. This means they can only be included in the calculation of Group solvency at an amount less than or equal to the RFF and Matching Adjustment portfolios notional SCR.

The with-profit funds in the Life Companies are treated as RFFs. The items of Own Funds within each with-profit RFF are the value of surplus funds, future shareholder transfers, and any shareholder capital support received. The Matching Adjustment portfolios in the Life Companies are annuity funds and are also treated as RFFs. Any Own Funds above SCR in the Matching Adjustment portfolios are also restricted and also shown as a deduction to the reconciliation reserve.

There are no restrictions for Matching Adjustment portfolios at 31 December 2019. (2018: £nil).

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.3 Availability restrictions continued

The RFF deduction from the reconciliation reserve of £837 million (2018: £768 million) comprises £400 million (2018: £352 million) from PLL RFFs and £437 million (2018: £416 million) from PLAL RFFs.

There is also a £1,125 million (2018: £1,188 million) RFF restriction in respect of SLAL, a Method 2 entity, which comprises £874 million recognised in the entity position along with a further £251 million restriction on consolidation to reflect the Group's allocation methodology for SCR between ring fenced funds and the rest of the entity. The approach taken in SLAL diverged from the Group upon a methodology change adopted at the entity level during the year. The Group's allocation methodology is expected to be re-applied to SLAL's entity position upon implementation of the harmonised internal model.

The excess of assets over liabilities across the PGH Group for the RFFs which are subject to restriction and Matching Adjustment portfolios are £5,808 million (2018: £4,774 million).

Pension scheme surplus restriction

IAS19 surpluses arising on the PGL Scheme and Pearl Group Scheme are considered as restricted items of Own Funds and are therefore only included up to the contribution of the undertaking that recognises the surplus to the Group SCR, being PGH1 and PGH2 respectively.

As at 31 December 2019, £94 million (2018: £176 million) of the PGL Scheme surplus is considered restricted after adjustment for assets held under collateral arrangements in the Life Companies. There is no restriction required for the Pearl Group Scheme (2018: no restriction). The restriction represents the amount by which the IAS19 surplus exceeds PGH2's and PGH1's contribution to the Group SCR.

Foreseeable dividends and distributions

A restriction of £173 million has been recognised as at 31 December 2019 (2018: £169 million), reflecting dividends on ordinary shares which have been approved by the Board and the accrued coupon on the Tier 1 Notes that have been paid or are payable at the time of sign-off of the SFCR.

Non available diversification benefits

In the prior year, an availability restriction of £109 million was recognised in respect of the extent to which each life insurance undertaking's contribution to the Group SCR was less than its solo SCR due to the allocation of Group diversification benefits.

The publication of the PRA Policy Statement PS9/19 'Solvency II: Group Own Funds availability' in March 2019 confirmed that the solo SCR should no longer be considered a barrier to availability, and accordingly no restriction of this type was recognised as at 31 December 2019.

PLL availability restriction

The contribution of each entity to the PGH Group Solvency II surplus is restricted if the Group benefits from the elimination of intra-group transactions compared to an entity's solo position, where those benefits are not backed by fungible and transferable Own Fund items.

During 2016 and 2019, PLL entered into 'buy-in' agreements with the Group's PGL Pension Scheme (further details can be found in note G1.2 to the financial statements included in the PGH Annual Report and Accounts for the year ended 31 December 2019). Following the elimination of intra-group amounts in relation to this transaction, the contribution of PLL to the PGH Group Solvency II surplus exceeded its solo Solvency II surplus by £121 million (2018: £70 million). Accordingly, a restriction of the same amount has been applied to the Group Own Funds.

Own share restriction

A deduction of £7 million (2018: £7 million) has been applied to the reconciliation reserve reflecting own shares held by PGH.

Distributable reserves

The amount of each entity's legally distributable reserves represents a limitation on the excess eligible Own Funds that is available to absorb losses elsewhere in the Group. In this regard, an availability restriction of £60 million has been recognised to ensure that SLAL's contribution to Group eligible Own Funds does not exceed the level of its distributable reserves.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.4 Group SCR

The Group SCR is calculated using a partial Internal Model, (i.e. partially on the Group's two Internal Models and Standard Formula). The Group SCR at 31 December 2019 is £7,689 million (2018: £7,085 million).

Further details of the methodology used to calculate the SCR are included in section E.2 and a description of the undertakings which are in the scope of the Group's partial Internal Model are provided in section E.4.1.

The Group operated two approved Internal Models at 31 December 2019 and has approval to use a partial Internal Model to calculate the Group SCR. The Standard Life Internal Model covers SLAL and its subsidiaries and the Phoenix Internal Model covers all of the other entities of the Group excluding SLIDAC. SLIDAC, the Irish subsidiary of PGH, is the only entity within the Group which calculates its capital requirements based on Standard Formula.

As at 31 December 2019, the Group has PRA approval to use a combination of Method 1 and Method 2 for calculation of the Group SCR. The Own Funds and SCR of the Method 2 entities are aggregated with the positions for the other Group entities which are consolidated on a Method 1 basis. No diversification is recognised between Method 1 and Method 2 entities.

Further details of the components of the Group SCR are shown in the table below:

Components of consolidated Group SCR	SCR pre diversification £m	Group adjustments £m	Diversification benefits £m	Total SCR £m
Life Companies	4,423	(346)	(150)	3,927
Insurance holding companies	1,183	–	(658)	525
Service Companies	26	–	–	26
UCITS management company	5	–	–	5
Other entities	(6)	319	(18)	295
Total SCR (method 1)	**5,630**	**(28)**	**(826)**	**4,777**
Total SCR (method 2)	2,912			2,912
Total Group SCR (method 1 and method 2)	**8,542**	**(28)**	**(826)**	**7,689**

SCR in respect of insurance holding companies and other entities relates primarily to the Group's exposure to its defined benefit pension schemes and certain derivative instruments held in the insurance holding companies.

The negative Group adjustment of £346 million for the Life Companies relates primarily to the treatment of intra-group loans and other intra-group transactions. At a solo level, the Life Companies hold SCR in respect of loan receivable balances due from the insurance holding companies and other Group entities. On preparation of the Group solvency calculation, the loan receivable and payable balances are eliminated on consolidation and accordingly the related SCR is also eliminated.

In addition, the Group adjustments shown above include the impact of a reallocation of SCR held in respect of obligations under the Group's PGL Scheme from the Life Companies to other Group entities. The reallocation arises following the elimination of transactions between PLL and the PGL Staff Pension Scheme.

The Group diversification benefits principally arise from:

- synergies that arise where Method 1 undertakings within the Group are exposed to stresses in opposite directions. For example, the Life Companies are exposed to a rise in credit spreads, whilst the Group pension schemes are exposed to a fall in credit spreads; and
- diversification of risks between Method 1 undertakings that have different risk profiles. For example, the Life Companies have a higher risk exposure to persistency and credit risk relative to the pension schemes.

As set out in section E.1.3.3 SCR Group diversification benefits are partially restricted.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.4 Group SCR continued

The £2,912 million SCR for the Method 2 Group reflects the SLAL entity SCR in respect of its own direct risk exposures, but also in respect of a look through to its participation in SLPF. As Method 2 requires the SCR to be aggregated for each entity without adjustment, the SCR for SLPF of £2 million is also aggregated with the SLAL SCR when calculating the Method 2 Group total SCR. This results in the SCR for these two entities being recognised twice within the Group SCR as at 31 December 2019, once at the individual entity level and again on a look through basis in the SLAL entity SCR.

Minimum Consolidated Group SCR

The main capital requirement under Solvency II is the SCR. However, there is a lower MCR which for Groups is referred to as the Minimum Consolidated Group SCR ('MGSCR'). This reflects the absolute minimum metric that, if breached, will trigger serious regulatory intervention and potential closure of the Group. The MGSCR represents the sum of the underlying insurance companies' MCRs in respect of the Method 1 part of the Group.

The MGSCR is analysed as follows at 31 December 2019.

Entity – Minimum Capital Requirement	31 December 2019 £m	31 December 2018 £m
PLL	796	728
PLAL	311	304
ALAC	–	3
PA(GI)	3	3
Total MGSCR	**1,110**	**1,038**

Further details regarding the calculation of MCRs are set out in section E.2.3.

Excess of Own Funds over MGSCR

The MGSCR for the PGH plc Method 1 part of the Group is comfortably met with an excess over MGSCR of £3,195 million (2018: £3,122 million), with a ratio of Eligible Own Funds to MGSCR of 388% (2018: 401%). Own Funds eligible to cover the MGSCR do not include the Own Funds of Method 2 entities.

The determination of the Eligible Own Funds available to meet the MGSCR requires the application of specific quantitative limits on the tiering of available capital. Application of these tests as at 31 December 2019 results in a £1,262 million (2018: £1,274 million) restriction to Tier 2 capital as a result of it exceeding the availability limit of 20% of MGSCR.

The MCR for the Method 2 part of the Group is £1,237 million (2018:£1,115 million), with Eligible Own Funds of £4,884 million (2018:£4,183 million), leaving an excess of Eligible Own Funds over MCR of £3,647 million (2018: £3,068 million), which translates to an MCR coverage ratio of 395% for the Method 2 part of the Group (2018: 375%).

Analysis of Own Funds eligible to cover MGSCR	Tier 1 Unrestricted £m	Tier 1 Restricted £m	Tier 2 £m	Tier 3 £m	31 December 2019 £m	31 December 2018 £m
Available Own Funds to meet Minimum Group SCR ('MGSCR')	3,583	500	1,486	–	5,568	5,434
Eligibility restrictions MGSCR	–	–	(1,262)	–	(1,262)	(1,274)
Eligible Own Funds to meet Minimum Group SCR	**3,583**	**500**	**223**	**–**	**4,306**	**4,160**
Minimum Group SCR					(1,110)	(1,038)
Excess over Minimum Group SCR					**3,195**	**3,122**
Ratio of Eligible Own Funds to Minimum Group SCR					**388%**	**401%**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.5 Analysis of movement in capital position

The table below provides an analysis of significant changes in the capital position during the year, including Own Funds, Group SCR and Solvency II surplus.

Analysis of movement in Group solvency position (£m)	Note	Own funds £m	Eligible Own funds after RFF Restriction and other restrictions £m	Group SCR £m	Solvency II surplus £m
Opening position at 1 January 2019		**12,810**	**10,323**	**(7,085)**	**3,238**
Surplus emerging and release of capital requirements					**344**
Expected run-off	1	20	(86)	411	325
With-profit estate distribution	2	(252)	19	0	19
Management actions	3	486	486	26	**512**
Delivery of Standard Life Assurance capital synergies	4	(0)	(0)	146	**146**
New business	5	4	5	(181)	**(176)**
Demographic experience variances (including changes to assumptions)	6	75	224	(147)	**(77)**
Economic and other variances					**(351)**
Economic and other variances on long-term business	7	803	451	(707)	(256)
Movement in risk margin and TMTP	8	(153)	(121)	8	(113)
Non-Life earnings	9	(10)	(10)	(62)	(72)
Release of diversification	10	0	109	0	109
Change in Group Own Funds restrictions and impact of other Group adjustments	11	0	(60)	41	(19)
Financing costs, external dividends and pension contributions					**(477)**
Pension scheme movements	12	(18)	13	(8)	5
Financing costs	13	(140)	(144)	0	(144)
External dividends	14	(338)	(338)	0	(338)
Brexit preparations	15	(79)	(79)	(131)	**(210)**
Closing position at 31 December 2019		**13,208**	**10,792**	**(7,689)**	**3,103**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.5 Analysis of movement in capital position continued

Note	Item	Information
1	**Expected run-off**	Policy run-off over the year resulted in the release of related SCR and increased the Solvency II surplus by £325 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds. The overall impact on surplus of £19 million reflects the share of the estate distributed to shareholders.
3	**Management actions**	Management actions increased the Solvency II surplus by £512 million. Management actions included the continued investment in illiquid assets within annuity portfolios, the completion of the securitisation of a further tranche of equity release mortgages, matching adjustment fund optimisation and balance sheet reviews.
4	**Delivery of Standard Life Assurance capital synergies**	Delivery of capital synergies associated with the acquisition of the Standard Life Assurance businesses increased the Solvency II surplus by £146 million. This included an internal restructuring exercise and asset de-risking activities.
5	**New business**	The impact of new business (after allowance for risk margin and contract boundaries) written during the year reduced the Solvency II surplus by £(176) million. New business written by the Group comprises bulk purchase annuity transactions (where the capital strain reflects the assets received on day 1), workplace and retail savings and pension policies and annuities vesting in the year.
6	**Demographic experience variances (including changes to assumptions)**	As described further in section D.2.5, demographic and expense assumptions are reviewed throughout the year. The significant favourable assumption changes made as a result were in respect of longevity improvements, incorporating a move to the latest CMI_ 2018 projection tables and reflecting recent experience, and maintenance expenses, reflecting reduced future servicing costs as a result of transition activity (net of associated SCR and the costs of delivery). These favourable impacts were partially offset by the strengthening of a number of other assumptions across the Group including persistency and GAO take-up rates, as well as the impact of model and methodology changes implemented to actuarial models.
7	**Economic and other variances on long-term business**	Economic and other variances on long-term business reduced the Solvency II surplus by £(256) million, principally reflecting the adverse impact of movements in yields and the strengthening of assumptions used to determine the SCR held in respect of the Group's equity release mortgages portfolio.
8	**Movement in risk margin and TMTP**	Changes in risk margin and TMTP decreased the Solvency II surplus by £(77) million. This includes the impact of the 1/16th run-off of TMTP (as described in section D.2.7.2) as well as the impact of falling yields during the period. TMTP for PLL, PLAL and SLAL were recalculated as at 31 December 2019.
9	**Non-life earnings**	Non-Life earnings decreased the Solvency II surplus by £(72) million. This primarily reflects corporate project costs incurred during the year and the capital requirements arising on derivative instruments entered into by the holding companies during December 2019 in order to hedge equity risk arising from the Group's planned acquisition of ReAssure Group plc.
10	**Release of diversification**	In March 2019, the PRA amended Supervisory Statement SS9/15 'Solvency II: Group supervision' to clarify that in assessing group own funds availability, the solo SCR should no longer be presumed to be a barrier to availability. As a consequence, management re-assessed the availability of Group diversification benefits associated with the Group's life insurance subsidiaries and released the availability restriction recognised as at 31 December 2019 of £109 million.
11	**Change in Group Own Funds restrictions and impact of other Group adjustments**	The decrease in Solvency II surplus of £(19) million is driven by the recognition of the availability restriction in respect of SLAL distributable reserves (as described in section E.1.3.3), partially offset by increased diversification benefits within the Group SCR.
12	**Pension scheme movements**	Movements in the Group's pension schemes of £5 million relate to the net movements in the ALAC and Pearl Schemes, both of which were in deficit relative to their respective SCRs as at 31 December 2019.
13	**Financing costs**	Financing costs decreased Solvency II surplus by £(144) million reflecting interest payments on the Group's debt and the coupon paid on the Tier 1 Notes.
14	**External dividends**	The dividends paid to shareholders decreased the Solvency II surplus by £(338) million. This includes the impact of the £(173) million foreseeable dividend restriction detailed in section E.1.3.3.
15	**Brexit preparations**	The Group's Brexit preparations reduced the Solvency II surplus by £(210) million. This resulted from a loss of transitional and diversification benefits arising on the Part VII transfer of the Group's European branch businesses to SLIDAC, which is a Standard Formula business.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.3 ANALYSIS OF SOLVENCY POSITION – PGH GROUP CONTINUED
E.1.3.6 Reconciliation of IFRS equity to excess of assets over liabilities

The table below provides an analysis of the key differences between the Group's net assets under IFRS and the excess of assets over liabilities under Solvency II.

PGH Group

Description	Section reference	31 December 2019 £m	31 December 2018 £m
Total consolidated equity per IFRS[1]		**5,280**	**5,655**
Valuation differences:			
Assets increase/(decrease):	D.1.1		
Goodwill	D.1.2	(57)	(57)
Intangible assets/deferred acquisition costs	D.1.2	(1,366)	(1,397)
Deferred tax assets	D.1.2	0	3
Property, plant and equipment held for own use	D.1.2	(3)	(3)
Participations[2]	D.1.2	2,416	2,049
Reinsurance recoverables	D.1.2	(895)	(675)
Receivables (prepayments)	D.1.2	0	(7)
Total asset valuation differences	D.1.1	**95**	**(87)**
Liabilities (increase)/decrease:	D.1.2		
Technical provisions	D.2.1	5,186	4,551
Other technical provisions (unallocated surplus)	D.1.2	907	875
Deferred tax liabilities	D.1.2	(29)	48
Debts owed to credit institutions	D.1.2	(3)	(4)
Payables	D.1.2	(91)	(121)
Subordinated liabilities	D.1.2	(74)	(36)
Total liability valuation differences	D.3.1	**5,896**	**5,313**
Excess of assets over liabilities	D.1.2	**11,272**	**10,881**

1 Reflects IFRS total equity attributable to ordinary shareholders of the parent of £4,785 million (2018: £5,161 million) plus Tier 1 Notes of £494 million (2018: £494 million) as reported in the PGH plc Group Report and Accounts for the year ended 31 December 2019.
2 The adjustment to participations includes the net impact of the adjustment to the assets and liabilities of the Standard Life entities, recognised on a Method 2 basis within the single participations line within the Group Solvency II balance sheet.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED

E.1.4 ANALYSIS OF SOLVENCY POSITION – PLL

The table below summarises the solvency position for PLL at 31 December 2019. The Own Funds QRT S.23.01.01 can be found at Appendix 2.5.

Phoenix Life Limited.

Description	Section reference	Unrestricted Tier 1 £m	Tier 2 £m	Tier 3 £m	31 December 2019 Total £m	31 December 2018 Total £m
Ordinary share capital	E.1.4.2	69	–	–	69	69
Share premium account related to ordinary share capital	E.1.4.2	1	–	–	1	1
Surplus funds	E.1.4.2	1,545	–	–	1,545	1,563
Reconciliation reserve (pre-availability restrictions)	E.1.4.2	3,096	–	–	3,096	2,547
Deferred tax assets	E.1.4.2	–	–	–	–	36
Excess of assets over liabilities		**4,711**	**–**	**–**	**4,711**	**4,216**
Subordinated liabilities	E.1.4.3	–	210	–	210	217
Total Basic and Available Own Funds		**4,711**	**210**	**–**	**4,921**	**4,433**
Ring Fenced Fund restriction	E.1.4.4	(400)	–	–	(400)	(352)
Eligible Own Funds to meet SCR		**4,311**	**210**	**–**	**4,521**	**4,081**
SCR	E.2.1				(3,182)	(2,911)
Solvency II surplus					**1,339**	**1,170**
Ratio of Eligible Own Funds to SCR	E.1.4.1				**142%**	**140%**
Shareholder capital coverage ratio	E.1.4.1				**162%**	**178%**
Eligible Own Funds to meet MCR	E.1.4.1	**4,311**	**158**	**–**	**4,469**	**3,974**
MCR					(796)	(728)
Excess over MCR	E.1.4.1				**3,673**	**3,246**
Ratio of Eligible Own Funds to MCR	E.1.4.1				**562%**	**546%**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.4 ANALYSIS OF SOLVENCY POSITION – PLL CONTINUED
E.1.4.1 Overview of Solvency position

As at 31 December 2019, the Solvency II surplus over SCR is £1,339 million (2018: £1,170 million), with a ratio of Eligible Own Funds to SCR of 142% (2018: 140%). The excess of Eligible Own Funds after deductions over the MCR is £3,674 million (2018: £3,246 million), with a ratio of Eligible Own Funds to MCR of 562% (2018: 546%).

95% (2018: 94%) of the Eligible Own Funds after deductions to meet the SCR is unrestricted Tier 1, and is comprised of ordinary share capital, share premium, surplus funds and the reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. The determination of the Eligible Own Funds available to meet the MCR requires the application of specific quantitative limits on the tiering of available capital. Application of these tests as at 31 December 2019 resulted in a £51 million (2018: £71 million) restriction to Tier 2 capital as a result of it being in excess of the required 20% of MCR.

Excluding the SCR and Own Funds relating to unsupported with-profit funds, and the Group loan, the Solvency II shareholder capital coverage ratio is 162% as at 31 December 2019 (2018: 178%).

E.1.4.2 Basic Own Funds items

The Basic Own Funds before deductions total £4,921 million (2018: £4,433 million) and comprise ordinary share capital, share premium, surplus funds, a reconciliation reserve, subordinated liabilities and deferred tax assets. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital of £69 million (2018: £69 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements. The Articles of Association of PLL include the right to cancel and withhold dividends at any time prior to payment.

Share premium account related to ordinary share capital premium

The share premium related to ordinary share capital of £1 million (2018: £1 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Surplus funds

Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

The Basic Own Funds include surplus funds of £1,545 million (2018: £1,563 million) which are classified as Tier 1 unrestricted Own Funds.

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and further details regarding the impact of various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows:

Phoenix Life Limited

Reconciliation Reserve	31 December 2019 £m	31 December 2018 £m
Excess of assets over liabilities	4,711	4,216
Deduct other Basic Own Funds items		
Ordinary share capital	(69)	(69)
Share premium account related to ordinary share capital	(1)	(1)
Surplus funds	(1,545)	(1,563)
Deferred tax asset – Tier 3	–	(36)
Reconciliation reserve pre availability restrictions	3,096	2,547
Ring Fenced Fund restriction	(400)	(352)
Reconciliation reserve total (as shown on Own Funds QRT)	2,696	2,195

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.4 ANALYSIS OF SOLVENCY POSITION – PLL CONTINUED
E.1.4.2 Basic Own Funds continued
Deferred tax assets

Deferred tax assets of £nil million (2018: £36 million) are included as Tier 3 Own Funds. Further details regarding the composition of the deferred tax asset is included in section D.1.3.

E.1.4.3 Subordinated liabilities
Further details regarding the PLL subordinated liabilities are set out in section E.1.3.2 (note A).

As outlined in section D.3, the subordinated loan notes are recognised at their economic value after excluding the impact of changes in OCS, which results in £210 million contributing to Tier 2 Group Own Funds as at 31 December 2019 (2018: £217 million). The movement during the year arises from revaluation of £7 million (2018: £8 million). There have been no further changes to the subordinated liabilities during the year.

As the subordinated liability is classified as Tier 2 at 31 December 2019, further details regarding the principal loss absorbency mechanism complying with Article 71(1) (e) of the Commission Delegated Regulation (EU) 2015/35 have not been included as this Article relates to paid-in subordinated liabilities classified as Tier 1 only.

E.1.4.4 Availability restrictions
As shown in the reconciliation reserve in E.1.4.2, there is a deduction to Own Funds of £400 million (2018: £352 million) in respect of a RFF restriction. Further details regarding the Solvency II treatment for this restriction are included in section E.1.3.3.

The total excess of assets over liabilities for the RFFs and the Matching Adjustment portfolio are £2,568 million (2018: £2,180 million), and this is restricted by the £400 million (2018: £352 million) RFF restriction. There are no restrictions to the Matching Adjustment portfolio at 31 December 2019 (2018: none).

E.1.4.5 Analysis of movement in capital position
The table below provides an analysis of significant changes in the capital position during the year, including Own Funds, SCR and Solvency II surplus.

Analysis of movement in solvency position (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2019		**4,433**	**4,081**	**(2,911)**	**1,170**
Expected run off	1	0	(66)	184	118
With profit estate distribution	2	(139)	12	0	12
Management actions	3	478	478	(107)	370
New business	4	(104)	(104)	(65)	(169)
Demographic experience variances (including changes to assumptions)	5	247	240	(49)	191
Economic and other variances on long-term business	6	251	131	(238)	(107)
Movement in risk margin and TMTP	7	(37)	(44)	10	(34)
Financing costs	8	(15)	(15)	0	(15)
Intragroup capital flows	9	(193)	(193)	(5)	(198)
Closing position at 31 December 2019		**4,921**	**4,521**	**(3,182)**	**1,339**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.4 ANALYSIS OF SOLVENCY POSITION – PLL CONTINUED
E.1.4.5 Analysis of movement in capital position continued

Note	Item	Information
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £118 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds. The overall impact on surplus is £12 million and reflects the share of the estate distributed to shareholders.
3	**Management actions**	Management actions increased the Solvency II surplus by £370 million. Management actions included the continued investment in illiquid assets within annuity portfolios, the completion of the securitisation of a further tranche of equity release mortgages, matching adjustment fund optimisation and balance sheet reviews.
4	**New business**	The impact of new business written during the year reduced the surplus by £(169) million. This primarily relates to the day 1 capital strain associated with the BPA transactions as detailed in section A.1.5.2, and reflects the day 1 capital strain associated with vesting annuities, which will be offset in the longer term through investment into strategic assets including illiquids.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for longevity, late retirement, GAO takeup rates, MSA expenses, persistency and ERM. Coupled with model and methodology changes implemented in the actuarial models this has resulted in an overall £191 million increase in the Solvency II surplus.
6	**Economic and other variances on long-term business**	Economic variances on long-term business decreased the Solvency II surplus by £(107) million over the year primarily as a result of movements in yields.
7	**Movement in risk margin and TMTP**	Changes in the risk margin of £(138) million and TMTP of £110 million decreased the overall Solvency II surplus by £34 million. This includes a recalculation of the TMTP as at 31 December 2019. The value of risk margin and TMTP as at 31 December 2019 are shown in section D.2.2.
8	**Financing costs**	Financing costs decreased Solvency II surplus by £(15) million reflecting interest payments on the PLL subordinated notes detailed in section D.1.
9	**Intra-group capital flows**	Intra-group capital flows decreased the Solvency II surplus by £(198) million. The mains drivers include: • Dividend payments of £(300) million paid during the year to the Company's parent. • Capital contributions received from the Company's parent of £98 million, representing amounts required to support the BPA transactions detailed in A.1.5.2.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.4 ANALYSIS OF SOLVENCY POSITION–PLL CONTINUED
E.1.4.6 Reconciliation of IFRS equity to excess of assets over liabilities

The table below provides an analysis of the key differences between PLL's net assets under IFRS and the excess of assets over liabilities under Solvency II.

Phoenix Life Limited

Description	Section reference	31 December 2019 £m	31 December 2018 £m
Total equity per IFRS		**1,434**	**1,255**
Valuation differences:			
Assets increase/(decrease):			
Intangible assets/Deferred acquisition costs	D.1.2	(147)	(156)
Reinsurance recoverables	D.1.2	(953)	(667)
Holdings in related undertakings	D.1.2	13	–
Receivables (prepayments)	D.1.2	(63)	(66)
Total asset valuation differences		**(1,150)**	**(889)**
Liabilities (increase)/decrease:			
Technical provisions	D.2.2	4,082	3,492
Other technical provisions (unallocated surplus)	D.2.2	596	577
Insurance and intermediaries payables	D.1.2	24	–
Deferred tax liabilities	D.1.2	(275)	(213)
Payables (deferred income)	D.1.2	10	11
Loan revaluation	D.1.2	(10)	(17)
Total liability valuation differences		**4,427**	**3,850**
Excess of assets over liabilities	D.1.2	**4,711**	**4,216**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.5 ANALYSIS OF SOLVENCY POSITION–PLAL

The table below summarises the solvency position for PLAL as at 31 December 2019. The Own Funds QRT S.23.01.01 can be found at Appendix 3.5.

Phoenix Life Assurance Limited

Description	Section reference	Unrestricted Tier 1 £m	Tier 2 £m	Tier 3 £m	31 December 2019 Total £m	31 December 2018 Total £m
Ordinary share capital	E.1.5.2	342	–	–	342	342
Share premium account related to ordinary share capital	E.1.5.2	41	–	–	41	41
Surplus funds	E.1.5.2	942	–	–	942	947
Reconciliation reserve (pre-availability restrictions)	E.1.5.2	952	–	–	952	676
Deferred tax assets	E.1.5.2	–	–	4	4	8
Excess of assets over liabilities		**2,277**	**–**	**4**	**2,281**	**2,014**
Total Basic and Available Own Funds		**2,277**	**–**	**4**	**2,281**	**2,014**
Ring Fenced Fund restriction	E.1.5.3	(437)	–	–	(437)	(416)
Eligible Own Funds to meet SCR		**1,840**	**–**	**4**	**1,844**	**1,598**
SCR	E.2.1				(1,244)	(1,214)
Solvency II surplus					**600**	**384**
Ratio of Eligible Own Funds to SCR	E.1.5.1				**148%**	**132%**
Shareholder capital coverage ratio	E.1.5.1				**181%**	**156%**
Eligible Own Funds to meet MCR	E.1.5.1	**1,840**	**–**	**–**	**1,840**	**1,590**
MCR					(311)	(303)
Excess over MCR	E.1.5.1				**1,529**	**1,287**
Ratio of Eligible Own Funds to MCR	E.1.5.1				**592%**	**524%**

E.1.5.1 Overview of Solvency position

As at 31 December 2019, the Solvency II surplus over SCR is £600 million (2018: £384 million), with a ratio of Eligible Own Funds to SCR of 148% (2018: 132%). The excess of Eligible Own Funds after deductions over the MCR is £1,529 million (2018: £1,287 million), with a ratio of Eligible Own Funds to MCR of 592% (2018: 524%).

99.8% (2018: 99.5%) of the Eligible Own Funds after deductions to meet SCR is unrestricted Tier 1, and is comprised of ordinary share capital, share premium, surplus funds and the reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. The determination of the Eligible Own Funds available to meet the MCR requires the application of specific quantitative limits on the tiering of available capital. Tier 3 capital cannot be used to meet the MCR.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.5 ANALYSIS OF SOLVENCY POSITION–PLAL CONTINUED
E.1.5.2 Basic own Funds items

The Basic Own Funds before deductions total £2,281 million (2018: £2,014 million) and comprise ordinary share capital, share premium, surplus funds, a reconciliation reserve, and net deferred tax assets. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital of £342 million (2018: £342 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements. The Articles of Association of PLAL include the right to cancel and withhold dividends at any time prior to payment.

Share premium account related to ordinary share capital premium

The share premium related to ordinary share capital of £41 million (2018: £41 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Surplus funds

The Basic Own Funds include surplus funds of £942 million (2018: £947 million) which are classified as Tier 1 unrestricted Own Funds. Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 Own Funds. The reconciliation reserve may be subject to potential volatility and further details regarding the impact of various sensitivities on the excess of assets over liabilities which form part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows:

Phoenix Life Assurance Limited

Reconciliation Reserve	31 December 2019 £m	31 December 2018 £m
Excess of assets over liabilities	2,281	2,014
Deduct other Basic Own Funds items		
Ordinary share capital	(342)	(342)
Share premium account related to ordinary share capital	(41)	(41)
Surplus funds	(942)	(947)
Deferred tax asset – Tier 3	(4)	(8)
Reconciliation reserve pre availability restrictions	**952**	**676**
Ring Fenced Fund restriction	(437)	(416)
Reconciliation reserve total (as shown on Own Funds QRT)	**515**	**260**

Deferred tax assets

Deferred tax assets of £4 million (2018: £8 million) are included as Tier 3 Own Funds. The decrease of £4 million during the year is due to a decrease in the deferred tax asset on trading losses. Further details regarding the composition of the deferred tax asset is included in section D.1.3.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.5 ANALYSIS OF SOLVENCY POSITION–PLAL CONTINUED
E.1.5.3 Availability restrictions

As shown in the reconciliation reserve table in E.1.5.2, there is a deduction to Own Funds of £(437) million (2018: £(416) million) in respect of RFF restriction. Further details regarding the Solvency II treatment for this restriction are included in section E.1.3.3.

The total excess of assets over liabilities for the RFFs and the Matching Adjustment portfolio are £1,429 million (2018: £1,362 million) and this is restricted by the £(437) million (2018: £(416) million) RFF restriction. There are no restrictions to the Matching Adjustment portfolio at 31 December 2019 (2018: none).

E.1.5.4 Analysis of movement in capital position

The table below provides an analysis of significant changes in the capital position during the year, including Own Funds, SCR and Solvency II surplus.

Analysis of movement in solvency position (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2019		**2,014**	**1,598**	**(1,214)**	**384**
Expected run off	1	0	(41)	103	62
With profit estate distribution	2	(61)	7	0	7
Management actions	3	5	5	(9)	(4)
New business	4	2	2	(4)	(2)
Demographic experience variances (including changes to assumptions)	5	157	185	(36)	149
Economic and other variances on long-term business	6	182	90	(82)	8
Movement in risk margin and TMTP	7	(18)	(2)	(2)	(4)
Closing position at 31 December 2019		**2,281**	**1,844**	**(1,244)**	**600**

Note	Item	Information
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £62 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds. The overall impact on surplus is £7 million and reflects the share of the estate distributed to shareholders.
3	**Management actions**	Management actions throughout the year have decreased the Solvency II surplus by £(4) million. Significant items include fund financing on supported with-profits funds and matching adjustment optimisation.
4	**New business**	The impact of new business written during the year decreased the surplus by £(2) million, reflecting the day 1 capital strain associated with vesting annuities during the period.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for longevity, late retirement, GAO takeup rates, expenses, persistency and MSA Expenses. Coupled with interest rate flooring changes and model and methodology changes implemented in the actuarial models this has resulted in an overall £149 million increase in the Solvency II surplus.
6	**Economic and other variances on long-term business**	Economic variances on long-term business increased the Solvency II surplus by £8 million over the year primarily as a result of movements in yields.
7	**Movement in risk margin and TMTP**	Changes in the risk margin of £(47) million and TMTP of £43 million decreased the overall Solvency II surplus by £4 million. This includes a recalculation of the TMTP as at 31 December 2019. The value of risk margin and TMTP as at 31 December 2019 are shown in section D.2.2.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.5 ANALYSIS OF SOLVENCY POSITION–PLAL CONTINUED
E.1.5.5 Reconciliation of IFRS equity to excess of assets over liabilities

The table below provides an analysis of the key differences between PLAL's net assets under IFRS and the excess of assets over liabilities under Solvency II.

Phoenix Life Assurance Limited

Description	Section reference	31 December 2019 £m	31 December 2018 £m
Total equity per IFRS		**994**	**754**
Valuation differences:			
Assets increase/(decrease):			
Intangible assets	D.1.2	(81)	(11)
Reinsurance recoverables	D.1.2	(37)	(37)
Receivables (prepayments)	D.1.2	(39)	(43)
Total asset valuation differences		**(158)**	**(91)**
Liabilities (increase)/decrease:			
Technical provisions	D.2.2	1,196	1,118
Other technical provisions (unallocated surplus)	D.2.2	311	298
Deferred tax liabilities	D.1.2	(62)	(60)
Insurance and intermediaries payable	D.1.2	2	–
Debts owed to credit institutions	D.1.2	(3)	(5)
Total liability valuation differences		**1,445**	**1,351**
Excess of assets over liabilities	D.1.2	**2,281**	**2,014**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED

E.1.6 ANALYSIS OF SOLVENCY POSITION – PA(GI)

The table below summarises the solvency position for PA(GI) as at 31 December 2019. The Own Funds QRT S.23.01.01 is included in Appendix 6.3.

PA (GI) Limited

Description	31 December 2019 Total £m	31 December 2018 Total £m
Ordinary share capital	3	3
Reconciliation reserve	61	64
Basic, Available and Eligible Own Funds to meet SCR	**64**	**67**
SCR	(2)	(6)
Solvency II surplus	**62**	**61**
Ratio of Eligible Own Funds to SCR	**3,200%**	**1,202%**
Eligible Own Funds to meet MCR	**64**	**67**
MCR	(3)	(3)
Excess over MCR	**61**	**64**
Ratio of Eligible Own Funds to MCR	**2,133%**	**2,023%**

As at 31 December 2019, the Solvency II surplus over the SCR is £62 million (2018: £61 million), with a ratio of Eligible Own Funds to SCR of 3,200% (2018:1202%). The excess of Eligible Own Funds after deductions over the MCR is £61million (2018: £64 million), with a ratio of Eligible Own Funds to MCR of 2,133% (2018:2,023%).

PA(GI)'s Own Funds consists entirely of Tier 1 – unrestricted Own Fund items, including ordinary share capital and reconciliation reserve. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Fund items.

There are no deductions for restricted assets in respect of RFFs, Matching Adjustment portfolios, encumbrances or foreseeable dividends.

There are no differences between PA(GI)'s equity under IFRS and the excess of assets over liabilities under Solvency II.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED

E.1.7 ANALYSIS OF SOLVENCY POSITION – SLAL

The table below summarises the solvency position for SLAL as at 31 December 2019. The Own Funds QRT S.23.01.01 can be found at Appendix 4.5.

Standard Life Assurance Limited

Description	Section reference	31 December 2019 Total £m	31 December 2018 Total £m
Ordinary share capital	E.1.7.2	21	21
Share premium account related to ordinary share capital	E.1.7.2	117	117
Surplus funds	E.1.7.2	1,748	1,648
Reconciliation reserve (pre-availability restrictions)	E.1.7.2	3,381	3,586
Net Deferred tax assets	E.1.7.2	0	20
Excess of assets over liabilities		**5,267**	**5,392**
Subordinated liabilities			–
Total Basic and Available Own Funds		**5,267**	**5,392**
Ring-Fenced Fund restriction	E.1.7.4	(874)	(1,189)
Eligible Own Funds to meet SCR		**4,393**	**4,203**
SCR	E.1.7.5	(2,539)	(2,477)
Solvency II surplus		**1,854**	**1,726**
Ratio of Eligible Own Funds to SCR	E.1.7.1	**173%**	**170%**
Shareholder capital coverage ratio	E.1.7.1	**199%**	**186%**
Eligible Own Funds to meet MCR		**4,393**	**4,183**
MCR		**(1,143)**	**(1,115)**
Excess over MCR		**3,250**	**3,068**
Ratio of Eligible Own Funds to MCR		**384%**	**375%**

E.1.7.1 Overview of Solvency position

As at 31 December 2019, the Solvency II surplus over SCR is £1,855 million (2018: £1,726 million), with a ratio of Eligible Own Funds to SCR of 173% (2018:170%). The excess of Eligible Own Funds after deductions over the MCR is £3,250 million (2018: £3,068 million), with a ratio of Eligible Own Funds to MCR of 384% (2018: 375%).

SLAL's Own Funds consists entirely of Tier 1 – unrestricted Own Fund items. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Fund items.

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.7 ANALYSIS OF SOLVENCY POSITION – SLAL CONTINUED
E.1.7.2 Basic Own Funds items

The Company's Basic Own Funds total £4,393 million (2018: £4,203 million) and comprise of ordinary share capital, share premium account related to ordinary share capital, surplus funds, a reconciliation reserve and deferred tax assets. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The Company's issued and fully paid ordinary share capital is £21 million (2018: £21 million) and is treated as Tier 1 unrestricted Own Funds. The Articles of Association of SLAL allow cancellation of the payment of dividends (or other distributions) on ordinary shares prior to payment in certain circumstances, where it may be necessary or appropriate to do so because of legal, regulatory, capital or solvency requirements.

Share premium account related to ordinary share capital premium

The share premium account related to ordinary share capital of £117 million (2018: £117 million) is treated as Tier 1 unrestricted.

Surplus funds

The Company Basic Own Funds include surplus funds of £1,748 million (2018: £1,648 million) which are classified as Tier 1 unrestricted Own Funds. Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

The Company has reviewed all types of arrangement that may be classified as ring-fenced under Solvency II rules. The significant ring-fenced funds which were identified by the review are the Company's HWPF and GWPF. The excess of assets over liabilities of the HWPF and GWPF (excluding risk margin and burn through) are reported as surplus funds.

The HWPF and GWPF contribute to Own Funds through charges which the funds are required by the legal and contractual arrangements under which they are constituted to pass to shareholders, reduced to allow for the probability weighted value of any charges which may be withheld by the fund or additional assets which shareholder funds may be required to provide (burn through). Own funds representing the present value of future scheme charges net of burn through are not attributed to the HWPF or GWPF but are attributed to the shareholder. These items of Own Funds are available to absorb losses and are therefore not restricted.

Tier 2 capital

No amounts were held in relation to Tier 2 capital for the year to 31st December 2019 (2018: £nil).

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and further details regarding the impact of various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows:

Standard Life Assurance Limited

Reconciliation Reserve	31 December 2019	31 December 2018
Excess of assets over liabilities	5,267	5,392
Deduct other Basic Own Funds items		
Ordinary share capital	(21)	(21)
Share premium account related to ordinary share capital	(117)	(117)
Surplus funds	(1,748)	(1,648)
Deferred tax asset – Tier 3	0	(20)
Reconciliation reserve pre availability restrictions	**3,381**	**3,586**
Ring Fenced Fund restriction	(874)	(1,189)
Reconciliation reserve total (as shown on Own funds QRT)	**2,507**	**2,397**

Deferred tax assets

No deferred tax asset is held in relation to Tier 3 Own Funds for the year to 31st December 2019 (2018: £20 million).

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.7 ANALYSIS OF SOLVENCY POSITION – SLAL CONTINUED
E.1.7.3 Subordinated liabilities
No amounts were held in relation to Tier 1–restricted Own Funds for the year to 31st December 2019 (2018: £nil).

E.1.7.4 Availability restrictions
As shown in the reconciliation reserve table above (see section E.1.7.2), the total non-available Company Own Funds are £874 million. Further details on each of the restrictions are included below.

Ring-Fenced Funds restriction
The regulations specify that certain Own Funds items in RFFs and Matching Adjustment portfolios should be restricted.

This means they can only be included in the calculation of Company solvency at an amount less than or equal to the RFF and Matching Adjustment portfolios notional SCR.

The HWPF and GWPF with-profit funds in the Company are treated as RFFs. The items of Own Funds within each with-profit RFF are the value of surplus funds, present value of expenses collected from the underlying policies, risk margin, TMTP, burn through asset and any shareholder capital support received. The Matching Adjustment portfolios are annuity funds and are also treated as RFFs.

Any Own Funds above SCR in the Matching Adjustment portfolios are treated similarly and also shown as a deduction to the reconciliation reserve. There are no restrictions for Matching Adjustment portfolios at 31 December 2019.

The excess of assets over liabilities for SLAL for the RFF and Matching Adjustment Portfolios are £1,811 million (2018: £1,689 million).

E.1.7.5 Analysis of movement in capital position
The table below provides an analysis of significant changes in the capital position during the year, including Own Funds, SCR and Solvency II surplus.

Standard Life Assurance Limited

Analysis of movement in solvency position (£m)	Note	Own Funds £m	Eligible Own Funds after RFF restriction £m	SCR (unaudited) £m	Solvency II surplus £m
Opening position at 1 January 2019		**5,392**	**4,202**	**(2,477)**	**1,725**
Expected run-off	1	20	20	124	144
With-profit estate distribution	2	(52)	0	0	0
Management actions	3	98	98	87	185
New business	4	108	109	(97)	12
Demographic experience variances (including changes to assumptions)	5	(39)	374	(47)	327
Economic variances on long-term business	6	359	184	(340)	(156)
Movement in risk margin and TMTP	7	(65)	(42)	0	(42)
Other capital items	8	(552)	(552)	210	(342)
Closing position at 31 December 2019		**5,267**	**4,393**	**(2,540)**	**1,854**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED
E.1.7 ANALYSIS OF SOLVENCY POSITION – SLAL CONTINUED
E.1.7.5 Analysis of movement in capital position continued

Note	Analysis of movement in solvency position (£m)	Commentary
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £144 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds, such as SLAL HWPF. Shareholders are not entitled to any share of SLAL HWPF estate distribution.
3	**Management actions**	Management actions throughout the year have increased the Solvency II surplus by £185 million. Significant items include further investment in illiquid assets within annuity portfolios, asset de-risking and methodology refinements.
4	**New business**	The impact of new business (after allowance for risk margin and contract boundaries) written during the year increased the Solvency II surplus by £12 million. This primarily relates to the surplus created from writing Workplace business which benefited from the compulsory auto-enrolment increase in 2019.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for late retirements, persistency and longevity. A significant element was the impact of anticipated costs savings associated with a move to a Service Company model for SLAL. Experience variances observed in the year, model and methodology changes also contributed to the £327 million increase in the Solvency II surplus.
6	**Economic variances on long-term business**	Economic and other variances on long-term business decreased the Solvency II surplus by £(156) million, principally reflecting the adverse impact of movements in yields and changes arising from the impact of asset trading over the year.
7	**Movement in risk margin and TMTP**	Changes in risk margin and TMTP decreased the overall Solvency II surplus by £(42) million. This includes a recalculation of the TMTP as at 31 December 2019. The value of risk margin and TMTP as at 31 December 2019 are shown in section D.2.2.4.b.
8	**Other capital items**	The payment of dividends to Group and the impact of the sale of SLIDAC to PGH and subsequent Part VII transfer of the majority of SLAL's European Domestic business to SLIDAC decreased Solvency II surplus by £342 million.

E.1.7.6 Reconciliation of IFRS equity to excess of assets over liabilities

The table below provides an analysis of the key differences between SLAL's net assets under IFRS and the excess of assets over liabilities under Solvency II.

Standard Life Assurance Limited

Description	Section reference	31 December 2019 £m	31 December 2018 £m
Total equity per IFRS		**1,044**	**1,496**
Valuation differences:			
Assets increase/(decrease):			
Intangible assets/Deferred Acquisition Costs	D1.2	(344)	(580)
Reinsurance recoverables	D1.2	21	14
Holdings in related parties, including participations	D1.2	(2)	(50)
Deferred tax assets	D1.2	–	19
Removal of prepayments	D1.2	(13)	–
Total asset valuation differences		**(338)**	**(597)**
Liabilities (increase)/decrease:			
Technical provisions	D2.2	4,936	4,848
Deferred tax liabilities	D1.2	(439)	(485)
Payables (deferred income)	D1.2	59	–
Any other liabilities not elsewhere shown	D1.2	6	130
Total liability valuation differences		**4,562**	**4,493**
Excess of assets over liabilities	D1.2	**5,267**	**5,392**

Section E – Capital Management continued

E.1 OWN FUNDS CONTINUED

E.1.8 ANALYSIS OF SOLVENCY POSITION – SLPF

The table below summarises the solvency position for SLPF as at 31 December 2019. The Own Funds QRT S.23.01.01 can be found at Appendix 5.5.

Standard Life Pension Funds Limited

Description	Section reference	31 December 2019 Total £m	31 December 2018 Total £m
Reconciliation reserve (pre-availability restrictions)	E.1.8.2	9	9
Excess of assets over liabilities		**9**	**9**
Total Basic and Available Own Funds		**9**	**9**
Eligible Own Funds to meet SCR		**9**	**9**
SCR	E.2.1	(2)	(2)
Solvency II surplus		**7**	**7**
Ratio of Eligible Own Funds to SCR		**558%**	**545%**
Shareholder capital coverage ratio		**558%**	**545%**
Eligible Own Funds to meet MCR		**9**	**9**
MCR		**(3)**	**(3)**
Excess over MCR		**6**	**6**
Ratio of Eligible Own Funds to MCR		**296%**	**284%**

E.1.8.1 Overview of Solvency position

As at 31 December 2019, the Solvency II surplus over SCR is £7 million (2018: £7 million), with a ratio of Eligible Own Funds to SCR of 558% (2018: 545%). The excess of Eligible Own Funds after deductions over the MCR is £6 million (2018: £6 million), with a ratio of Eligible Own Funds to MCR of 296% (2018: 284%).

SLPF's Own Funds consists entirely of Tier 1 – unrestricted Own Fund items. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Fund items.

E.1.8.2 Basic Own Funds items

SLPF's Basic Own Funds total £9 million and comprise of ordinary share capital and a reconciliation reserve.

Ordinary share capital

SLPF issued and fully paid ordinary share capital is less than £1 million and is treated as Tier 1 unrestricted Own Funds. The Articles of Association of SLPF allow cancellation of the payment of dividends (or other distributions) on ordinary shares prior to payment in certain circumstances, where it may be necessary or appropriate to do so because of legal, regulatory, capital or solvency requirements.

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. Further details regarding the impact of various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7.

SLPF

Reconciliation Reserve	31 December 2019	31 December 2018
Excess of assets over liabilities	9	9
Reconciliation reserve pre availability restrictions	**9**	**9**
Reconciliation reserve total (as shown on Own funds QRT)	**9**	**9**

E.1 OWN FUNDS CONTINUED
E.1.8 ANALYSIS OF SOLVENCY POSITION – SLPF CONTINUED
E.1.8.3 Availability restrictions
As shown in the reconciliation reserve table above (see section E.1.8.2), there are no non-available Group Own Funds.

E.1.8.4 Analysis of movement in capital position
SLPF's analysis of significant changes in the capital position during the year, including Own Funds, SCR and Solvency II surplus are combined with SLAL's and shown in section E.1.7.4.

E.1.8.5 Reconciliation of IFRS equity to excess of assets over liabilities
The table below provides an analysis of the key differences between SLPF's net assets under IFRS and the excess of assets over liabilities under Solvency II.

Standard Life Pension Funds Limited

Description	31 December 2019 £m	31 December 2018 £m
Total equity per IFRS	**11**	**11**
Valuation differences:		
Assets increase/(decrease):		
Reinsurance recoverables	0	1
Total asset valuation differences	**0**	**1**
Liabilities (increase)/decrease:		
Technical provisions	(3)	(3)
Any other liabilities not elsewhere shown		
Total liability valuation differences	**(3)**	**(3)**
Excess of assets over liabilities	**8**	**9**

Section E – Capital Management continued

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT
E.2.1 SOLVENCY CAPITAL REQUIREMENT

The insurance subsidiaries and the Group's SCR at 31 December 2019 is presented below.

		Method 1 entities						Method 2 Entities		
Analysis of SCR – 31 December 2019	Note	PLL £m	PLAL £m	PA(GI) £m	Other Group entities £m	Group adjustments £m	PGH Group Partial Internal Model (Method 1 only) £m	SLAL £m	SLIDAC[2] £m	SLPF £m
Risk categories										
Underwriting risk (i.e. insurance risk)	1	1,689	791	–	249	(78)	2,651	1,397		–
Market risk	2	1,078	267	–	799	(243)	1,901	1,165		–
Credit risk	3	1,412	547	–	97	(28)	2,028	648		2
Liquidity risk	4	–	–	–	–	–	–	–		–
Operational risk	5	411	146	2	81	(6)	634	488		–
Other risks	6	80	13	–	134	–	227	–		
Total undiversified SCR		**4,670**	**1,764**	**2**	**1,360**	**(354)**	**7,442**	**3,697**		**2**
Diversification benefits	7	(1,529)	(502)	–	(486)	120	(2,396)	(1,158)		–
Non-linearity	8	11	52	–	23	(45)	41	–		–
Management actions	9	(184)	(16)	–	–	–	(200)	–		–
Loss absorbing capacity of deferred tax ('LACDT')	10	(296)	(54)	–	–	–	(350)	–		–
Subsidiary risk capital	11	7	–	–	(6)	(2)	(1)	–		–
Consolidation adjustments	12	197		–	–	46	243	–		–
Total SCR (Method 1 Entities)		**2,875**	**1,244**	**2**	**892**	**(235)**	**4,778**	**–**		**–**
Total SCR (Method 2 Entities)	13						**2,912**	**2,539**	**371**	**2**
Total SCR (Method 1 and Method 2 Entities)		**2,875**	**1,244**	**2**	**892**	**(235)**	**7,689**	**2,539**	**371**	**2**

1 SLAL SCR reflects SLAL entity SCR in respect of its own direct risk exposures, but also in respect of a look through to its participations in SLPF.
2 Analysis of the SCR for SLIDAC is included within section E.2.1 of the solo SLIDAC SFCR.

The final SCR is still subject to supervisory assessment. There are no capital add-ons and the Group has not applied to use undertaking specific parameters when calculating the Standard Formula SCR for entities which are outside of the scope of the Phoenix and Standard Life Internal Models.

Section E – Capital Management continued

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT CONTINUED
E.2.1 SOLVENCY CAPITAL REQUIREMENT CONTINUED

The definitions of each of the risks are included in the table below. The components and sources of each of the risks and, of the methods used to assess, measure and monitor each of the risks are included in section C. Further details of the risks relevant to SLIDAC are included within section E.2 of the SLIDAC SFCR for the year ended 31 December 2019.

Note	Risk module	Information
1	**Underwriting risk**	Underwriting risk (i.e. insurance risk) is the risk that the frequency and severity of insured events may be worse than expected. The main sources of insurance risk are mortality risk, longevity risk, morbidity risk, expense risk and lapse risk. More details on these risks are included in section C.1.
2	**Market risk**	Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market influences. Market risk comprises interest rate risk, currency risk and other price risk (comprising equity risk, property risk, inflation risk and alternative asset class risk). More details on these risks are included in section C.2.
3	**Credit risk**	Credit risk is the risk that a party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. These obligations can relate to both on and off balance sheet assets and liabilities. The principal sources of credit risk for the Group and its insurance subsidiaries include spread risk, investment counterparty risk, reinsurance counterparty risk, outsourcer default risk and stock-lending risk. More details on these risks are provided in section C.3.
4	**Liquidity risk**	Liquidity risk is defined as the failure of the Group or its insurance subsidiaries to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and from the operating requirements of its subsidiaries. The Group's Life Companies have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements. More details on these risks are provided in section C.4.
5	**Operational risk**	Operational risk is the risk of reduction in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events. Details of the sources of operational risk are provided in section C.5.
6	**Other risks**	Other risks include, for example, tax risk and strategic risk. Further details are included in section C.6.
7	**Diversification benefits**	Diversification arises when the adverse outcome from one risk can be offset by a more favourable outcome from another risk, where those risks are not perfectly correlated. Diversification benefits are determined using a correlation matrix[1].
8	**Non-linearity**	Non-linearity arises when there is interdependency between risks, such that the combined impact of two or more risks occurring together does not equal the sum of the impacts from each of the risks occurring in isolation.
9	**Management actions**	Management actions primarily apply to with-profit funds. Such actions include reducing reversionary and terminal bonus rates, removing past conditional estate distributions, and increasing asset share/guarantee charges under stressed conditions. The management actions assumed for each fund are consistent with the fund's PPFM.
10	**Loss absorbing capacity of deferred tax ('LACDT')**	The LACDT adjustment represents the change in value of deferred tax assets and liabilities following a 1:200 one-year stress event consistent with the SCR assessment.
11	**Subsidiary risk capital**	Subsidiary risk capital primarily relates to PUTM, a subsidiary of PLL–see section A.1.2.2.
12	**Consolidation adjustments**	Consolidation adjustments represent a range of adjustments which are applied to the post-diversified SCR when aggregating to PGH Group level.
13	**Method 2 entities**	The aggregated SCRs for SLAL, SLIDAC and SLPF. As a result of applying method 2 the Group recognises SCR in respect of SLAL's own direct risk exposures, but also in respect of a look through to its participations in SLPF.

1 SLAL currently determines diversification benefits using a full risk distribution under the Standard Life Internal Model. The methodology for calculating diversification benefits across the Group is expected to be aligned as part of Internal Model harmonisation activities.

Section E – Capital Management continued

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT CONTINUED

E.2.2 CHANGES IN SCR

The material changes in the SCR and reasons thereof are set out in section E.1.3.

E.2.3 MINIMUM CONSOLIDATED GROUP SCR

In accordance with the regulations, the MCR for the Group is the sum of the MCR for all the subsidiaries consolidated under Method 1. Whilst the Standard Life insurance subsidiaries will calculate an MCR, as these entities are included in the Group solvency calculation on a Method 2 basis, they will not be aggregated as part of the Minimum Group SCR.

As set out in section E.1.3.4, the Group's MCR at 31 December 2019 is £1,110 million (2018: £1,038 million).

The MCR for each insurance subsidiary is calculated according to a formula prescribed by the regulations and is subject to a floor of 25% of the SCR or EUR 3.7 million, whichever is higher, and a cap of 45% of the SCR. The MCR, formula is based on factors applied to the technical provisions and capital at risk as at 31 December 2019.

The components of the overall calculation of the MCR as at 31 December 2019 are:

Calculation of MCR – 31 December 2019	PLL £m	PLAL £m	PA(GI) £m	PGH £m
MCR before the application of floors and caps	356	151	–	
MCR cap (45% of SCR)	1,432	560	1	
MCR floor (higher of 25% of SCR or EUR 3.7m)	796	311	3	
MCR (post application of floors and caps)	**796**	**311**	**3**	**1,110**

Calculation of MCR – 31 December 2019	SLAL £m	SLPF £m
MCR before the application of floors and caps	1,193	11
MCR cap (45% of SCR)	1,143	1
MCR floor (higher of 25% of SCR or EUR 3.7m)	635	3
MCR (post application of floors and caps)	**1,143**	**3**

The changes in MCR during the reporting period are set out below:

Change in MCR	PLL £m	PLAL £m	PA(GI) £m	ALAC £m	PGH £m
1 January 2019	728	304	3	3	1,038
31 December 2019	796	311	3	–	1,110
Movement in MCR	**68**	**7**	**–**	**(3)**	**72**

Change in MCR	SLAL £m	SLPF £m
1 January 2019	1,115	3
31 December 2019	1,143	3
Movement in MCR	**28**	**–**

The MCR at both the current and previous reporting periods is primarily based on the floor prescribed by Solvency II of 25% of Life Companies' SCR; hence the change in SCR is the driver for the changes in MCR.

ALAC was deauthorised on 6 June 2019, and therefore it no longer holds MCR.

Further details regarding the MCR for SLIDAC can be found in section E.2 of the solo SLIDAC SFCR for the year ended 31 December 2019.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

SLIDAC is the only entity in the Group which calculates its SCR in accordance with the Standard Formula.

The UK has not implemented the member state option in the regulations to permit the use of this sub-module for the Standard Formula calculation, and therefore neither the Group nor any of the Life Companies use the duration-based equity risk sub-module in the calculation of the SCR.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This section outlines the purpose of the Internal Model, its scope, methodology and assumptions, key differences between Standard Formula and Internal Model, and the nature and appropriateness of data used.

E.4.1 SCOPE OF INTERNAL MODEL

Coverage

In December 2015, the Group was granted the PRA's approval for use of the Phoenix Internal Model to assess Solvency Capital Requirements. The scope of the Phoenix Internal Model was subsequently extended to cover the acquired AXA Wealth and Abbey Life businesses.

Standard Life Assurance businesses were acquired in August 2018. This business already had an approved Standard Life Assurance Partial Internal Model.

As at the current valuation date, the Group uses a Partial Internal Model to calculate its capital requirements ('the Phoenix Group Partial Internal Model'). It comprises the following:

- a Phoenix Internal Model covering all Phoenix entities, except those relating to Standard Life business;
- a Standard Life Internal Model covering SLAL and SLPF entities; and
- a Standard Formula assessment of the capital requirements of the Irish entity, SLIDAC.

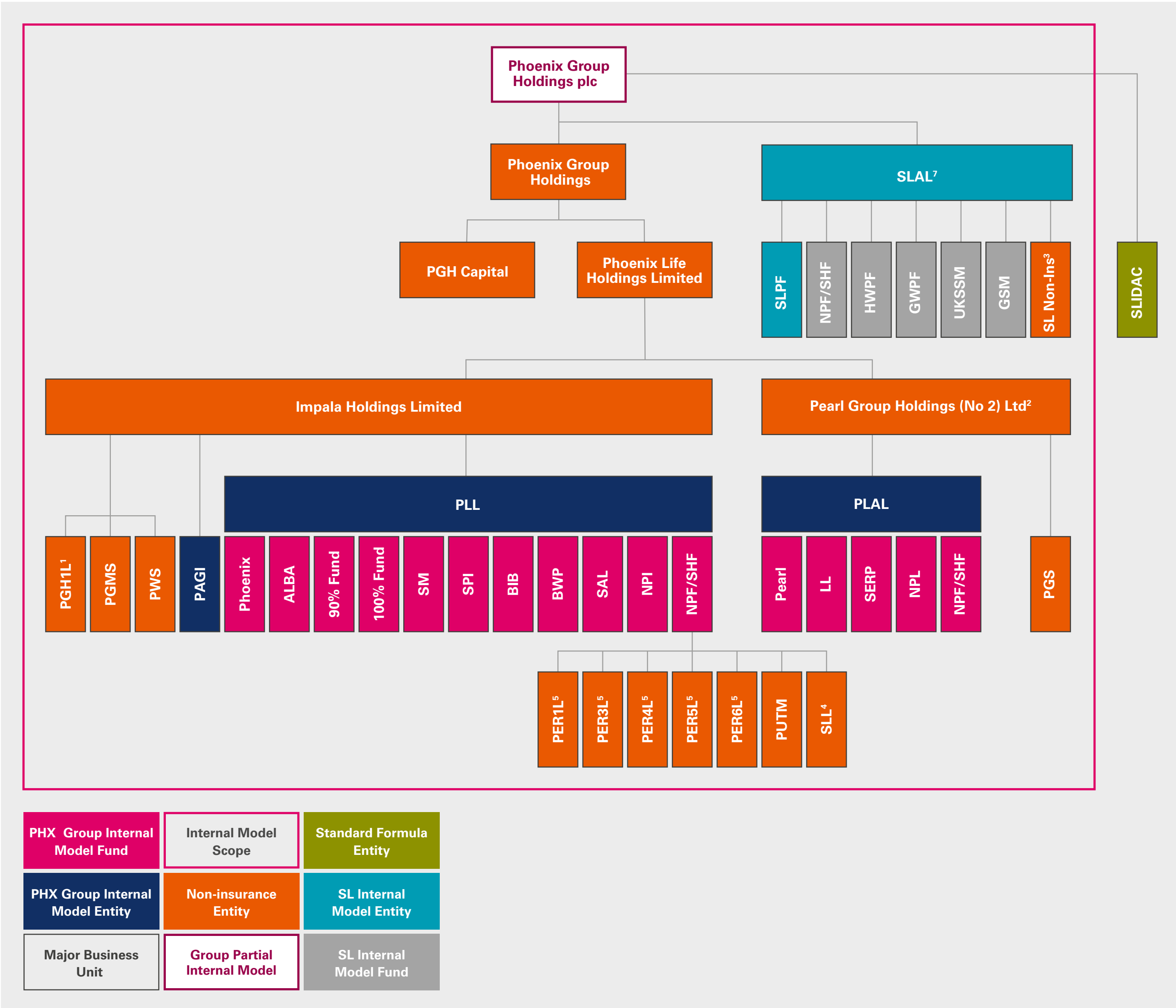
A harmonisation programme to create a single Internal Model for the entire Group is ongoing.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.1 SCOPE OF INTERNAL MODEL CONTINUED

The diagram below sets out a simplified view of the current PGH Group structure, which details the entities and funds within the scope of the Internal Model as at 31 December 2019.



1 PGH1L is the sponsoring employer of the PGL pension scheme.
2 PGH2L is the sponsoring employer of the Pearl pension scheme.
3 SL Non-ins currently consists of 5 separate non-insurance entities.
4 SLL provides distribution services for SunLife products.
5 PER1/3/4/5/6L are subsidiaries of PLL used for ERM restructuring.
6 PeLHL (not shown) is the sponsor of the ALAC pension scheme. It is a subsidiary of Impala Holdings Ltd/parent of PLL, PA(GI) and PWS.
7 Standard Life (SL) Internal Model entities assessed using SL specific stress assumptions & methodology.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.1 SCOPE OF INTERNAL MODEL CONTINUED

Risk categories

A key element of the Group's risk strategy is to ensure that the Group has a robust understanding of the risks it faces. This is achieved through regular monitoring and reporting of risks. Further details are included in section B.3.

All key risks (i.e., those forming part of the Standard Formula and risks specific to the insurance subsidiaries and Group) in the risk universe are within the scope of the Phoenix Group Partial Internal Model.

Capital is held against all risks within the risk universe, unless:

- the risk is one that would not be expected to impact Own Funds; or
- exposure to the risk is not significant; or
- there is a dedicated risk management process in place to ensure that the risk exposure remains immaterial or is unlikely to arise at all.

Justification for not holding capital for any risks within the risk universe is documented and approved by senior management. This position is re-assessed on a regular cycle or sooner if specified trigger events have occurred.

E.4.2 USES OF THE INTERNAL MODEL

The Phoenix Group Partial Internal Model (shortened to 'Internal Model' hereafter) is widely used in and plays an important role in the system of governance (in particular, the risk management system), decision-making, solvency capital assessment and allocation of capital throughout the Group.

Internal Model outputs (principally the balance sheet and stress and scenario analysis) are used to inform decisions which impact the risk profile or capital requirements. These decisions include, but are not limited to:

Setting risk appetite

As outlined in section B.3, the Group sets its risk appetite to manage risks, and this is reviewed annually. Risk appetite establishes the boundaries within which the Group is willing to operate, and the amount of risk that it wishes to accept.

The risk appetite statement is regularly reviewed through scenario analysis which covers a range of material risks from the risk universe. Results are regularly presented to the Life and Group Boards.

Informing risk reporting

The Group's risk reporting framework summarises the risk profile of the Group and is regularly presented to management committees and the Boards. Each report is structured around the risk universe and summarises key risk management information, including the risk appetite dashboard and a breakdown of risk capital by individual risk categories.

Setting capital management policy

Capital management policies are set by the Group and each regulated Life Company, in order to provide an additional level of solvency protection over the SCR. Capital policies are set by reference to risk appetite scenarios and reviewed annually.

Decision-making in respect of Group funding

Outputs from the Internal Model are used as the basis for recommendations regarding the release of cash from the Life Companies, for payment of dividends to shareholders or to meet other obligations within the Group.

Informing decisions on significant projects and strategic activity

When determining the viability of a project (for example, a funds merger or acquisition) or a change in strategy, the impacts on financial metrics will be a key consideration which utilises outputs from the Internal Model.

Establishing the Annual Operating Plan ('AOP')

The AOP is used to review the expected financial performance of the Group and to ensure it remains aligned with the overall strategy and risk appetite. This involves the production of financial projections using a central set of assumptions. Stress and scenario testing is completed in line with the Group's Risk Appetite Framework. Further details on stress and scenario testing are included in section C.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.2 USES OF THE INTERNAL MODEL CONTINUED

Setting investment strategy

Outputs from the Internal Model are used for setting investment strategy. The investment of assets is a core activity that allows the Group to enhance value and meet policyholder expectations. The Group generates value through investing in a range of asset classes. Policies are in place that set out the strategy to be followed to manage the various investment risks.

Setting assumptions

Assumptions are required to be set for the Group's modelled risks. These assumptions are derived from a range of sources, which include Internal Model outputs, experience analysis, industry benchmarking and expert judgement. Setting of assumptions is subject to extensive governance review and sign-off.

New Business Pricing

Internal Model outputs are used in new business pricing which includes; vesting annuities, Bulk Purchase Annuities, SunLife protection business and SLAL pensions new business.

Other uses

In addition to the above uses, Internal Model outputs are also used for external reporting, tax planning and setting the Group's remuneration policy.

E.4.3 PARTIAL INTERNAL MODEL

As described in section E.4.1 above, the Group operated under a partial Internal Model at 31 December 2019.

The partial Internal Model SCR calculation for the Group combines the Phoenix Internal Model SCR component with the Standard Life Internal Model SCR component and the SLIDAC Standard Formula component. The approach involves summing the SCR for Standard Life (and its subsidiaries) and the SCR for the rest of the Group, without allowing for any diversification between these two components.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.4 INTERNAL MODEL STRESS CALIBRATION

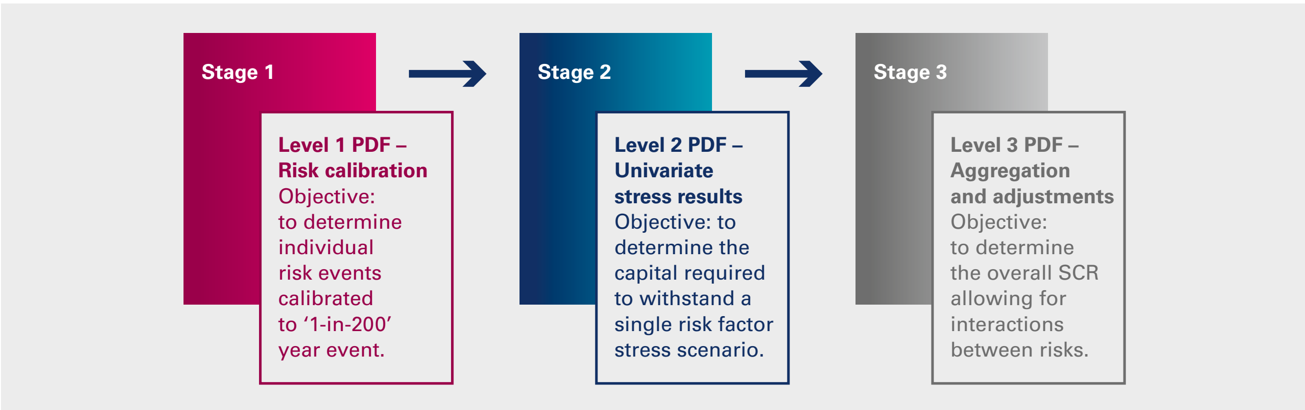
Overview

A key input required to calculate the SCR is the Probability Distribution Forecast ('PDF') for a particular risk or group of risks. The PDF determines the range of possible outcomes for the risk(s) being modelled and the associated probability attached to each outcome.

The calculation of the Internal Model SCR requires an assessment of the capital required in a 1-in-200 one-year stress event and also for stress events with different likelihoods. PDFs are utilised for this assessment. Phoenix methodology requires the PDF to be determined at three different levels, namely the Level 1, Level 2 and Level 3 PDFs.

For the Level 3 PDF, the Phoenix Model combines Level 2 risks using a correlation matrix. For SLAL Internal Model a simulation based approach is used.

Further details on the Level 1, 2 and 3 PDFs are summarised below:



Stage 1 – Level 1 PDF – Risk calibration

The first stage in the calculation of capital requirements is the calibration of all risk factors covered by the Internal Model. The output of this process is the Level 1 PDF for each risk factor, which is used to determine individual risk events at the 1-in-200 probability level. For example, at the 1-in-200 probability level, the Level 1 PDF calibration for equity risk may imply a Y% fall in equity values.

Stage 2 – Level 2 PDF – Univariate stress results

The Internal Model uses the risk calibrations established in stage 1 to assess the capital required to cover each single risk factor ('univariate') stress scenario.

For example, the capital required to cover a Y% fall in equity values is determined by comparing the Own Funds in the base position with the stressed value of the Own Funds (i.e. the capital required is equal to the change in the excess of assets over liabilities following a Y% fall in equity values).

Stage 3 – Level 3 PDF – Aggregation and adjustments

The Phoenix Internal Model uses a correlation matrix approach to aggregate the univariate risks by allowing for dependencies between risks. The aggregated SCR is then further adjusted for: additional 'non-linear' (i.e. second order) impacts caused when all risks occur at the same time in the aggregate (or single equivalent) scenario; the impact of additional (i.e. non-dynamic) management actions that can be used to reduce losses under stressed conditions; and the loss absorbing capacity of deferred tax. This methodology therefore determines the 1:200 point on the Level 3 probability distribution forecast.

The approach for the SLAL Internal Model is to calculate directly the Level 3 probability distribution forecast and take the SCR from this.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.4 INTERNAL MODEL STRESS CALIBRATION CONTINUED

The Level 3 probability distribution forecast is determined by simulating the joint distribution of changes in the individual risk factors and calculating the change in Own Funds in each simulation. The model consists of a set of functions which describe changes in Own Funds as a function of changes in risk factors. These functions are calibrated using changes in the values of assets and liabilities obtained by modelling a large number of scenarios using the full actuarial model suite.

Further details on these methodologies can be found in section E.4.5.3.

E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL

This section includes an explanation of the main differences in methodologies and underlying assumptions used in the Standard Formula and Internal Model SCR, as calculated under the Phoenix and SLAL Internal Models.

E.4.5.1 Structural model differences

Phoenix Internal Model

The structure of the Standard Formula and the Phoenix Internal Model methodology are similar in that:

- for each univariate risk the stressed value of assets and liabilities is compared with the unstressed value of assets and liabilities to determine the univariate SCR; and
- univariate risk capital amounts are aggregated to produce an overall SCR using correlation matrices.

However, under the Standard Formula, univariate stress tests are aggregated at a risk module level, and a second correlation matrix is used to then further aggregate across risk modules. The Internal Model aggregates all univariate SCR's through a single correlation matrix.

SLAL Internal Model

For the SLAL Internal Model univariate risks are aggregated using a simulation based approach rather than using correlation matrices.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED
E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL CONTINUED
E.4.5.2 Differences in the nature of risks considered and application of the stress
The main difference between the assessment of risks under the Internal Model and Standard Formula is that the Internal Model are based on the assessment of risks relevant to the Group rather than prescribed stresses under the Standard Formula.

The key differences in the risks considered and the stresses applied in the Phoenix Internal Model are set out below. Key SLAL specific Internal Model methodology is also highlighted where different to the Phoenix Internal Model.

However even where the application (or "form") of the Internal Model and Standard Formula stresses are the same, the quantum of the stress calibration may still differ.

Market risk

Equity Risk – the Internal Model considers the most onerous impact of an upwards and downwards movement in equity values. Changes to the level of implied equity volatility also considered. The standard formula considers a fall to equity values that is varied (via the equity dampener) to reflect market conditions at the valuation date.

Interest rate risk – the Internal Model considers a range of upward and downward shifts and twists in the yield curve. The Standard Formula applies a single upward stress and a single downward stress. The Internal Model also considers changes to the level of implied interest rate volatility.

Gilt spread risk – the Internal Model considers the impact of a movement in gilt yields relative to swap yields. This risk is not capitalised under the Standard Formula.

Currency risk – the Internal Model considers up and down movements in different currencies independently, the Standard Formula assumes the currency movements are perfectly correlated. The Internal Model also considers movements in swap rates across different currencies to value the movement in currency hedges held at Group level. Both the currency stresses and the swap margin stress are then correlated.

Commercial Property risk – the Internal Model considers both upward and downward movements in property values, while the Standard Formula only considers falls. The Internal Model also considers changes in the level of implied property volatility.

Residential Property risk – the expected cashflows from the underlying ERM assets are restructured in a special purpose vehicle to produce Matching Adjustment eligible 'ERM loan notes'. The Phoenix Internal Model looks through to the potential risks impacting the underlying ERM assets, and assesses the impact on the value of the ERM loan notes. These risks include a fall in property values, a rise in property volatility, prepayment risk, longevity risk, morbidity risk, nominal yield risk and real yield risk. Under the Standard Formula, the ERM loan notes are treated as a type 2 securitisation and stressed in the credit spread stress. Residential property risk is not covered by the SLAL Internal Model.

Alternative asset risk – the Phoenix Internal Model considers both upward and downward movements in the value of alternative assets (e.g. quants and fundamentals) as a separate stress. The Phoenix Internal Model also considers changes in the level of implied volatility. Under the Standard Formula, alternative investments are considered as part of the equity stress. There is no alternative asset exposure in SLAL.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED
E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL CONTINUED
E.4.5.2. Differences in the nature of risks considered and application of the stress continued

Inflation risk – For the Phoenix Internal Model, a shift and a twist in the real yield curve is considered. Inflation volatility is also stressed. For SLAL inflation risk is captured as part of interest rate risk (allowing for diversification). Under standard formula inflation risk is captured in the interest rate risk stress and inflation volatility risk is not captured.

Concentration risk – no explicit concentration risk capital is held under the Internal Model. Instead, concentration risk is allowed for implicitly within other risk modules, via the assumption setting process. The Standard Formula assesses concentration risk as a separate risk driver.

Credit risk

Market credit spread risk – the Internal Model considers both a widening and narrowing of credit spreads to corporate bond type assets. The Standard Formula considers a widening of credit spreads for corporate bond type assets, together with a separate stress applied to securitisations, and a bi-directional stress for credit derivatives.

Counterparty default risk –the Internal Model considers the increase in risk margin from a reinsurance default event. The Phoenix Internal Model does not consider default risk for cash assets. Outsourcer default risk is a bespoke calculation under the Phoenix Internal Model which is not included in the Standard Formula.

Insurance risk

Mortality/catastrophe risk – the Internal Model application of the stresses is the same as the Standard Formula, (although as stated above, the calibration may differ).

Longevity risk – the Internal Model performs two separate stresses covering changes in base table mortality and future longevity improvements. The Standard Formula does not apply a longevity improvements stress, and longevity stresses are not applied to the staff pension schemes under the Standard Formula.

Proportion Married – the Internal Model makes allowance for increases in the proportion married assumption where relevant. There is no allowance for proportion married risk in Standard Formula.

Lapse risk – lapse up and down stresses are applied in the Internal Model, with mass lapse risk captured under a separate univariate stress (see below). However under the Standard Formula, the overall lapse risk capital is the more onerous of the lapse up, lapse down and mass lapse risk capital. Under the SLAL internal model stresses are also applied to premium paying rates, income drawdown rates and premium indexation rates (for German business only).

Late retirement/GAO take-up risk – under the Phoenix Internal Model, late retirement risk and GAO take-up risk are assessed separately from the lapse stress. Retirement rates are subject to the more onerous of an increase or decrease, and GAO take-up rates are assumed to increase. The Standard Formula stresses GAO take-up rates and retirement rates under the lapse stress.

Mass lapse risk – the Internal Model application of the stress is the same as the Standard Formula, although the calibration may differ. SLAL's dependent persistency stress is applied over the course of the first year of the liability projection; whereas the Standard Formula mass lapse stress is applied as an instantaneous time zero stress

Expense risk – the Standard Formula stress reflects an immediate increase in expenses, together with an increase to expense inflation. The Internal Model stress reflects an immediate increase in expenses, together with a service company default stress. The default stress covers the risk that the Service Companies default on their obligations and the Life Companies incur additional expenses as a result. For the Phoenix Internal Model Investment management costs are not stressed, whereas for the SLAL internal Model Investment management costs are stressed.

New business pricing risk – under the Internal Model allowance is made for new business pricing risk. Allowance for new business risk is not required under the Standard Formula.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED
E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL CONTINUED
E.4.5.2. Differences in the nature of risks considered and application of the stress continued
Financial Soundness risk
Tax risk – the Internal Model considers the risk of an increase in tax rates or challenges from HMRC in respect of previously submitted tax returns. This risk is not covered under the Standard Formula.

Operational Risk
Operational risk – under the Internal Model, a range of operational risks are assessed using a frequency-severity approach, and combined using a copula that uses a correlation matrix as an input. The Standard Formula uses a formulaic approach.

Strategic Risk
Strategic risk encompasses the risks arising from a sub-optimal business strategy or sub-optimal implementation of the strategy. Under the Internal Model, risk capital is held to cover the costs which could be incurred if some investment management agreements are dissolved. No equivalent stress is required under the Standard Formula.

E.4.5.3 Other methodology and assumption differences
A number of other differences exist between the Phoenix and SLAL Internal Models and Standard Formula. The key differences are explained below.

Aggregation
Phoenix Internal Model

As highlighted in Section E.4.5.1 above, the Phoenix Internal Model aggregation approach is based on a single correlation matrix rather than the dual layer correlation matrices used in the Standard Formula.

The correlations between risks are set using a combination of analysis of historic data (using consistent datasets to that used to calibrate the individual risk distributions) and expert judgement.

An underlying assumption of the correlation matrix approach is that individual risks interact in a linear way when they are combined (using the correlation matrix) to produce risk capital for the single equivalent scenario. However, in practice certain pairs or groups of risks may interact in a non-linear manner and therefore the Internal Model includes an explicit non-linearity adjustment to ensure any additional risk capital from non-linear interactions is captured.

The Internal Model permits diversification between Matching Adjustment portfolios, shareholder-supported With-Profit Funds/pension schemes and other non-ring-fenced funds and entities. No diversification is allowed with self-supporting With-Profit Funds/pension schemes. The Standard Formula does not allow any diversification with ring fenced funds (whether or not they are shareholder-supported) or Matching Adjustment portfolios.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED
E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL CONTINUED
E.4.5.3 Other methodology and assumption differences continued
SLAL Internal Model

The Internal Model aggregation is based on a simulation based approach which looks at each of the individual risks and combinations of the risks at multiple probability levels.

Under several hundred scenarios selected from the risk categories and key combination of risk categories, the balance sheet is stressed using 'heavy models' of the business. Mathematical formulae called loss functions are then fitted to the balance sheet impact of these selected stresses which allows us to describe the behaviour of the balance sheet under a wide range of scenarios.

Millions of possible future scenarios from the risk distributions are simulated – allowing for the diversification between risks– and assess the impact on the balance sheet using the loss functions. The internal model permits diversification between the Matching Adjustment portfolios, the ring fenced funds and the non-ring fenced funds but no credit is taken for simulated profits in the Matching Adjustment portfolios and ring fenced funds. The Standard Formula does not allow any diversification with ring fenced funds (whether or not they are shareholder-supported) or Matching Adjustment portfolios. The balance sheet losses for each simulated scenario are then ranked and the SCR is the 99.5th percentile balance sheet loss.

The correlations between risks are set using a combination of analysis of historic data (using consistent datasets to that used to calibrate the individual risk distributions) and expert judgement.

The SLAL Internal Model calculates an SCR at the entity level, permitting diversification between each sub-fund, including with profits funds, but allowing for fungibility constraints which restrict the movement of capital within the entity.

Management actions

For the Group, management actions primarily apply to with-profit funds. The management actions available for use in the calculation of the SCR for each with-profit fund are consistent with those actions set out in the funds' PPFM.

The SCR for a with-profit fund allows for 'dynamic' management actions and additionally may allow for 'non-dynamic' management actions.

Dynamic management actions reflect those actions that form part of normal working practice, for example, varying annual and final bonus rates in the calculation of base and stressed technical provisions.

Non-dynamic management actions are additional actions that are not considered part of normal day-to-day working practice, for example, removal of past conditional estate distributions, removing future smoothing or increased asset share/guarantee charges.

Under the Phoenix Internal Model approach, dynamic management actions are captured within each univariate stress and the single equivalent scenario, as these management actions are consistent with those assumed as part of the technical provisions. Non-dynamic management actions are only captured in the single equivalent scenario and are used to offset the part of the SCR caused by a negative estate. Apart from removal of conditional estate distributions, non-dynamic management actions are restricted so that no credit is taken against non-chargeable risks events.

Under the SLAL Internal Model approach, dynamic management actions are captured within the heavy model runs used to fit the loss functions. These management actions are consistent with those assumed as part of the technical provisions. No credit is currently taken in the model for non-dynamic management actions.

The Standard Formula approach to management actions involves calculating two different measures, the net Basic SCR ('nBSCR') and gross Basic SCR ('BSCR'). No allowance for management actions is made in the BSCR. In the nBSCR, dynamic management actions are allowed for in each univariate stress. Non-dynamic management actions can then subsequently be used in each univariate stress to offset the part of the SCR caused by a negative estate. The difference between the BSCR and nBSCR is used to derive the Loss Absorbing Capacity of Technical Provisions ('LACTP').

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL CONTINUED

E.4.5.3 Other methodology and assumption differences continued

Risk mitigating techniques

Risk mitigating techniques represent arrangements that have been entered into by the Group with the aim of transferring part or all of the risk associated with a particular element of the business. These techniques aim to mitigate against:

- market/credit risks – through the use of instruments such as derivatives; and
- underwriting risks – through the use of reinsurance arrangements.

These arrangements introduce additional default risk in relation to the arrangement counterparty(s). This risk is managed in many cases through the use of collateral arrangements.

Under Solvency II, there are strict criteria that must be met in order for an instrument to qualify as risk mitigating. Differences between the Phoenix Internal Model and Standard Formula methodology are summarised below.

Risk mitigation criteria – the Standard Formula rules specify a strict list of criteria that must be met in order to allow a risk mitigation benefit. Internal Model requirements are less prescriptive, but broadly consistent with the Standard Formula (with the exception of basis risk).

Basis risk – only risk mitigating instruments with no (or immaterial) basis risk provide a capital benefit under the Standard Formula SCR. Internal Model basis risk is captured through reductions in the effectiveness of the risk mitigating instrument under the relevant stressed conditions. This is achieved by allowing for only a proportion of the change in the movement of the risk mitigating instrument under stressed conditions.

Financial risk mitigation – under the Standard Formula, where the instrument is fully risk mitigating, both the risk mitigating instrument and the asset/liability being hedged will not be stressed. Where the instrument is not fully risk mitigating, the risk mitigating instrument and the asset/liability being hedged will be stressed in tandem, provided that the instrument is not subject to material basis risk. If the instrument is subject to material basis risk, then no capital benefit will be recognised for the instrument under stress. Under the Phoenix Internal Model, the risk mitigating instrument and the asset/liability being hedged are stressed in tandem, with an allowance for any basis risk.

Insurance risk mitigation – under the Standard Formula, if reinsurance arrangements are fully risk mitigating, then the value of the reinsurance asset will be re-valued under each stress in line with the reinsured liabilities. If the arrangement is partially risk mitigating, the reinsurance asset will be re-valued under each stress to the extent that the associated (stressed) collateral covers the risk exposure. If the arrangement is not risk mitigating, the reinsurance asset is not stressed, but the reinsured liabilities will be stressed. The Internal Model approach takes the full risk mitigation benefit, as Phoenix considers all of its reinsurance arrangements to be fully risk mitigating subject to allowance for counterparty default risk.

Internal loans

The Standard Formula stresses Group loans according to the credit spread and interest rate risk modules. The impact on each individual risk module is eliminated when aggregating the SCR to Group level, before correlating with other risks.

Under the Internal Model, the value of internal loans is fully written off within the risk capital assessment, with no allowance for diversification with any other risks. The impact on both Own Funds and SCR is consolidated out when aggregating to Group level.

Intra-group insurance and reinsurance

Under the Standard Formula, intra-group insurance or reinsurance transactions involving RFFs or Matching Adjustment portfolios are not eliminated when consolidating to Group level. All other intra-group insurance and reinsurance arrangements are eliminated when calculating the Group SCR.

Under the Internal Model, for reinsurance between Life Companies (or funds of Life Companies), Own Funds and SCR are calculated assuming that the company which accepts the reinsurance retains the associated assets and liabilities. No SCR is held by the ceding company in relation to the risks reinsured. For insurance between a Group defined benefit pension scheme and a life company, the insurance is eliminated for the Group consolidation of Own Funds and SCR.

Section E – Capital Management continued

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED CONTINUED

E.4.5 METHODOLOGY AND ASSUMPTION DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL CONTINUED

E.4.5.3 Other methodology and assumption differences continued

Other residual related undertakings ('ORRUs')

The Standard Formula treats ORRU's as strategic participations and applies a capital charge which does not diversify against any other Group undertakings. The Internal Model assessment looks through to the underlying risks and allows diversification with the rest of the Group.

E.4.6 RISK MEASURES AND TIME PERIODS USED IN THE INTERNAL MODEL

The risk measures and time periods used in the Phoenix Internal Model are in line with those set out by the regulations, i.e. the SCR is assessed by considering the capital resources required to ensure that the Own Funds are sufficient to meet a stress event calibrated to a 99.5% confidence level over a one-year period. In practice, stress events are assumed to occur instantaneously rather than over a one-year period.

E.4.7 NATURE AND APPROPRIATENESS OF DATA

A range of information is used within the Internal Model; this includes the relevant market data (both current for the valuation date, and the historic data to calibrate stresses), and internal policyholder data used to calculate our liabilities as well as historic policyholder experience to calibrate our underwriting risk stresses. The sources used in each instance have been chosen considering the range of options available and the appropriateness of the data sets for the purpose for which they are used. Where external data is used, this is sourced from reputable suppliers (e.g. Office for National Statistics, Bank of England, and Continuous Mortality Investigation). We also have an internal data governance framework, which sets the standard to which the data we use must meet, and is used as a means to escalate any issues appropriately.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The PGH Group, and each of its insurance subsidiaries held Own Funds in excess of both the SCR and MCR throughout the reporting period and therefore fully complied with capital requirements.

As part of the Group's RMF, various controls are in place to ensure continuing compliance with capital requirements. These include:

- holding a capital buffer (i.e. 'Capital Policy') above the SCR to provide resilience under a range of stress conditions. The amount of the capital buffer is set and monitored by the PGH and insurance subsidiary Boards and reflects the risk profile and financial strength of the Group and individual insurance subsidiaries. In situations where the capital buffer is breached, the Boards are obliged to identify remedial actions to restore the excess assets to the required buffer in a timely manner. To this end, the Boards, no less frequently than annually, approve thresholds that would trigger the remedial actions. These thresholds are calculated both including and excluding any potential recalculation of the TMTP;
- monitoring solvency on a weekly basis, with results reported weekly to senior management and monthly to management committees and boards;
- projecting solvency positions on a quarterly basis, so as to provide an early view of potential capital shortfalls;
- monitoring of balance sheet sensitivities, which are produced on a monthly basis and distributed to senior management; and
- subjecting the solvency positions of the Group and its insurance subsidiaries to Reverse Stress Testing ('RST') at least annually. The RST exercise provides an assessment of policyholder security by testing the combined strength of the funds available to each insurance subsidiary and the Group to enable regulatory capital requirements under stress conditions to be met.

E.6 ANY OTHER INFORMATION

There is no further material information to be disclosed regarding the Group and insurance subsidiaries Own Funds and SCR.

APPENDIX AND ADDITIONAL INFORMATION

IN THIS SECTION

APPENDIX
AND ADDITIONAL INFORMATION

GLOSSARY

ANNUAL OPERATING PLAN ('AOP')	The Group's five- year strategic plan approved by the Board.
ASSET LIABILITY MANAGEMENT ('ALM')	Management of mismatches between assets and liabilities within risk appetite.
BEST ESTIMATE LIABILITY ('BEL')	The probability weighted average of future cash flows, taking into account the time value of money (expected present value of future cash-flows), using the relevant interest rate term structure and taking into account economic and non-economic assumptions.
CLOSED LIFE FUND	A fund that no longer accepts new business. The fund continues to be managed for the existing policyholders.
EIOPA	European Insurance and Occupational Pensions Authority.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
FINANCIAL CONDUCT AUTHORITY ('FCA')	The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority ('PRA'), such as asset managers and independent financial advisers.
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ('GAAP')	A common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements.
INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')	Accounting standards, interpretations and the framework adopted by the International Accounting Standards Board ('IASB').
INTERNAL MODEL ('IM')	The agreed methodology and model, approved by the PRA, to calculate the Solvency Capital Requirement ('SCR') pursuant to Solvency II.
LINE OF BUSINESS ('LoB')	The applicable lines of business as prescribed by Annex I of Commission Delegated Regulation (EU) 2015/35.
LONG TERM GUARANTEE MEASURES	The extrapolation of risk-free interest rates, the Matching Adjustment ('MA'), the Volatility Adjustment ('VA'), the extension of the recovery period in case of non-compliance with the SCR, the transitional measures on the risk-free interest rates and the Transitional Measure on Technical Provisions ('TMTP').
LONG-TERM INCENTIVE PLAN ('LTIP')	The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to Group strategy.
MANAGEMENT SERVICE AGREEMENT ('MSA')	Contracts that exist between the Phoenix Life and Services Companies or between Services Companies and their outsource partners.
MATCHING ADJUSTMENT ('MA')	An allowance, subject to PRA's approval that allows insurers to use a higher discount rate, based on the underlying assets, when valuing liabilities that meet strict eligibility criteria.
MINIMUM CAPITAL REQUIREMENT	The minimum amount of capital that the Group needs to hold to cover its risks under the Solvency II regulatory framework.
OPERATING PROFIT	Operating profit is a non-GAAP measure that is considered a more representative measure of performance than IFRS profit or loss after tax as it provides long-term performance information unaffected by short term economic volatility.
OWN FUNDS	Basic Own Funds comprise the excess of assets over liabilities valued in accordance with the Solvency II principles and subordinated liabilities which qualify to be included in Own Funds under the Solvency II rules. Eligible Own Funds are the amount of Own Funds that are available to cover the Solvency Capital Requirements after applying prescribed quantitative limits and transferability and fungibility restrictions to Basic Own Funds.
PARTIAL INTERNAL MODEL	The model used to calculate the Group SCR pursuant to Solvency II. It aggregates outputs from both the existing Phoenix Internal Model and the Standard Life Internal Model with no diversification between the two.

Appendix and Additional Information continued

GLOSSARY CONTINUED

PART VII TRANSFER	The transfer of insurance policies under Part VII of Financial Services and Markets Act 2000 ('FSMA') 2000. The insurers involved can be in the same corporate group or in different groups. Transfers require the consent of the High Court, which will consider the views of the PRA and FCA and of an Independent Expert.
PRUDENTIAL REGULATION AUTHORITY ('PRA')	The body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA and FCA use a Memorandum of Understanding to co-ordinate and carry out their respective responsibilities.
PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT ('PPFM')	A publicly available document which explains how the Company's with-profit business is run. As part of demonstrating that customers are treated fairly, the Board certifies that the PPFM has been complied with.
RIGHTS ISSUE	The rights issue announced by Phoenix on 30 May 2018 and completed on 10 July 2018 in connection with the part financing of the acquisition of the Standard Life Assurance businesses.
RISK MARGIN	The amount used to ensure that the value of the technical provisions is equivalent to the amount that a Life Company would be expected to require in order to take over and meet insurance and reinsurance obligations.
SHARE CAPITAL COVERAGE RATIO	Represents total Eligible Own Funds divided by Solvency Capital Requirement ('SCR'), adjusted to a shareholder view through the exclusion of amounts relating to those ring-fenced with-profit funds and Group pension schemes whose Own Funds exceed their SCR.
SOLVENCY II	A new regime for the prudential regulation of European insurance companies that came into force on 1 January 2016.
SOLVENCY II SURPLUS	The excess of Eligible Own Funds over the Solvency Capital Requirement.
SOLVENCY CAPITAL REQUIREMENT ('SCR')	SCR relates to risks and obligations to which the Group is exposed and calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensure that capital is sufficient to withstand a broadly '1-in-200' event.
STANDARD FORMULA	A set of calculations prescribed by the regulations for generating the SCR.
STANDARD LIFE ASSURANCE BUSINESSES	Standard Life Assurance Limited, Standard Life Pensions Fund Limited, Standard Life International Designated Activity Company, Vebnet (Holdings) Limited, Vebnet Limited, Standard Life Lifetime Mortgages Limited, Standard Life Assets and Employee Services Limited and Standard Life Investment Funds Limited (together known as the Standard Life Assurance businesses) acquired by the Group on 31 August 2018.
TECHNICAL PROVISIONS	The sum of the Best Estimate Liabilities and the risk margin. Technical provisions include Transitional Measures on Technical Provisions where firms have received PRA approval to apply the deduction.
TECHNICAL PROVISIONS AS A WHOLE	Unit reserves recognised separately, to aid in the identification of future profits component of unit-linked technical provisions.
TRANSITIONAL MEASURE ON TECHNICAL PROVISIONS ('TMTP')	An allowance, subject to the PRA's approval, to apply a transitional deduction to technical provisions. The transitional deduction corresponds to the difference between net technical provisions calculated in accordance with Solvency II principals and net technical provisions calculated in accordance with the previous regime. It is expected to decrease linearly over a period of 16 years starting from 1 January 2016 to 1 January 2032. TMTP is subject to a mandatory recalculation every two years or on the occurrence of certain defined events. TMTP is an item of Own Funds.

Appendix and Additional Information continued

APPENDICES 1 – 6 QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019)

This report has been prepared in conjunction with the following QRTs, the table below illustrates the templates applicable to the PGH Group and each insurance subsidiary:

QRT number	QRT name	PGH Group (Appendix 1)	PLL (Appendix 2)	PLAL (Appendix 3)	SLAL (Appendix 4)	SLPF (Appendix 5)	PA(GI) (Appendix 6)
S.02.01.02	Balance sheet	✓	✓	✓	✓	✓	✓
S.05.01.02	Premiums, claims and expenses by Line of Business	✓	✓	✓	✓	✓	✓
S.05.02.01	Premiums, claims and expenses by Country	✓	–	–	–	–	–
S.12.01.02	Life and Health SLT technical provisions	–	✓	✓	✓	✓	–
S.22.01.21	Impact of long term guarantees and transitionals (Life Companies)	–	✓	✓	✓	–	–
S.22.01.22	Impact of long term guarantees and transitionals (Group)	✓	–	–	–	–	–
S.23.01.01	Own Funds	–	✓	✓	✓	✓	✓
S.23.01.22	Own Funds (Group)	✓	–	–	–	–	–
S.25.02.22	Solvency Capital Requirement – partial Internal Model	✓	–	–	–	–	–
S.25.03.21	Solvency Capital Requirement – for undertakings on full Internal Model	–	✓	✓	✓	✓	✓
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity	–	✓	✓	✓	✓	✓
S.32.01.22	Undertakings in the scope of the Group	✓	–	–	–	–	–

All public disclosure QRTs shown in the Appendices are presented in sterling (£) rounded to the nearest thousand.

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP
APPENDIX 1.1 – S.02.01.02 BALANCE SHEET QRT

		Solvency II value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	84,399
Pension benefit surplus	R0050	314,415
Property, plant & equipment held for own use	R0060	27,525
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**46,274,196**
Property (other than for own use)	R0080	364,363
Holdings in related undertakings, including participations	R0090	25,512,683
Equities	R0100	142,648
Equities – listed	R0110	138,027
Equities – unlisted	R0120	4,621
Bonds	R0130	17,586,089
Government Bonds	R0140	10,589,127
Corporate Bonds	R0150	6,843,406
Structured notes	R0160	47,534
Collateralised securities	R0170	106,022
Collective Investments Undertakings	R0180	1,038,617
Derivatives	R0190	1,538,669
Deposits other than cash equivalents	R0200	91,127
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	22,214,338
Loans and mortgages	**R0230**	**2,907,617**
Loans on policies	R0240	8,718
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	2,898,899
Reinsurance recoverables from:	**R0270**	**8,126,138**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2,435,501
Health similar to life	R0320	59,527
Life excluding health and index-linked and unit-linked	R0330	2,375,974
Life index-linked and unit-linked	R0340	5,690,638
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	7,792
Reinsurance receivables	R0370	49,368
Receivables (trade, not insurance)	R0380	845,846
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	515,107
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**81,366,740**

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.1 – S.02.01.02 BALANCE SHEET QRT CONTINUED

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP – life (excluding index-linked and unit-linked)	**R0600**	**36,068,978**
Technical provisions – health (similar to life)	**R0610**	**82,351**
TP calculated as a whole	R0620	
Best estimate	R0630	80,717
Risk margin	R0640	1,634
TP – life (excluding health and index-linked and unit-linked)	**R0650**	**35,986,627**
TP calculated as a whole	R0660	
Best estimate	R0670	35,870,267
Risk margin	R0680	116,361
TP – index-linked and unit-linked	**R0690**	**27,425,154**
TP calculated as a whole	R0700	27,874,038
Best estimate	R0710	(483,945)
Risk margin	R0720	35,061
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	184,378
Pension benefit obligations	R0760	74,800
Deposits from reinsurers	R0770	332,561
Deferred tax liabilities	R0780	527,363
Derivatives	R0790	190,446
Debts owed to credit institutions	R0800	1,807,628
Financial liabilities other than debts owed to credit institutions	R0810	288,697
Insurance & intermediaries payables	R0820	558,390
Reinsurance payables	R0830	19,588
Payables (trade, not insurance)	R0840	679,344
Subordinated liabilities	R0850	**1,937,212**
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	R0870	1,937,212
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**70,094,538**
Excess of assets over liabilities	**R1000**	**11,272,203**

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.2 – S.05.01.02 PREMIUMS, CLAIMS AND EXPENSE BY LINE OF BUSINESS QRT

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260	Health reinsurance C0270	Life reinsurance C0280	Total C0300
Premiums written										
Gross	R1410	17,647	957,201	10,442,391	2,568,740				82,751	14,068,730
Reinsurers' share	R1420	3,051	31,066	698,278	665,342				71,538	1,469,274
Net	**R1500**	**14,596**	**926,135**	**9,744,113**	**1,903,397**				**11,214**	**12,599,456**
Premiums earned										
Gross	R1510	17,647	957,201	10,442,391	2,568,740				82,751	14,068,730
Reinsurers' share	R1520	3,051	31,066	698,278	665,342				71,538	1,469,274
Net	**R1600**	**14,596**	**926,135**	**9,744,113**	**1,903,397**				**11,214**	**12,599,456**
Claims incurred										
Gross	R1610	28,416	4,114,751	18,663,212	2,649,264				84,399	25,540,042
Reinsurers' share	R1620	16,648	77,663	1,282,459	1,207,226				49,490	2,633,486
Net	**R1700**	**11,767**	**4,037,088**	**17,380,753**	**1,442,038**				**34,909**	**22,906,555**
Changes in other technical provisions										
Gross	R1710	32,515	(2,059,990)	(9,014,469)	(1,651,459)			0	(36,684)	(12,730,087)
Reinsurers' share	R1720	12,089	(222,289)	(242,494)	432,454			0	14,974	(5,266)
Net	**R1800**	**20,426**	**(1,837,701)**	**(8,771,975)**	**(2,083,913)**			**0**	**(51,658)**	**(12,724,821)**
Expenses incurred	**R1900**	**7,475**	**241,143**	**603,217**	**241,250**					**1,093,086**
Other expenses	R2500									
Total expenses	**R2600**									**1,093,086**

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.3 – S.05.02.01 PREMIUMS, CLAIMS AND EXPENSE BY COUNTRY QRT

		Home Country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R01400		DE	IE	AT			
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premium written								
Gross	R1410	12,669,338	822,147	571,155	6,090	–	–	14,068,730
Reinsurers' share	R1420	1,440,966	43,855	(16,213)	666	–	–	1,469,274
Net	**R1500**	**11,228,372**	**778,292**	**587,368**	**5,424**	**–**	**–**	**12,599,456**
Premium earned								
Gross	R1510	12,669,338	822,147	571,155	6,090	–	–	14,068,730
Reinsurers' share	R1520	1,440,966	43,855	(16,213)	666	–	–	1,469,274
Net	**R1600**	**11,228,372**	**778,292**	**587,368**	**5,424**	**–**	**–**	**12,599,456**
Claims incurred								
Gross	R1610	23,563,863	807,902	1,163,872	4,404	–	–	25,540,042
Reinsurers' share	R1620	2,606,298	24,029	3,160	–	–	–	2,633,486
Net	**R1700**	**20,957,565**	**783,873**	**1,160,712**	**4,404**	**–**	**–**	**22,906,555**
Changes in other technical provisions								
Gross	R1710	(10,288,703)	(2,227,131)	(144,834)	(69,419)	–	–	(12,730,087)
Reinsurers' share	R1720	(480,278)	484,930	(8,574)	(1,345)	–	–	(5,266)
Net	**R1800**	**(9,808,425)**	**(2,712,061)**	**(136,260)**	**(68,075)**	**–**	**–**	**(12,724,821)**
Expenses incurred	**R1900**	**943,147**	**52,234**	**92,660**	**5,044**	**–**	**–**	**1,093,086**
Other expenses	**R2500**							
Total expenses	**R2600**							**1,093,086**

APPENDIX 1.4 – S.22.01.22 IMPACT OF LONG TERM GUARANTEES AND TRANSITIONAL MEASURES

		Amount with Long Term Guarantee measures and transitionals C0010	Impact of transitional on technical provisions C0030	Impact of transitional on interest rate C0050	Impact of volatility adjustment set to zero C0070	Impact of matching adjustment set to zero C0090
Technical provisions	R0010	63,494,132	2,575,617	–	–	1,117,169
Basic own funds	R0020	6,104,945	(1,902,130)	–	–	(1,029,885)
Eligible own funds to meet Solvency Capital Requirement	R0050	10,792,377	(2,894,449)	–	(26,932)	(1,532,806)
Solvency Capital Requirement	R0090	7,689,487	175,224	–	(19,311)	1,596,926

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.5 – S.23.01.22 – OWN FUNDS QRT

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	72,151	72,151			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	1,666	1,666			
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070	2,487,092	2,487,092			
Non-available surplus funds at group level	R0080					
Preference shares	R0090	500,000		500,000		
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	6,894,296	6,894,296			
Subordinated liabilities	R0140	1,937,212			1,485,834	451,378
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	84,399				84,399
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic Own Funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	123,022	123,022			
Whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260	5,748,850	5,748,850			
Total of non-available own fund items	R0270					
Total deductions	R0280	**5,871,871**	**5,871,871**			
Total basic own funds after deductions	R0290	**6,104,945**	**3,583,334**	**500,000**	**1,485,834**	**535,777**
Ancillary own funds						

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.5 – S.23.01.22 – OWN FUNDS QRT CONTINUED

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, financial institutions	R0410	2,284	2,284			
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430	120,737	120,737			
Total own funds of other financial sectors	R0440	123,022	123,022			
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	4,564,410	4,564,410			
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460	4,564,410	4,564,410			
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	**6,104,945**	**3,583,334**	**500,000**	**1,485,834**	**535,777**
Total available own funds to meet the minimum consolidated group SCR	R0530	**5,569,168**	**3,583,334**	**500,000**	**1,485,834**	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	**6,104,945**	**3,583,334**	**500,000**	**1,485,834**	**535,777**
Total eligible own funds to meet the minimum consolidated group SCR	R0570	**4,305,270**	**3,583,334**	**500,000**	**221,936**	
Minimum consolidated Group SCR	R0610	**1,109,680**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	**388%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	**10,792,377**	**8,270,765**	**500,000**	**1,485,834**	**535,777**
Group SCR	R0680	**7,689,487**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	**140%**				

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.5 – S.23.01.22 – OWN FUNDS QRT CONTINUED

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	11,272,203
Own shares (included as assets on the balance sheet)	R0710	7,207
Foreseeable dividends, distributions and charges	R0720	173,147
Other basic own fund items	R0730	3,145,308
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	837,049
Other non available own funds	R0750	215,195
Reconciliation reserve before deduction for participations in other financial sector	R0760	**6,894,296**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	994,287
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
Total EPIFP	R0790	**994,287**

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.6 – S.25.02.22 – SCR QRT – PARTIAL INTERNAL MODEL

Unique number of component C0010	Components description C0020	Calculation of the Solvency Capital Requirement C0030	Amount modelled C0070	USP C0080	Simplification C0090
10700I	Market Spread Risk	1,751,584	1,751,584	–	–
10700P	Market Spread Risk (pension scheme)	96,961	96,961	–	–
11000I	Market risk excluding spread risk	2,028,649	2,028,649	–	–
11000P	Market risk excluding spread risk (pension scheme)	357,237	357,237	–	–
19900I	Diversification within Market Risk	(844,241)	(844,241)	–	–
20000I	Counterparty Risk	177,569	177,569	–	–
20000P	Counterparty Risk (pension scheme)	2,458	2,458	–	–
30000I	Life Underwriting Risk	2,386,571	2,386,571	–	–
30000P	Life Underwriting Risk (pension scheme)	263,624	263,624	–	–
40000I	Health Underwriting Risk	–	–	–	–
70100I	Operational Risk	552,861	552,861	–	–
70100P	Operational Risk (pension scheme)	81,109	81,109	–	–
80150I	Other Risks – Strategic Risk	134,495	134,495	–	–
80150P	Other Risks – Strategic Risk (pension scheme)	–	–	–	–
80190I	Other Risks – Financial Soundness Risk	92,646	92,646	–	–
80190P	Other Risks – Financial Soundness Risk (pension scheme)	–	–	–	–
80200I	Non-dynamic management actions	(200,208)	(200,208)	–	–
80300I	Loss-absorbing capacity of deferred tax	(350,662)	(350,662)	–	–
80400I	Other Adjustments	284,556	284,556	–	–
80400P	Other Adjustments (pension scheme)	–	–	–	–

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.6 – S.25.02.22 – SCR QRT – PARTIAL INTERNAL MODEL CONTINUED

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	6,815,209
Diversification	R0060	(2,036,187)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	–
Solvency Capital Requirement excluding capital add-on	**R0200**	4,779,021
Capital add-on already set	R0210	–
Solvency capital requirement for undertakings under consolidated method	**R0220**	4,777,424
Other information on SCR		–
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(2,891,520)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(350,690)
Capital requirement for duration-based equity risk sub-module	R0400	–
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	945,778
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	2,208,069
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	1,625,174
Diversification effects due to RFF nSCR aggregation for article 304	R0440	–
Minimum consolidated group solvency capital requirement	R0470	1,109,680
Information on other entities		–
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	4,599
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	4,599
Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational retirement provisions	R0520	–
Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non-regulated entities carrying out financial activities	R0530	–
Capital requirement for non-controlled participation requirements	R0540	–
Capital requirement for residual undertakings	R0550	(6,196)
Overall SCR		–
SCR for undertakings included via D and A	R0560	2,912,062
Solvency capital requirement	**R0570**	7,689,487

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800DN8K9C4SHNSO89	1 – LEI	PUTM Cautious Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XLPB31C21BK654	1 – LEI	PUTM European Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		99.36%	100.00%	99.36%		1 – Dominant	99.36%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138004HI8MR9C7M4110	1 – LEI	PUTM Far Eastern Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		99.67%	100.00%	99.67%		1 – Dominant	99.67%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007MBUBP1DYEF454	1 – LEI	PUTM Growth Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TGH1B5H3CCKM64	1 – LEI	PUTM Opportunity Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800R93551HXPTCO23	1 – LEI	PUTM International Growth Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800R4RZSQBOAMVN21	1 – LEI	PUTM UK Stock Market Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800AZRF8KX73WPT70	1 – LEI	PUTM UK STOCK MARKET FUND (SERIES 3)	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KPZ3IYLLF4UT85	1 – LEI	PUTM UK All-Share Index Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		99.90%	100.00%	99.90%		1 – Dominant	99.90%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800P3GNH79HH17J98	1 – LEI	PUTM UK Equity Unit Trust	99 – Other	Authorised unit trust	2 – Non-mutual		99.85%	100.00%	99.85%		1 – Dominant	99.85%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007GV3TM61ULD343	1 – LEI	PUTM Bothwell Asia Pacific (Excluding Japan) Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.54%	100.00%	99.54%		1 – Dominant	99.54%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800P8QDZ2EUITVU80	1 – LEI	PUTM Bothwell Europe Fund	99 – Other	Authorised unit trust	2 – Non-mutual		98.82%	100.00%	98.82%		1 – Dominant	98.82%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800A36R1Z1S85RR19	1 – LEI	PUTM Bothwell Emerging Market Debt Unconstrained Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800882SVHV1XPLA47	1 – LEI	PUTM Bothwell European Credit Fund	99 – Other	Authorised unit trust	2 – Non-mutual		84.95%	100.00%	84.95%		1 – Dominant	84.95%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138008DFTGZAKHGR525	1 – LEI	PUTM Bothwell Global Bond Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.98%	100.00%	99.98%		1 – Dominant	99.98%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JGHD8XCIYNWU64	1 – LEI	PUTM Bothwell Global Credit Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XSYBULEE2E4N30	1 – LEI	PUTM Bothwell Floating Rate ABS Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800FOR1Z8YSVHSW15	1 – LEI	PUTM Bothwell Index-Linked Sterling Hedged Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800IH74PGGQ7I4488	1 – LEI	PUTM Bothwell Japan Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.57%	100.00%	99.57%		1 – Dominant	99.57%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KHXBLNLCG65816	1 – LEI	PUTM Bothwell Long Gilt Sterling Hedged Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800VCC5MENTKHP567	1 – LEI	PUTM Bothwell Emerging Markets Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.94%	100.00%	99.94%		1 – Dominant	99.94%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SEKD6AE8YAIX35	1 – LEI	PUTM Bothwell North America Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.40%	100.00%	99.40%		1 – Dominant	99.40%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800FHKCOXS82HQG65	1 – LEI	PUTM Bothwell Sterling Government Bond Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.56%	100.00%	99.56%		1 – Dominant	99.56%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800T31U3W79HGRH81	1 – LEI	PUTM Bothwell Euro Sovereign Fund	99 – Other	Authorised unit trust	2 – Non-mutual		87.75%	100.00%	87.75%		1 – Dominant	87.75%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TRPZOHA5CTQT96	1 – LEI	PUTM Bothwell Sterling Credit Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.85%	100.00%	99.85%		1 – Dominant	99.85%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XP7PXFVTAW1H83	1 – LEI	PUTM Bothwell Tactical Asset Allocation Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007RKH637ZHATD66	1 – LEI	PUTM Bothwell UK All Share Listed Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		99.17%	100.00%	99.17%		1 – Dominant	99.17%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KH7K7YYQ7LLG85	1 – LEI	PUTM Bothwell UK Equity Income Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800W3AMX9O6QS6F82	1 – LEI	PUTM Bothwell Sub-Sovereign Bond Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380067JPI4ENNTAD73	1 – LEI	PUTM Bothwell Institutional Credit Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300Y6I95V6CJ8JP75	1 – LEI	Standard Life Investments Strategic Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		72.38%	100.00%	72.38%		1 – Dominant	72.38%	1 – Included in the scope		5 – Method 2: Solvency II

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APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	549300ZJSFSEALGJ0R05	1 – LEI	Standard Life Global Absolute Return Strategies Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		68.12%	68.12%	68.12%		2 – Significant	68.12%	1 – Included in the scope		5 – Method 2: Solvency II
GB	54930000QS4A1CF6L143	1 – LEI	Standard Life Investments Dynamic Distribution Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		53.60%	53.60%	53.60%		2 – Significant	53.60%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300V3RPDL6NYXXQ96	1 – LEI	Standard Life Multi-Asset Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300MFFMRGN3DL4U09	1 – LEI	Standard Life European Trust II	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800CIR2UE599MVG13	1 – LEI	Standard Life Investments UK Real Estate Accumulation Feeder Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		45.64%	45.64%	45.64%		2 – Significant	45.64%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800289MMZV51S2O60	1 – LEI	Standard Life Investments UK Real Estate Income Feeder	99 – Other	Authorised Unit Trust	2 – Non-mutual		37.75%	37.75%	37.75%		2 – Significant	37.75%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300TSFB2Y6YJ6C454	1 – LEI	Standard Life Investment Company – UK Equity Recovery Fund	99 – Other	Open ended investment company	2 – Non-mutual		36.71%	36.71%	36.71%		2 – Significant	36.71%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300DPG7M5B26ETT89	1 – LEI	Standard Life Investment Company – Global Emerging Markets Equity Fund	99 – Other	Open ended investment company	2 – Non-mutual		80.60%	100.00%	80.60%		1 – Dominant	80.60%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300IL7BS03RLOFU72	1 – LEI	Standard Life Investment Company – Global Emerging Markets Equity Income Fund	99 – Other	Open ended investment company	2 – Non-mutual		69.68%	69.68%	69.68%		2 – Significant	69.68%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300U6FPNMXT4DDH56	1 – LEI	Standard Life Investment Company – Japanese Equity Growth Fund	99 – Other	Open ended investment company	2 – Non-mutual		83.87%	100.00%	83.87%		1 – Dominant	83.87%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300VKUPR8GFVZ0E68	1 – LEI	Standard Life Investment Company – UK Equity Growth Fund	99 – Other	Open ended investment company	2 – Non-mutual		25.62%	25.62%	25.62%		2 – Significant	25.62%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300D1NAKBNQ6EWD13	1 – LEI	Standard Life Investment Company – UK Equity High Income Fund	99 – Other	Open ended investment company	2 – Non-mutual		31.66%	31.66%	31.66%		2 – Significant	31.66%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493009V1KC8G3NJ2Q15	1 – LEI	Standard Life Investment Company – UK Equity High Alpha Fund	99 – Other	Open ended investment company	2 – Non-mutual		25.99%	25.99%	25.99%		2 – Significant	25.99%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300I8RCKMET404713	1 – LEI	Standard Life Investment Company – Global Equity Unconstrained Fund	99 – Other	Open ended investment company	2 – Non-mutual		45.19%	45.19%	45.19%		2 – Significant	45.19%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300AJF86HZ376OZ22	1 – LEI	Standard Life Investment Company – UK Opportunities Fund	99 – Other	Open ended investment company	2 – Non-mutual		55.36%	55.36%	55.36%		2 – Significant	55.36%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300NVBXP1WSQJB038	1 – LEI	Standard Life Investment Company – Short Duration Credit Fund	99 – Other	Open ended investment company	2 – Non-mutual		25.61%	25.61%	25.61%		2 – Significant	25.61%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300KYBU0ETB5ZMM34	1 – LEI	Standard Life Investment Company – UK Smaller Companies Fund	99 – Other	Open ended investment company	2 – Non-mutual		29.40%	29.40%	29.40%		2 – Significant	29.40%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493009SERSZDJPL4C02	1 – LEI	Standard Life Investment Company – European Equity Growth Fund	99 – Other	Open ended investment company	2 – Non-mutual		35.76%	35.76%	35.76%		2 – Significant	35.76%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300BRIS40GV4JCP40	1 – LEI	Standard Life Investment Company II – Standard Life Investments European Ethical Equity Fund	99 – Other	Open ended investment company	2 – Non-mutual		83.03%	100.00%	83.03%		1 – Dominant	83.03%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493002GMCQF3QS0II56	1 – LEI	Standard Life Investment Company II – Standard Life Investments UK Equity Unconstrained Fund	99 – Other	Open ended investment company	2 – Non-mutual		43.67%	43.67%	43.67%		2 – Significant	43.67%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300K8H8PF81I79V14	1 – LEI	Standard Life Investment Company II – Standard Life Investments Ethical Corporate Bond Fund	99 – Other	Open ended investment company	2 – Non-mutual		41.79%	41.79%	41.79%		2 – Significant	41.79%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300G5T8WS3QYVLZ52	1 – LEI	Standard Life Investment Company II – Standard Life Investments Corporate Debt Fund	99 – Other	Open ended investment company	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493001D9Z9K60I20F92	1 – LEI	SLMT – American Equity Unconstrained Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		48.89%	48.89%	48.89%		2 – Significant	48.89%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300JW31CPY05QNC81	1 – LEI	SLMT – Standard Life Japan Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		46.33%	46.33%	46.33%		2 – Significant	46.33%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300NR5XU4V9M57E06	1 – LEI	Standard Life Investments Global Real Estate Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		46.97%	46.97%	46.97%		2 – Significant	46.97%	1 – Included in the scope		5 – Method 2: Solvency II

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APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	549300OGBCWXTEIIB738	1 – LEI	Standard Life European Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		92.73%	100.00%	92.73%		1 – Dominant	92.73%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300HH5KCHFB2PI064	1 – LEI	Standard Life Japan Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		84.77%	100.00%	84.77%		1 – Dominant	84.77%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300NXR0AHS2OB8865	1 – LEI	Standard Life North American Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		86.80%	100.00%	86.80%		1 – Dominant	86.80%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493007AVUY3HNQMVP73	1 – LEI	Citibank International PLC as trustee of the Standard Life Pacific Basin Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		94.40%	100.00%	94.40%		1 – Dominant	94.40%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300GTXIX56BJFR736	1 – LEI	Standard Life Short Dated UK Government Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.99%	100.00%	99.99%		1 – Dominant	99.99%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300M1KFPI0OTDC316	1 – LEI	Standard Life Global Equity Trust II	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.99%	100.00%	99.99%		1 – Dominant	99.99%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300EMFE000TQ5QC17	1 – LEI	Standard Life UK Government Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.98%	100.00%	99.98%		1 – Dominant	99.98%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300IWURTTOR0B5L22	1 – LEI	Standard Life UK Corporate Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300VAK5WRI3QRS839	1 – LEI	Standard Life Active Plus Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.99%	100.00%	99.99%		1 – Dominant	99.99%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300SHV3HHVK5G9F12	1 – LEI	Standard Life International Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.98%	100.00%	99.98%		1 – Dominant	99.98%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300KD05F31UEJVV51	1 – LEI	Standard Life Pan-European Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.97%	100.00%	99.97%		1 – Dominant	99.97%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300R55XQGRNOY5804	1 – LEI	Standard Life UK Equity General Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		99.75%	100.00%	99.75%		1 – Dominant	99.75%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800EQHAIYMJPLIZ18	1 – LEI	Standard Life Investment Company III-Myfolio Market I Fund	99 – Other	Open ended investment company	2 – Non-mutual		45.32%	45.32%	45.32%		2 – Significant	45.32%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800IFS6A5AOLOUS24	1 – LEI	Standard Life Investment Company III-Myfolio Market II Fund	99 – Other	Open ended investment company	2 – Non-mutual		41.19%	41.19%	41.19%		2 – Significant	41.19%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800WD5VNT5CS9QF27	1 – LEI	Standard Life Investment Company III-Myfolio Market III Fund	99 – Other	Open ended investment company	2 – Non-mutual		55.75%	55.75%	55.75%		2 – Significant	55.75%	1 – Included in the scope		5 – Method 2: Solvency II
GB	2138007A8RMRT2RC2E67	1 – LEI	Standard Life Investment Company III- Myfolio Market IV Fund	99 – Other	Open ended investment company	2 – Non-mutual		54.58%	54.58%	54.58%		2 – Significant	54.58%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800TGMTB8IDAYKD45	1 – LEI	Standard Life Investment Company Iii- Myfolio Market V Fund	99 – Other	Open ended investment company	2 – Non-mutual		63.10%	63.10%	63.10%		2 – Significant	63.10%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800MQ6R6KOI53DV94	1 – LEI	Standard Life Investment Company III – Myfolio Multi Manager I Fund	99 – Other	Open ended investment company	2 – Non-mutual		54.31%	54.31%	54.31%		2 – Significant	54.31%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800EEJVVK31YR6A19	1 – LEI	Standard Life Investment Company III – Myfolio Multi Manager II Fund	99 – Other	Open ended investment company	2 – Non-mutual		52.75%	52.75%	52.75%		2 – Significant	52.75%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800731SH2AZ2LNR22	1 – LEI	Standard Life Investment Company III – Myfolio Multi Manager III Fund	99 – Other	Open ended investment company	2 – Non-mutual		59.12%	59.12%	59.12%		2 – Significant	59.12%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800I2TZGOMPYGRH19	1 – LEI	Standard Life Investment Company III – Myfolio Multi Manager IV Fund	99 – Other	Open ended investment company	2 – Non-mutual		53.80%	53.80%	53.80%		2 – Significant	53.80%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800QWLPXCX6JPNJ46	1 – LEI	Standard Life Investment Company III – Myfolio Multi Manager V Fund	99 – Other	Open ended investment company	2 – Non-mutual		51.83%	51.83%	51.83%		2 – Significant	51.83%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800XNFM8J47REYL45	1 – LEI	Standard Life Investment Company III – Myfolio Managed I Fund	99 – Other	Open ended investment company	2 – Non-mutual		68.15%	68.15%	68.15%		2 – Significant	68.15%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800JVMZC7GM5CYO35	1 – LEI	Standard Life Investment Company II – Myfolio Managed II Fund	99 – Other	Open ended investment company	2 – Non-mutual		67.64%	67.64%	67.64%		2 – Significant	67.64%	1 – Included in the scope		5 – Method 2: Solvency II
GB	2138005CQLTFA4T8LN82	1 – LEI	Standard Life Investment Company III – Myfolio Managed III Fund	99 – Other	Open ended investment company	2 – Non-mutual		77.28%	100.00%	77.28%		1 – Dominant	77.28%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800PYGZT1KZZ9UT72	1 – LEI	Standard Life Investment Company III – Myfolio Managed IV Fund	99 – Other	Open ended investment company	2 – Non-mutual		63.99%	63.99%	63.99%		2 – Significant	63.99%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800DT88TRXWXFW531	1 – LEI	Standard Life Investment Company Iii- Myfolio Managed V Fund	99 – Other	Open ended investment company	2 – Non-mutual		69.78%	69.78%	69.78%		2 – Significant	69.78%	1 – Included in the scope		5 – Method 2: Solvency II

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	5493000YK0YJ6Q9DLZ09	1 – LEI	Standard Life Investment Company III – Enhanced-Diversification Growth Fund	99 – Other	Open ended investment company	2 – Non-mutual		98.06%	100.00%	98.06%		1 – Dominant	98.06%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493008OG218QJPAV326	1 – LEI	Standard Life Investments Global Sicav II – Global Short Duration Corporate Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		83.63%	100.00%	83.63%		1 – Dominant	83.63%	1 – Included in the scope		5 – Method 2: Solvency II
LU	O7HH6SBXFMH5NOPHCD14	1 – LEI	Standard Life Investments Global SICAV – Euro Government All Stocks Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300MQ6OU848KVSO26	1 – LEI	Standard Life Investments Global SICAV – Global Emerging Markets Equity Unconstrained Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		87.46%	100.00%	87.46%		1 – Dominant	87.46%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300M4GPJKY6QZ5W83	1 – LEI	Standard Life Investments Global Sicav – Emerging Market Local Currency Debt Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		80.46%	100.00%	80.46%		1 – Dominant	80.46%	1 – Included in the scope		5 – Method 2: Solvency II
LU	GXYUVJHLG0VXGF6GTH78	1 – LEI	Standard Life Investments Global SICAV – Global Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		75.98%	100.00%	75.98%		1 – Dominant	75.98%	1 – Included in the scope		5 – Method 2: Solvency II
LU	U9X3FTNHCUP4L0WKGX71	1 – LEI	Standard Life Investments Global SICAV – Global High Yield Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		75.05%	100.00%	75.05%		1 – Dominant	75.05%	1 – Included in the scope		5 – Method 2: Solvency II
LU	WYX5CIV6AFQZIQU82357	1 – LEI	Standard Life Investments Global SICAV – Global Equities Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		85.09%	100.00%	85.09%		1 – Dominant	85.09%	1 – Included in the scope		5 – Method 2: Solvency II
LU	UYCT0I5PGBDBY00XEV95	1 – LEI	Standard Life Investments Global Sicav – China Equities Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		75.36%	100.00%	75.36%		1 – Dominant	75.36%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493007BOMBCJ37CZ650	1 – LEI	Standard Life Investments Global Sicav – Japanese Equities Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		96.29%	100.00%	96.29%		1 – Dominant	96.29%	1 – Included in the scope		5 – Method 2: Solvency II
LU	IKNRVTZFJMXVU04INT73	1 – LEI	Standard Life Investments Global SICAV – European Smaller Companies Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		30.36%	30.36%	30.36%		2 – Significant	30.36%	1 – Included in the scope		5 – Method 2: Solvency II
LU	JCSNRTX2P3VQCSCY9U38	1 – LEI	Standard Life Investments Global SICAV – Global REIT Focus Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		96.14%	100.00%	96.14%		1 – Dominant	96.14%	1 – Included in the scope		5 – Method 2: Solvency II
LU	0C8VPGENNA8PSKOIU246	1 – LEI	Standard Life Investments Global SICAV – European Corporate Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		31.54%	31.54%	31.54%		2 – Significant	31.54%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300HYV8G6BSOFVX33	1 – LEI	Standard Life Investments Global SICAV – Global Absolute Return Strategies Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		44.54%	44.54%	44.54%		2 – Significant	44.54%	1 – Included in the scope		5 – Method 2: Solvency II
LU	ZBFDG70US1SSJG9Z0Y21	1 – LEI	Standard Life Investments Global SICAV – Absolute Return Global Bond Strategies Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		59.18%	100.00%	59.18%		1 – Dominant	59.18%	1 – Included in the scope		5 – Method 2: Solvency II
IE	549300FZNZKXXUYXI275	1 – LEI	Seabury Assets Fund Public Limited Company – Sterling Vnav Liquidity Fund	99 – Other	Open ended investment company	2 – Non-mutual		99.57%	100.00%	99.57%		1 – Dominant	99.57%	1 – Included in the scope		5 – Method 2: Solvency II
IE	549300JWIMS5EZ61L635	1 – LEI	Seabury Assets Fund Public Limited Company – Euro Vnav Liquidity Fund	99 – Other	Open ended investment company	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
KY	21380039CUL33ZF3UK04	1 – LEI	Ignis Private Equity Fund LP	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
KY	2138006EXLOU452E4658	1 – LEI	Ignis Strategic Credit Fund LP	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138004MK7VPTZ99EV13	1 – LEI	Standard Life Private Equity Trust Plc	99 – Other	Company limited by shares	2 – Non-mutual		55.20%	100.00%	55.20%		1 – Dominant	55.20%	1 – Included in the scope		5 – Method 2: Solvency II
US	923M5RA2I1X3IO5NGM14US10000	2 – Specific code	North American Strategic Partners 2008 L.P.	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10001	2 – Specific code	North American Strategic Partners (Feeder) 2008 L.P.	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10002	2 – Specific code	Standard Life Assurance (HWPF) Luxemburg S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
BE	923M5RA2I1X3IO5NGM14BE10003	2 – Specific code	SLA Belgium No.1 SA	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
LU	923M5RA2I1X3IO5NGM14LU10004	2 – Specific code	SLA Germany No.1 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10005	2 – Specific code	SLA Germany No.2 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10006	2 – Specific code	SLA Germany No.3 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10007	2 – Specific code	SLA Ireland No.1 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
NL	923M5RA2I1X3IO5NGM14NL10008	2 – Specific code	SLA Netherlands No.1 B.V.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
SE	923M5RA2I1X3IO5NGM14SE10009	2 – Specific code	Pilangen Logistik AB	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
SE	923M5RA2I1X3IO5NGM14SE10010	2 – Specific code	Pilangen Logistik I AB	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
IE	213800TDBB718C196H58	1 – LEI	Ignis Strategic Solutions Funds Plc – Systematic Strategies Fund	99 – Other	Open ended investment company	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	213800SH4MG4MNVECA61	1 – LEI	Ignis Strategic Solutions Funds Plc – Fundamental Strategies Fund	99 – Other	Open ended investment company	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800IJ3HKI1OZKQ289	1 – LEI	Janus Henderson Institutional Mainstream UK Equity Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SPJ66CK3GEGF30	1 – LEI	Janus Henderson Institutional UK Equity Tracker Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800PZXIJUMYOXDN27	1 – LEI	Janus Henderson Global Funds – Janus Henderson Institutional Overseas Bond Fund	99 – Other	Open ended investment company	2 – Non-mutual		99.08%	100.00%	99.08%		1 – Dominant	99.08%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800VG1BZO9WR4I941	1 – LEI	Janus Henderson Diversified Growth Fund	99 – Other	Open ended investment company	2 – Non-mutual		81.83%	100.00%	81.83%		1 – Dominant	81.83%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TQYSHLWYSUR685	1 – LEI	Janus Henderson Institutional UK Index Opportunities Fund	99 – Other	Open ended investment company	2 – Non-mutual		54.37%	100.00%	54.37%		1 – Dominant	54.37%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800I7IK5UQW1RAB89	1 – LEI	Janus Henderson Institutional Short Duration Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138004YB2HUL6PHSQ91	1 – LEI	Janus Henderson Sustainable/ Responsible Funds – Janus Henderson Institutional Global Responsible Managed Fund	99 – Other	Open ended investment company	2 – Non-mutual		55.00%	55.00%	55.00%		2 – Significant	55.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007DWD6A7X7FL923	1 – LEI	Janus Henderson Strategic Investment Funds – Janus Henderson Institutional North American Index Opportunities Fund	99 – Other	Open ended investment company	2 – Non-mutual		86.37%	100.00%	86.37%		1 – Dominant	86.37%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138006CHW6K23X8BM02	1 – LEI	Janus Henderson Strategic Investment Funds – Janus Henderson Institutional Asia Pacific Ex Japan Index Opportunities Fund	99 – Other	Open ended investment company	2 – Non-mutual		82.55%	100.00%	82.55%		1 – Dominant	82.55%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800GCSPYUX5TO2V30	1 – LEI	Janus Henderson Strategic Investment Funds – Janus Henderson Institutional Japan Index Opportunities Fund	99 – Other	Open ended investment company	2 – Non-mutual		75.40%	100.00%	75.40%		1 – Dominant	75.40%	1 – Included in the scope		3 – Method 1: Adjusted equity method
ES	923M5RA2I1X3IO5NGM14ES10011	2 – Specific code	28 Ribera del Loira SA	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
ES	923M5RA2I1X3IO5NGM14ES10012	2 – Specific code	330 Avenida de Aragon SL	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10013	2 – Specific code	SLIF Property Investment GP Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10014	2 – Specific code	The Heritable Securities and Mortgage Investment Association Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
NL	923M5RA2I1X3IO5NGM14NL10015	2 – Specific code	The Standard Life Assurance Company of Europe B.V.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10016	2 – Specific code	Gallions Reach Shopping Park Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		78.30%	78.30%	78.30%		2 – Significant	78.30%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10017	2 – Specific code	Gallions Reach Shopping Park (Nominee) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
LU	923M5RA2I1X3IO5NGM14LU10018	2 – Specific code	Hundred S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10019	2 – Specific code	Standard Life Investments UK Retail Park Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		56.60%	56.60%	56.60%		2 – Significant	56.60%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10020	2 – Specific code	Standard Life Investments UK Shopping Centre Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		40.67%	40.67%	40.67%		2 – Significant	40.67%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10021	2 – Specific code	Castlepoint LP	99 – Other	Limited Partnership	2 – Non-mutual		34.81%	34.81%	34.81%		2 – Significant	34.81%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10022	2 – Specific code	Crawley Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300HBG59GBCBNNR42	1 – LEI	Aberdeen Standard Liquidity Fund (Lux) – Sterling Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		37.23%	37.23%	37.23%		2 – Significant	37.23%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300IHIK42PU3VDN23	1 – LEI	Aberdeen Standard Liquidity Fund (Lux) – Short Duration Sterling Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		39.38%	39.38%	39.38%		2 – Significant	39.38%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300H7ELL1ZCTXVS23	1 – LEI	Aberdeen Standard Liquidity Fund (Lux) – Euro Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		37.55%	37.55%	37.55%		2 – Significant	37.55%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800IVG9SKM4YH4C86	1 – LEI	AXA Fixed Interest Investment ICVC – Sterling Strategic Bond Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		58.88%	58.88%	58.88%		2 – Significant	58.88%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	549300RDK6X3LSLXYT37	1 – LEI	AB SICAV I – Diversified Yield Plus Portfolio S GBP Acc	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		42.92%	42.92%	42.92%		2 – Significant	42.92%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300QXFKF2HVT74U06	1 – LEI	MI Somerset Capital Management Investment Funds ICVC – MI Somerset Global Emerging Markets Fund	99 – Other	Open ended investment company	2 – Non-mutual		43.86%	43.86%	43.86%		2 – Significant	43.86%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	21380051UM96PZIZAF74	1 – LEI	BMO Ucits Etf Icav – BMO Barclays 1-3 Year Global Corporate Bond (GBP Hedged) UCITS ETF	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		54.51%	54.51%	54.51%		2 – Significant	54.51%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800AQFD9HY1EG3T16	1 – LEI	AXA Fixed Interest Investment ICVC – AXA Global High Income Fund	99 – Other	Open ended investment company	2 – Non-mutual		24.58%	24.58%	24.58%		2 – Significant	24.58%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300FOFZB42GW3KA59	1 – LEI	Aberdeen Global Emerging Markets Quantitative Equity Fund	99 – Other	Open ended investment company	2 – Non-mutual		25.00%	25.00%	25.00%		2 – Significant	25.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	56D8IVMHN27NW5MPNL88	1 – LEI	AQR UCITS Funds – AQR Global Risk Parity UCITS Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		51.22%	51.22%	51.22%		2 – Significant	51.22%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005ZEJNYUIFBET73	1 – LEI	BA (FURBS) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800H867B9CB2RM694	1 – LEI	London Life Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380065SBT1KWR9GL23	1 – LEI	National Provident Institution	99 – Other	Unlimited without shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UX8KICATW4FL79	1 – LEI	NPI (Printworks) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Q3CZMOFF9OE643	1 – LEI	NPI (Westgate) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800G8PY6JCXSQLC67	1 – LEI	Pearl (Barwell 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001CFOTDN3U7BM31	1 – LEI	Pearl (Chiswick House) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SHU5OGZS6PJZ19	1 – LEI	Pearl (Covent Garden) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JH8I75Q3WBIX59	1 – LEI	Pearl (Martineau Phase 1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800H9LDHZUVWW9F07	1 – LEI	Pearl (Martineau Phase 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800FUUJNPK8RGKI07	1 – LEI	Pearl (Moor House 1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800AAGWJ9I1A76T36	1 – LEI	Pearl (Moor House 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UL2ISGIL5ZYH43	1 – LEI	Pearl (Moor House) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800GRV1G4NBVR2C83	1 – LEI	Pearl (Printworks) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005OLWBASFXB7S08	1 – LEI	Pearl (Stockley Park) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005IQK4DZ2N8UH82	1 – LEI	Pearl Group Secretariat Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009BU7B91VZP2M65	1 – LEI	Pearl MG Birmingham Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800EEKY3ZQDUYKV60	1 – LEI	Pearl MP Birmingham Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800V8BBPFHQH81386	1 – LEI	Pearl RLG Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001ZOXFC79PEZS19	1 – LEI	Pearl Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380089ZAQLRGSTXL02	1 – LEI	Phoenix Group Capital Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800696N9OI66X5I18	1 – LEI	The London Life Association Limited	99 – Other	Company limited by guarantee	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YF19MJX799LJ16	1 – LEI	Phoenix Life Pension Trust Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KSY8FMU99DE175	1 – LEI	Phoenix Pension Scheme (Trustees) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800C2PGN9I9C33L82	1 – LEI	Century Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Y7LOTDOSDNEL59	1 – LEI	Evergreen Trustee Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LJMZ4QEJ8AUV97	1 – LEI	Pearl ULA Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800J33B28B2SKEF70	1 – LEI	Scottish Mutual Nominees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YBYX8PMP3QQM09	1 – LEI	PG Dormant (No 5) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800HTOXWIQA6XQW93	1 – LEI	The Scottish Mutual Assurance Society	99 – Other	Company limited by guarantee	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800EFHIV4NSSD3D48	1 – LEI	The Phoenix Life SCP Institution	99 – Other	Company limited by guarantee	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800GRORRHUWA5C435	1 – LEI	Alba LAS Pensions Management Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800R8PJ9EPBQLWP58	1 – LEI	The Pearl Martineau Galleries Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800CPL9WKRMHYQN02	1 – LEI	The Pearl Martineau Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00077	2 – Specific code	UK Commercial Property Estates (Reading) Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800JN4FQ1A9G8EU25	1 – LEI	UK Commercial Property REIT Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800W2EAL6W37KKU59	1 – LEI	UK Commercial Property Estates Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800521LWAVOZHUR12	1 – LEI	UK Commercial Property Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800DJ3JFFA1P8TS31	1 – LEI	UK Commercial Property Estates Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800FZM1LGPU46ZP56	1 – LEI	UK Commercial Property Nominee Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800J1T7J1138EOQ84	1 – LEI	UK Commercial Property GP Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800HDNBJ5VT5XQO97	1 – LEI	UKCPT Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800E9M829ZMVVKH17	1 – LEI	UK Commercial Property Finance Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009PGTUXA25AU785GB10013	2 – Specific code	Brixton Radlett Property Limited	99 – Other	Company limited by shares	2 – Non-mutual		44.62%	44.62%	44.62%		2 – Significant	44.62%	1 – Included in the scope		3 – Method 1: Adjusted equity method

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APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800XBTJGEIJPJIT08	1 – LEI	Phoenix ER2 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138006AVN3BGVP6FN70	1 – LEI	Abbey Life Trust Securities Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800QSPR2LRLU34T67	1 – LEI	Abbey Life Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800COYKUWIUR3SG48	1 – LEI	Phoenix SPV1 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138003N16KHLOXD3D04	1 – LEI	Phoenix SPV2 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800NG1JUVIV3DGS16	1 – LEI	Phoenix SPV3 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800N5TUHIA7XVOB84	1 – LEI	Phoenix SPV4 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138008TTY2T2R99JH73	1 – LEI	Phoenix ER5 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	5493005FMXD1DF7H5U38	1 – LEI	Abbey Life Assurance Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380035Z7JKF61E6Y61	1 – LEI	Alba Life Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JU1AQEHLXNFB22	1 – LEI	Phoenix SL Direct Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800IHCXV68Y68RU96	1 – LEI	Phoenix Wealth Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YA6KBR5F6X5773	1 – LEI	Phoenix AW Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800PSSLEQR5IDJ351	1 – LEI	Phoenix Wealth Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800S88OB7OOLWB337	1 – LEI	Britannic Finance Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800J8J5RG7CXMLT47	1 – LEI	Britannic Group Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800OCFONM4ZNJBB35	1 – LEI	Britannic Money Investment Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800RGEZJWU7O2EQ55	1 – LEI	PG Dormant (No 6) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800NDZUFCLVRMYQ89	1 – LEI	PG Dormant (No 7) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00078	2 – Specific code	The Moor House Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		33.27%	33.27%	33.27%		2 – Significant	33.27%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00079	2 – Specific code	Moor House General Partner Limited	99 – Other	Limited Partnership	2 – Non-mutual		33.30%	33.30%	33.30%		2 – Significant	33.30%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800RUJKNJ1A9ZX173	1 – LEI	Phoenix Unit Trust Managers Limited	14 – UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	213800VUT844OO5BG366	1 – LEI	CH Management Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800F4I4AWU6NBME19	1 – LEI	Cityfourinc	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800CUYV3HL17JP515	1 – LEI	Phoenix Group Employee Benefit Trust	99 – Other	Trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
JE	213800PRI1Y9YF64UR32	1 – LEI	IH (Jersey) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800YSR6GTJ8MVUS19	1 – LEI	Impala Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800MQMHVIR9ZA1Y57	1 – LEI	London Life Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	635400GBPN5HTTIVVH83	1 – LEI	Mutual Securitisation Plc	99 – Other	Company limited by shares	1 – Mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009129G12OFZWC28	1 – LEI	NP Life Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800QU1FBSLX89Q242	1 – LEI	National Provident Life Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380067P35533CPS717	1 – LEI	Pearl Assurance Group Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800CZWH4VG2X7HP11	1 – LEI	PA (GI) Limited	2 – Non life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800NH6RYZBJ6K5C11	1 – LEI	Pearl AL Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800DJMETF2ALADE56	1 – LEI	Phoenix & London Assurance Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YXNP7NQGER8E10	1 – LEI	Phoenix Customer Care Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007DV547Q2B7MR04	1 – LEI	Phoenix ER1 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	21380039WGL689JN6E44	1 – LEI	Phoenix ER3 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	213800ILIUK3NF5H7465	1 – LEI	Phoenix ER4 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		4 – Method 1: Sectoral rules
KY	21380031B1D56JRCE375	1 – LEI	Phoenix Group Holdings	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800PO6LOTMSXHAP71	1 – LEI	Pearl Group Holdings (No. 1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138002124DJU5NAJB47	1 – LEI	Pearl Group Holdings (No. 2) Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
IE	213800HW7LORF5UQUW14	1 – LEI	PGH Capital Plc	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68GB10007	2 – Specific code	PGH (LC1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68GB10005	2 – Specific code	PGH (LC2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TBZW26HVJ7YD19	1 – LEI	PGH (LCA) Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800639F2IYJN5LX30	1 – LEI	PGH (LCB) Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800TBZW26HVJ7YD19GB10009	2 – Specific code	PGH (MC1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800639F2IYJN5LX30GB10010	2 – Specific code	PGH (MC2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68	1 – LEI	Phoenix Group Holdings plc	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual						#N/A		1 – Included in the scope		1 – Method 1: Full consolidation
GB	2138001P49OLAEU33T68GB10008	2 – Specific code	PGH (TC1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68GB10006	2 – Specific code	PGH (TC2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005CNV9TY74WAR28	1 – LEI	Pearl Group Management Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800ZG6QXSK9G9GO74	1 – LEI	PGMS (Glasgow) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	213800DP8RHURBWQUW31	1 – LEI	PGMS (Ireland) Ltd	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
IE	213800XE94GLGH5TUQ16	1 – LEI	PGMS (Ireland) Holdings	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KR6QUMTDIX5H91	1 – LEI	Pearl Group Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800GXSEN5TJWQMI72	1 – LEI	PGS 2 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009PGTUXA25AU785	1 – LEI	Phoenix Life Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800LHZHSXHFZ59970	1 – LEI	Phoenix Life Assurance Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	2138005INFYUNFGXD528	1 – LEI	Pearl Life Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800F8BC7QS1SGPG53	1 – LEI	Phoenix Life Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	2138002CJZVH844BO431	1 – LEI	PG DORMANT (NO 4) LIMITED	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JTP4IW1CLE8Q08	1 – LEI	Phoenix Pensions Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800F9J1GCM4FMTU87	1 – LEI	Pearl Customer Care Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
US	213800NASW8ZHVZ3U265	1 – LEI	Pearl (WP) Investments LLC	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138003PPIEA27377A59	1 – LEI	SunLife Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800O1YBZJ7WJK2567	1 – LEI	SL Liverpool Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method

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APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/ non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800ZILLOABHU4ZT66	1 – LEI	Scottish Mutual Assurance Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LFFJ5UNTAEZK91	1 – LEI	Scottish Mutual Pension Funds Investment Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800HVX64Z6SADYQ50	1 – LEI	Phoenix SCP Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001Q4BGZ3QASNG93	1 – LEI	Impala Loan Company 1 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005P7ZYYWWBCRY26	1 – LEI	Phoenix SCP Pensions Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800OHBY9DMQUET391	1 – LEI	Phoenix SCP Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XE3S51YKKDFC05	1 – LEI	Phoenix Wealth Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300CCUJ1BP6N2ZJ02	1 – LEI	Standard Life Lifetime Mortgages Limited	8 – Credit institution, investment firm and financial institution	Company limited by shares	2 – Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	RZJMLXIELM2LIX763187	1 – LEI	Standard Life Pension Funds Limited	1 – Life insurance undertaking	Company limited by guarantee	2 – Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
IE	MU1J7DTC8IC8VMFT8818	1 – LEI	Standard Life International Designated Activity Company	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14	1 – LEI	Standard Life Assurance Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	21380067BSRUHB4X5Y24	1 – LEI	Standard Life Assets and Employee Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00024	2 – Specific code	Vebnet (Holdings) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00019	2 – Specific code	Vebnet Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00008	2 – Specific code	SLACOM (No. 8) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00009	2 – Specific code	SLACOM (No. 9) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00007	2 – Specific code	SLACOM (No. 10) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10023	2 – Specific code	3 St Andrew Square Apartments Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00033	2 – Specific code	G Park Management Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00066	2 – Specific code	Lake Meadows Management Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10024	2 – Specific code	SLIF Property Investment LP Limited	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800BKB33U8U4K4M34	1 – LEI	Standard Life Trustee Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00013	2 – Specific code	Iceni Nominees (No. 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00025	2 – Specific code	Inhoco 3107 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00032	2 – Specific code	SL (NEWCO) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00036	2 – Specific code	Standard Life Agency Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00038	2 – Specific code	Standard Life Investment Funds Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00076	2 – Specific code	Standard Life Master Trust Co. Ltd	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II

Appendix and Additional Information continued

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	923M5RA2I1X3IO5NGM14GB00035	2 – Specific code	Standard Life Property Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00028	2 – Specific code	Welbrent Property Investment Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493007U26RX6I54SA36	1 – LEI	ASI Phoenix Fund Financing SCSp (PLFF)	99 – Other	Special Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10026	2 – Specific code	Standard Life Capital Infrastructure I L.P.	99 – Other	Limited Partnership	2 – Non-mutual		26.30%	26.30%	26.30%		2 – Significant	26.30%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU00001	2 – Specific code	Inesia SA	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493001SH18E5YGIWZ06	1 – LEI	AB SICAV I – AB ESG Responsible Global Factor Portfolio	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		64.36%	100.00%	64.36%		1 – Dominant	64.36%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	54930067TT873B9E5C67	1 – LEI	Amundi Index Solutions – Amundi Index MSCI World SRI	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		20.38%	20.38%	20.38%		2 – Significant	20.38%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	549300YXILW3O14Y0587	1 – LEI	Amundi Funds – Global Equity Dynamic Multi Factors	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		53.60%	53.60%	53.60%		2 – Significant	53.60%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	54930052IZGSBFBJ2P36	1 – LEI	Aberdeen Standard OEIC I – ASI Financial Equity Fund	99 – Other	Open ended investment company	2 – Non-mutual		80.78%	100.00%	80.78%		1 – Dominant	80.78%	1 – Included in the scope		3 – Method 1: Adjusted equity method
US	2138007PAJOGN2JKWC75	1 – LEI	Axial Fundamental Strategies (US Investments) LLC	99 – Other	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300MQT7YRWQ7R2C91	1 – LEI	BlackRock Market Advantage Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		54.64%	54.64%	54.64%		2 – Significant	54.64%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00080	2 – Specific code	Brent Cross Partnership	99 – Other	Limited Partnership	2 – Non-mutual		24.16%	24.16%	24.16%		2 – Significant	24.16%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00081	2 – Specific code	European Strategic Partners LP	99 – Other	Limited Partnership	2 – Non-mutual		72.70%	100.00%	72.70%		1 – Dominant	72.70%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00082	2 – Specific code	Gallions Reach Shopping Park Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		78.30%	78.30%	78.30%		2 – Significant	78.30%	1 – Included in the scope		5 – Method 2: Solvency II
IE	549300MID323QWNNI391	1 – LEI	iShares VI plc – iShares Bloomberg Roll Select Commodity Swap UCITS ETF	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		49.74%	49.74%	49.74%		2 – Significant	49.74%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800BJNPIRCWGSEF97	1 – LEI	Janus Henderson Institutional High Alpha ¨° Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		81.90%	100.00%	81.90%		1 – Dominant	81.90%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	21380012SZ774E8GAY03	1 – LEI	Nomura Funds Ireland Public Limited Company – American Century Concentrated Global Growth Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		25.36%	25.36%	25.36%		2 – Significant	25.36%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00083	2 – Specific code	North American Strategic Partners 2006 (Feeder) L.P.	99 – Other	Limited Partnership	2 – Non-mutual		70.00%	100.00%	70.00%		1 – Dominant	70.00%	1 – Included in the scope		5 – Method 2: Solvency II
US	923M5RA2I1X3IO5NGM14US00084	2 – Specific code	North American Strategic Partners 2006 L.P.	99 – Other	Limited Partnership	2 – Non-mutual		70.00%	100.00%	70.00%		1 – Dominant	70.00%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800N6TMQCXMD13L87	1 – LEI	Pearl Private Equity LP	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LHZHSXHFZ59970GB10001	2 – Specific code	Pearl Strategic Credit LP	99 – Other	Limited Partnership	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009GKYVM1UUHJA96	1 – LEI	Phoenix ER6 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	213800HLG15CNT6KCJ73	1 – LEI	PUTM Authorised Contractual Scheme – PUTM ACS European Ex UK Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800DFM51OSE7C6L40	1 – LEI	PUTM Authorised Contractual Scheme – PUTM ACS Japan Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Q97JM5OIYWCM46	1 – LEI	PUTM Authorised Contractual Scheme – PUTM ACS North American Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800BZ9R37MHD65E09	1 – LEI	PUTM Authorised Contractual Scheme – PUTM ACS UK All Share Listed Equity Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method

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APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PGH GROUP CONTINUED
APPENDIX 1.7 – S.32.01.22 UNDERTAKINGS IN THE SCOPE OF THE GROUP CONTINUED

Country C0010	Identification code of the undertaking C0020	Type of code of the ID of the undertaking C0030	Legal Name of the undertaking C0040	Type of undertaking C0050	Legal form C0060	Category (mutual/non mutual) C0070	Supervisory Authority C0080	% capital share C0180	% used for the establishment of consolidated accounts C0190	% voting rights C0200	Other criteria C0210	Level of influence C0220	Proportional share used for group solvency calculation C0230	Yes/No C0240	Date of decision if art. 214 is applied C0250	Method used and under method 1, treatment of the undertaking C0260
GB	213800WZW92EK7G7XM97	1 – LEI	PUTM Bothwell Short Duration Credit Fund	99 – Other	Authorised unit trust	2 – Non-mutual		100.00%	100.00%	100.00%		1 – Dominant	100.00%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	Q3YL855MATOB7C6KPU61	1 – LEI	Standard Life Investments Global SICAV – European Equities Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		99.02%	100.00%	99.02%		1 – Dominant	99.02%	1 – Included in the scope		5 – Method 2: Solvency II
LU	6WCXZHE5XM510XSF8P58	1 – LEI	Standard Life Investments Global SICAV – European Equity Unconstrained Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		98.97%	100.00%	98.97%		1 – Dominant	98.97%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300KMLYJP6CIL1C94	1 – LEI	Standard Life Investments Global SICAV II – Myfolio Multi-Manager II Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		66.67%	100.00%	66.67%		1 – Dominant	66.67%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300J99IMX8JLCRP76	1 – LEI	Standard Life Investments GlobaL SICAV II – Myfolio Multi-Manager IV Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		59.04%	100.00%	59.04%		1 – Dominant	59.04%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300FP1AUJB6O5I894	1 – LEI	Standard Life Investments Global SICAV II – Myfolio Multi-Manager V Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		55.18%	100.00%	55.18%		1 – Dominant	55.18%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300CZXE3VWIU6GQ24	1 – LEI	Standard Life Investments Global SICAV – Indian Equity Midcap Opportunities Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		64.89%	100.00%	64.89%		1 – Dominant	64.89%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00085	2 – Specific code	Standard Life Investments Brent Cross LP	99 – Other	Limited Partnership	2 – Non-mutual		40.67%	40.67%	40.67%		2 – Significant	40.67%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00086	2 – Specific code	Aberdeen Standard OEIC III – ASI Myfolio Multi-Manager III Fund	99 – Other	Open ended investment company	2 – Non-mutual		53.83%	53.83%	53.83%		2 – Significant	53.83%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300N2B7WRBG4EZL58	1 – LEI	Standard Life Investments Global SICAV II – Dynamic Multi Asset Growth Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		49.94%	49.94%	49.94%		2 – Significant	49.94%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300ZUA2EHOZVRBD37	1 – LEI	Standard Life Investments Global SICAV – Emerging Market Debt Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		97.81%	100.00%	97.81%		1 – Dominant	97.81%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800FX7SK96A7DHI46	1 – LEI	SLM Trust – SLMT Global REIT Fund	99 – Other	Authorised unit trust	2 – Non-mutual		59.26%	59.26%	59.26%		2 – Significant	59.26%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800GXP2F7VMPQYU95	1 – LEI	Aberdeen Standard OEIC IV – ASI Global REIT Tracker Fund	99 – Other	Open ended investment company	2 – Non-mutual		26.72%	26.72%	26.72%		2 – Significant	26.72%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493000EGJ32E4VRCD68	1 – LEI	Aberdeen Standard OEIC V – ASI Short Dated Corporate Bond Fund	99 – Other	Open ended investment company	2 – Non-mutual		21.81%	21.81%	21.81%		2 – Significant	21.81%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300QJVJLKGCZT1126	1 – LEI	Aberdeen Standard OEIC II – ASI High Yield Bond Fund	99 – Other	Open ended investment company	2 – Non-mutual		39.91%	39.91%	39.91%		2 – Significant	39.91%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800DET54CL59ANP48	1 – LEI	Aberdeen Standard OEIC II – ASI American Income Equity Fund	99 – Other	Open ended investment company	2 – Non-mutual		42.09%	42.09%	42.09%		2 – Significant	42.09%	1 – Included in the scope		5 – Method 2: Solvency II

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APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL
APPENDIX 2.1 – S.02.01.02 BALANCE SHEET

		Solvency II value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**30,349,318**
Property (other than for own use)	R0080	333,205
Holdings in related undertakings, including participations	R0090	9,289,002
Equities	R0100	138,740
Equities – listed	R0110	135,788
Equities – unlisted	R0120	2,952
Bonds	R0130	15,909,646
Government Bonds	R0140	7,984,588
Corporate Bonds	R0150	5,267,620
Structured notes	R0160	2,679
Collateralised securities	R0170	2,654,758
Collective Investments Undertakings	R0180	3,613,770
Derivatives	R0190	999,193
Deposits other than cash equivalents	R0200	65,762
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	21,895,040
Loans and mortgages	**R0230**	**3,095,976**
Loans on policies	R0240	1,834
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	3,094,142
Reinsurance recoverables from:	**R0270**	**7,227,255**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1,510,886
Health similar to life	R0320	57,805
Life excluding health and index-linked and unit-linked	R0330	1,453,081
Life index-linked and unit-linked	R0340	5,716,369
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	19,898
Reinsurance receivables	R0370	48,785
Receivables (trade, not insurance)	R0380	645,334
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	332,208
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**63,613,814**

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.1 – S.02.01.02 BALANCE SHEET CONTINUED

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP – life (excluding index-linked and unit-linked)	**R0600**	**26,127,300**
Technical provisions – health (similar to life)	**R0610**	**80,261**
TP calculated as a whole	R0620	
Best estimate	R0630	78,627
Risk margin	R0640	1,634
TP – life (excluding health and index-linked and unit-linked)	**R0650**	**26,047,039**
TP calculated as a whole	R0660	
Best estimate	R0670	25,903,984
Risk margin	R0680	143,054
TP – index-linked and unit-linked	**R0690**	**27,202,678**
TP calculated as a whole	R0700	27,554,752
Best estimate	R0710	(382,685)
Risk margin	R0720	30,610
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	44,074
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	332,561
Deferred tax liabilities	R0780	394,466
Derivatives	R0790	89,737
Debts owed to credit institutions	R0800	1,347,930
Financial liabilities other than debts owed to credit institutions	R0810	2,488,230
Insurance & intermediaries payables	R0820	460,862
Reinsurance payables	R0830	10,743
Payables (trade, not insurance)	R0840	194,017
Subordinated liabilities	**R0850**	**209,927**
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	209,927
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**58,902,525**
Excess of assets over liabilities	**R1000**	**4,711,289**

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.2 – S.05.01.02 PREMIUMS, CLAIMS AND EXPENSE BY LINE OF BUSINESS

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260	Health reinsurance C0270	Life reinsurance C0280	Total C0300
Premiums written										
Gross	R1410	14,856	66,722	1,160,677	3,319,372				87,811	4,649,438
Reinsurers' share	R1420	821	5,089	698,248	674,653				71,538	1,450,350
Net	**R1500**	**14,035**	**61,633**	**462,428**	**2,644,719**				**16,272**	**3,199,088**
Premiums earned										
Gross	R1510	14,856	66,722	1,160,677	3,319,372				87,811	4,649,438
Reinsurers' share	R1520	821	5,089	698,248	674,653				71,538	1,450,350
Net	**R1600**	**14,035**	**61,633**	**462,428**	**2,644,719**				**16,272**	**3,199,088**
Claims incurred										
Gross	R1610	24,768	1,150,306	3,305,169	1,406,671				215,545	6,102,460
Reinsurers' share	R1620	15,247	78,109	1,283,987	700,783				49,486	2,127,611
Net	**R1700**	**9,522**	**1,072,198**	**2,021,182**	**705,889**				**166,059**	**3,974,849**
Changes in other technical provisions										
Gross	R1710	41,644	(197,827)	(1,125,410)	(2,646,873)			0	(136,876)	(4,065,342)
Reinsurers' share	R1720	13,522	(139,004)	(242,494)	76,082			0	14,974	(276,921)
Net	**R1800**	**28,122**	**(58,823)**	**(882,916)**	**(2,722,955)**			**0**	**(151,849)**	**(3,788,421)**
Expenses incurred	**R1900**	**7,403**	**64,657**	**179,965**	**195,710**					**447,736**
Other expenses	R2500									
Total expenses	**R2600**									**447,736**

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APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

			Index-linked and unit-linked insurance		
		Insurance with profit participation C0020	C0030	Contracts without options and guarantees C0040	Contracts with options or guarantees C0050
Technical provisions calculated as a whole	**R0010**	**–**	**25,574,019**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	–	5,510,191		
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	**R0030**	**11,336,896**		**(391,722)**	**57,039**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	119,843		608	23,700
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	11,217,052		(392,330)	33,340
Risk Margin	**R0100**	**187,159**	**106,209**		
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110	–	–		
Best estimate	R0120	(209,198)		(41,953)	(6,802)
Risk margin	R0130	(183,685)	(78,678)		
Technical provisions – total	**R0200**	**11,131,171**	**25,218,112**		

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APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)
		C0060	Contracts without options and guarantees C0070	Contracts with options or guarantees C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	**R0010**	**–**			**–**	**1,980,734**	**27,554,752**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	–			–	181,870	5,692,062
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		**13,075,892**	**2,306,936**	**–**	**(6,953)**	**26,378,089**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		651,350	661,991	–	19,897	1,477,388
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		12,424,542	1,644,945		(26,850)	24,900,700
Risk Margin	**R0100**	**808,128**			**–**	**11,347**	**1,112,842**
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110	–			–	–	–
Best estimate	R0120		(523,459)	(70,097)	–	(5,280)	(856,789)
Risk margin	R0130	(668,723)			–	(8,091)	(939,177)
Technical provisions – total	**R0200**	**14,928,676**				**1,971,757**	**53,249,716**

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Health insurance (direct business)					
		C0160	Contracts without options and guarantees C0170	Contracts with options or guarantees C0180	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0190	Health reinsurance (reinsurance accepted) C0200	Total (Health similar to life insurance) C0210
Technical provisions calculated as a whole	**R0010**	**–**			**–**	**–**	**–**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	–			–	–	–
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		**82,314**	**–**	**–**	**–**	**82,314**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		57,805	–	–	–	57,805
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		24,509				24,509
Risk Margin	**R0100**	**7,371**			**–**	**–**	**7,371**
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110	–			–	–	–
Best estimate	R0120		(3,687)	–	–	–	(3,687)
Risk margin	R0130	(5,737)			–	–	(5,737)
Technical provisions – total	**R0200**	**80,261**					**80,261**

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.4 – S.22.01.21 IMPACT OF LONG-TERM GUARANTEES AND TRANSITIONAL MEASURES

		Amount with Long Term Guarantee measures and transitionals C0010	Impact of transitional on technical provisions C0030	Impact of transitional on interest rate C0050	Impact of volatility adjustment set to zero C0070	Impact of matching adjustment set to zero C0090
Technical provisions	R0010	53,329,977	1,805,391			1,017,263
Basic own funds	R0020	4,521,714	(1,318,525)			(929,979)
Eligible own funds to meet Solvency Capital Requirement	R0050	4,521,714	(1,318,525)			(929,979)
Solvency Capital Requirement	R0090	3,182,253	129,907			1,038,712
Eligible own funds to meet Minimum Capital Requirement	R0100	4,470,899	(1,325,020)			(981,915)
Minimum Capital Requirement	R0110	795,563	32,477			259,678

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.5 – S.23.01.01 – OWN FUNDS

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	69,088	69,088			
Share premium account related to ordinary share capital	R0030	546	546			
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	1,545,304	1,545,304			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	2,696,848	2,696,848			
Subordinated liabilities	R0140	209,927			209,927	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	4,521,714	4,311,786		209,927	

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.5 – S.23.01.01 – OWN FUNDS CONTINUED

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	R0500	4,521,714	4,311,786		209,927	
Total available own funds to meet the MCR	R0510	4,521,714	4,311,786		209,927	
Total eligible own funds to meet the SCR	R0540	4,521,714	4,311,786		209,927	
Total eligible own funds to meet the MCR	R0550	4,470,899	4,311,786		159,113	
SCR	R0580	3,182,253				
MCR	R0600	795,563				
Ratio of eligible own funds to SCR	R0620	142%				
Ratio of eligible own funds to MCR	R0640	562%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	4,711,289
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic Own Fund items	R0730	1,614,938
Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	399,503
Reconciliation reserve	R0760	2,696,848

Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	109,030
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	109,030

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.6 – S.25.03.21 – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON FULL INTERNAL MODEL

Unique number of component C0010	**Components description C0020**	Calculation of the Solvency Capital Requirement C0030
10700I	Market Spread Risk	1,250,805
11000I	Market risk excluding spread risk	1,347,437
19900I	Diversification within Market Risk	(262,510)
20000I	Counterparty Risk	161,632
30000I	Life underwriting Risk	1,689,149
70100I	Operational Risk	410,759
80150I	Other Risks	–
80190I	Other Risks	276,537
80200I	Non-dynamic management actions	(184,165)
80300I	Loss-absorbing capacity of deferred tax	(296,428)
80400I	Other Adjustments	10,960

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	4,404,174
Diversification	R0060	(1,221,921)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**3,182,253**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**3,182,253**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(1,855,130)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(296,428)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,289,565
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	1,159,144
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	1,374,045
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix and Additional Information continued

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLL CONTINUED
APPENDIX 2.7 – S.28.01.01 – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

		Life activities	
MCR calculation Life		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C0060
Obligations with-profit participation – guaranteed benefits	R0210	5,477,746	
Obligations with-profit participation – future discretionary benefits	R0220	5,536,382	
Index-linked and unit-linked insurance obligations	R0230	21,455,698	
Other life (re)insurance and health (re)insurance obligations	R0240	13,457,598	
Total capital at risk for all life (re)insurance obligations	R0250		11,824,762

		Non-life activities C0010	Life activities C0040
MCRNL Result	R0010		
MCRL Result	R0200		355,861

Overall MCR calculation		C0070
Linear MCR	R0300	355,861
SCR	R0310	3,182,253
MCR cap	R0320	1,432,014
MCR floor	R0330	795,563
Combined MCR	R0340	795,563
Absolute floor of the MCR	R0350	3,187

		C0070
Minimum Capital Requirement	**R0400**	**795,563**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL
APPENDIX 3.1– S.02.01.02 BALANCE SHEET

		Solvency II value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	3,623
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**13,658,345**
Property (other than for own use)	R0080	31,158
Holdings in related undertakings, including participations	R0090	4,589,508
Equities	R0100	112,723
Equities – listed	R0110	111,054
Equities – unlisted	R0120	1,669
Bonds	R0130	4,168,233
Government Bonds	R0140	2,604,539
Corporate Bonds	R0150	1,526,449
Structured notes	R0160	2,247
Collateralised securities	R0170	34,999
Collective Investments Undertakings	R0180	4,216,506
Derivatives	R0190	514,853
Deposits other than cash equivalents	R0200	25,364
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	319,298
Loans and mortgages	**R0230**	**18,274**
Loans on policies	R0240	6,885
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	11,390
Reinsurance recoverables from:	**R0270**	**2,534,239**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	937,483
Health similar to life	R0320	1,722
Life excluding health and index-linked and unit-linked	R0330	935,761
Life index-linked and unit-linked	R0340	1,596,756
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	593
Reinsurance receivables	R0370	583
Receivables (trade, not insurance)	R0380	89,612
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	84,464
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**16,709,031**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.1– S.02.01.02 BALANCE SHEET CONTINUED

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP – life (excluding index-linked and unit-linked)	**R0600**	**11,914,586**
Technical provisions – health (similar to life)	**R0610**	**2,090**
TP calculated as a whole	R0620	
Best estimate	R0630	2,090
Risk margin	R0640	
TP – life (excluding health and index-linked and unit-linked)	**R0650**	**11,912,497**
TP calculated as a whole	R0660	
Best estimate	R0670	11,890,244
Risk margin	R0680	22,252
TP – index-linked and unit-linked	**R0690**	**1,844,964**
TP calculated as a whole	R0700	1,881,358
Best estimate	R0710	(40,846)
Risk margin	R0720	4,451
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	7,395
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	71,897
Derivatives	R0790	32,757
Debts owed to credit institutions	R0800	366,747
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	97,528
Reinsurance payables	R0830	8,845
Payables (trade, not insurance)	R0840	83,016
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**14,427,734**
Excess of assets over liabilities	**R1000**	**2,281,297**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.2 – S.05.01.02 PREMIUMS, CLAIMS AND EXPENSE BY LINE OF BUSINESS

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260	Health reinsurance C0270	Life reinsurance C0280	Total C0300
Premiums written										
Gross	R1410	713	37,769	5,847	183,862				100	228,291
Reinsurers' share	R1420	689	81	4,991	2,592					8,354
Net	**R1500**	**24**	**37,688**	**856**	**181,269**				**100**	**219,937**
Premiums earned										
Gross	R1510	713	37,769	5,847	183,862				100	228,291
Reinsurers' share	R1520	689	81	4,991	2,592					8,354
Net	**R1600**	**24**	**37,688**	**856**	**181,269**				**100**	**219,937**
Claims incurred										
Gross	R1610	79	753,584	166,454	233,109				12,118	1,165,345
Reinsurers' share	R1620	13	1,476	130,092	107,801					239,382
Net	**R1700**	**67**	**752,108**	**36,362**	**125,309**				**12,118**	**925,963**
Changes in other technical provisions										
Gross	R1710	(1,551)	24,974	(104,970)	(89,390)			0	(2,640)	(173,576)
Reinsurers' share	R1720	(1,550)	0	(100,191)	88,523			0	0	(13,218)
Net	**R1800**	(2)	24,974	(4,778)	(177,913)			0	(2,640)	(160,358)
Expenses incurred	**R1900**	**6**	**10,665**	**9,613**	**18,409**					**38,693**
Other expenses	R2500									
Total expenses	**R2600**									**38,693**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

			Index-linked and unit-linked insurance		
		Insurance with profit participation C0020	C0030	Contracts without options and guarantees C0040	Contracts with options or guarantees C0050
Technical provisions calculated as a whole	**R0010**		**1,881,358**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020		1,562,073		
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	**R0030**	**9,297,126**		**(55,635)**	**(3,074)**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			40,239	(5,556)
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	9,297,126		(95,874)	2,482
Risk Margin	**R0100**	**340,112**	**7,301**		
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best estimate	R0120	(273,594)		(7,121)	
Risk margin	R0130	(328,073)	(2,689)		
Technical provisions – total	**R0200**	**9,035,570**	**1,820,140**		

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Other life insurance					
		C0060	Contracts without options and guarantees C0070	Contracts with options or guarantees C0080	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations C0090	Accepted reinsurance C0100	Total (Life other than health insurance, incl. Unit-Linked) C0150
Technical provisions calculated as a whole	**R0010**						**1,881,358**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020						1,562,073
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		**2,611,644**	**174,432**		**140,577**	**12,165,071**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		935,761				970,444
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		1,675,883	174,432		140,577	11,194,626
Risk Margin	**R0100**	**132,661**				**1,158**	**481,232**
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best estimate	R0120		(24,289)	(6,519)		(4,148)	(315,672)
Risk margin	R0130	(122,871)				(895)	(454,529)
Technical provisions – total	**R0200**	**2,765,058**				**136,693**	**13,757,460**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210)
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		**2,115**				**2,115**
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		1,722				1,722
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090		394				394
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best estimate	R0120		(26)				(26)
Risk margin	R0130						
Technical provisions – total	**R0200**	**2,090**					**2,090**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.4 – S.22.01.21 IMPACT OF LONG TERM GUARANTEES AND TRANSITIONAL MEASURES

		Amount with Long Term Guarantee measures and transitionals C0010	Impact of transitional on technical provisions C0030	Impact of transitional on interest rate C0050	Impact of volatility adjustment set to zero C0070	Impact of matching adjustment set to zero C0090
Technical provisions	R0010	13,759,550	770,226			99,906
Basic own funds	R0020	1,843,751	(583,605)			(99,906)
Eligible own funds to meet Solvency Capital Requirement	R0050	1,843,751	(583,605)			(99,906)
Solvency Capital Requirement	R0090	1,243,720	45,317			119,670
Eligible own funds to meet Minimum Capital Requirement	R0100	1,840,128	(583,605)			(99,906)
Minimum Capital Requirement	R0110	310,930	11,329			29,917

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APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.5 – S.23.01.01 – OWN FUNDS

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	342,109	342,109			
Share premium account related to ordinary share capital	R0030	40,716	40,716			
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	941,788	941,788			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	515,515	515,515			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	3,623				3,623
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	1,843,751	1,840,128			3,623

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.5 – S.23.01.01 – OWN FUNDS CONTINUED

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**1,843,751**	**1,840,128**			**3,623**
Total available own funds to meet the MCR	**R0510**	**1,840,128**	**1,840,128**			
Total eligible own funds to meet the SCR	**R0540**	**1,843,751**	**1,840,128**			**3,623**
Total eligible own funds to meet the MCR	**R0550**	**1,840,128**	**1,840,128**			
SCR	**R0580**	**1,243,720**				
MCR	**R0600**	**310,930**				
Ratio of eligible own funds to SCR	**R0620**	**148%**				
Ratio of eligible own funds to MCR	**R0640**	**592%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,281,297
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic Own Fund items	R0730	1,328,236
Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	437,546
Reconciliation reserve	**R0760**	**515,515**

Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	13,196
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**13,196**

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.6 – S.25.03.21 – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON FULL INTERNAL MODELS

Unique number of component C0010	**Components description C0020**	Calculation of the Solvency Capital Requirement C0030
10700I	Market Spread Risk	530,760
11000I	Market risk excluding spread risk	267,005
19900I	Diversification within Market Risk	(59,693)
20000I	Counterparty Risk	15,937
30000I	Life underwriting Risk	790,557
70100I	Operational Risk	146,222
80150I	Other Risks	–
80190I	Other Risks	13,112
80200I	Non-dynamic management actions	(16,042)
80300I	Loss-absorbing capacity of deferred tax	(54,262)
80400I	Other Adjustments	52,071

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	1,685,667
Diversification	R0060	(441,947)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	–
Solvency capital requirement excluding capital add-on	**R0200**	**1,243,720**
Capital add-ons already set	R0210	–
Solvency capital requirement	**R0220**	**1,243,720**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(1,036,390)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(54,262)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	174,388
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	1,048,925
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	251,129
Diversification effects due to RFF nSCR aggregation for article 304	R0440	–

Appendix and Additional Information continued

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PLAL CONTINUED
APPENDIX 3.7 – S.28.01.01 – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

		Life activities	
MCR calculation Life		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C0060
Obligations with-profit participation – guaranteed benefits	R0210	6,568,118	
Obligations with-profit participation – future discretionary benefits	R0220	2,568,294	
Index-linked and unit-linked insurance obligations	R0230	243,756	
Other life (re)insurance and health (re)insurance obligations	R0240	1,818,439	
Total capital at risk for all life (re)insurance obligations	R0250		2,920,896

		Non-life activities C0010	Life activities C0040
MCRNL Result	R0010		
MCRL Result	R0200		151,407

Overall MCR calculation		C0070
Linear MCR	R0300	151,407
SCR	R0310	1,243,720
MCR cap	R0320	559,674
MCR floor	R0330	310,930
Combined MCR	R0340	310,930
Absolute floor of the MCR	R0350	3,187

		C0070
Minimum Capital Requirement	R0400	**310,930**

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL
APPENDIX 4.1 – S.02.01.02 BALANCE SHEET

		Solvency II value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	6,775
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**45,850,406**
Property (other than for own use)	R0080	573,748
Holdings in related undertakings, including participations	R0090	19,139,240
Equities	R0100	3,711,320
Equities – listed	R0110	3,619,400
Equities – unlisted	R0120	91,920
Bonds	R0130	18,995,582
Government Bonds	R0140	9,748,357
Corporate Bonds	R0150	9,124,901
Structured notes	R0160	
Collateralised securities	R0170	122,323
Collective Investments Undertakings	R0180	976,031
Derivatives	R0190	2,406,445
Deposits other than cash equivalents	R0200	48,041
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	88,663,386
Loans and mortgages	**R0230**	**966,679**
Loans on policies	R0240	1,608
Loans and mortgages to individuals	R0250	20,142
Other loans and mortgages	R0260	944,929
Reinsurance recoverables from:	**R0270**	**7,845,530**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	3,870,481
Health similar to life	R0320	7,269
Life excluding health and index-linked and unit-linked	R0330	3,863,212
Life index-linked and unit-linked	R0340	3,975,050
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	32,259
Reinsurance receivables	R0370	12,604
Receivables (trade, not insurance)	R0380	277,720
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	34,224
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**143,689,584**

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.1 – S.02.01.02 BALANCE SHEET CONTINUED

		Solvency II value C0010
Liabilities		
Technical Provisions – Non-life	**R0510**	
Technical Provisions – Non-Life (excluding Health)	**R0520**	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk Margin	R0550	
Technical Provisions – Health (similar to Non-Life)	**R0560**	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk Margin	R0590	
Technical provisions – Life (excluding index-linked and unit-linked)	**R0600**	**40,954,428**
Technical Provisions – Health (similar to Life)	**R0610**	**55,220**
TP calculated as a whole	R0620	
Best Estimate	R0630	55,220
Risk Margin	R0640	
Technical Provisions – Life (excl Health, index linked and unit-linked)	**R0650**	**40,899,209**
TP calculated as a whole	R0660	
Best Estimate	R0670	40,877,578
Risk Margin	R0680	21,631
Technical provisions – index-linked and unit-linked	**R0690**	**90,145,891**
TP calculated as a whole	R0700	92,642,258
Best Estimate	R0710	(2,615,403)
Risk Margin	R0720	119,036
Other Technical Provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	35,330
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	3,880,828
Deferred tax liabilities	R0780	488,422
Derivatives	R0790	215,133
Debts owed to credit institutions	R0800	134,553
Financial liabilities other than debts owed to credit institutions	R0810	6
Insurance and intermediaries payable	R0820	205,629
Reinsurance payables	R0830	55,357
Payables (trade, not insurance)	R0840	2,306,936
Subordinated liabilities	R0850	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities not elsewhere shown	R0880	
Total Liabilities	**R0900**	**138,422,514**
Excess of assets over liabilities	**R1000**	**5,267,070**

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.2 – S.05.01.02 PREMIUMS, CLAIMS AND EXPENSE BY LINE OF BUSINESS

		Line of Business for:								
		Life obligations						Life reinsurance obligations		
		Health insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Annuities stemming from non-Life insurance contracts related to health C0250	Annuities stemming from non-life insurance contracts other than health C0260	Health reinsurance C0270	Life reinsurance C0280	Total C0300
Premiums written										
Gross	R1410	2,078	315,379	8,284,725	160,096			3	537,090	9,299,371
Reinsurer's share	R1420	1,541	5,949	3	16,142			0	16,679	40,314
Net	**R1500**	**537**	**309,430**	**8,284,722**	**143,954**			**3**	**520,412**	**9,259,057**
Premiums earned										
Gross	R1510	2,078	315,379	8,284,725	160,096			3	537,090	9,299,371
Reinsurer's share	R1520	1,541	5,949	3	16,142			0	16,679	40,314
Net	**R1600**	**537**	**309,430**	**8,284,722**	**143,954**			**3**	**520,412**	**9,259,057**
Claims incurred										
Gross	R1610	1,600	1,583,183	14,009,784	1,049,817			1,720	744,769	17,390,872
Reinsurer's share	R1620	894	2,323	5	423,524			248	104,062	531,056
Net	**R1700**	**706**	**1,580,859**	**14,009,778**	**626,293**			**1,472**	**640,707**	**16,859,816**
Changes in other technical provisions										
Gross	R1710	1,751	540,951	6,915,543	(89,863)			1,570	1,289,688	8,659,640
Reinsurer's share	R1720	(116)	(1,324)	0	(278,839)			0	0	(280,280)
Net	**R1800**	**1,867**	**542,276**	**6,915,543**	**188,976**			**1,570**	**1,289,688**	**8,939,920**
Expenses incurred	**R1900**	**66**	**101,410**	**363,551**	**(32,050)**			**0**	**64,091**	**497,068**
Other expenses	R2500									
Total expenses	**R2600**									**497,068**

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

			Index-linked and unit-linked insurance		
		Insurance with profit participation C0020	C0030	Contracts without options and guarantees C0040	Contracts with options and guarantees C0050
Technical Provisions calculated as a whole	**R0010**		**90,740,079**		
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020		3,975,050		
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	**R0030**	**15,463,972**			**(2,374,067)**
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080				
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	15,463,972			(2,374,067)
Risk Margin	**R0100**	**13,479**	**526,468**		
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best Estimate	R0120	73,269			(226,426)
Risk Margin	**R0130**	**(13,213)**	**(407,462)**		
Technical Provisions – total	**R0200**	**15,537,507**	**88,258,592**		

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Other life insurance			Annuities stemming from non-life insurance contracts other than health	Accepted life reinsurance	
		C0060	Contracts without options and guarantees C0070	Contracts with options and guarantees C0080	C0090	C0100	Insurance with profit participation on Accepted reinsurance (Gross) C0110
Technical Provisions calculated as a whole	**R0010**					**1,902,179**	
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**			**12,181,742**		**12,904,783**	**12,542,304**
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080			3,863,212			
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			8,318,530		12,904,783	
Risk Margin	**R0100**	**652,991**				**125,421**	**25,944**
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best Estimate	R0120			169,665		69,236	
Risk Margin	**R0130**	**(633,878)**				**(123,139)**	
Technical Provisions – total	**R0200**	**12,370,520**				**14,878,480**	

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Index-linked and unit-linked insurance on Accepted reinsurance (Gross) C0120	Other life insurance on Accepted reinsurance (Gross) C0130	Annuities from non-life accepted insurance contracts other than health (Gross) C0140	Total (Life other than health insurance, incl. Unit-Linked) C0150
Technical Provisions calculated as a whole	**R0010**	**1,902,179**			**92,642,258**
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020				3,975,050
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	**R0030**	**(14,315)**	**376,793**		**38,176,430**
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080				3,863,212
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090				34,313,218
Risk Margin	**R0100**	**1,839**	**97,639**		**1,318,359**
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best Estimate	R0120				85,744
Risk Margin	**R0130**				**(1,177,692)**
Technical Provisions – total	**R0200**				**131,045,099**

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

			Health insurance (direct business)				
			Contracts without options and guarantees	Contracts with options and guarantees	Annuities stemming from non-Life insurance contracts related to health	Health reinsurance (reinsurance accepted)	Total Health (similar to Life)
		C0160	C0170	C0180	C0190	C0200	C0210
Technical Provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020						
Technical provisions calculated as a sum of BE and RM							
Gross Best Estimate	**R0030**			**11,293**		**43,926**	**55,220**
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	**R0080**			**7,269**			**7,269**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			4,025		43,926	47,951
Risk Margin	R0100						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best Estimate	R0120						
Risk Margin	R0130						
Technical Provisions – total	**R0200**	**11,293**				**43,926**	**55,220**

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.4 – S.22.01.21 IMPACT OF LONG-TERM GUARANTEES AND TRANSITIONAL MEASURES

		Amount with Long Term Guarantee measures and transitionals C0010	Impact of transitional on technical provisions C0030	Impact of transitional on interest rate C0050	Impact of volatility adjustment set to zero C0070	Impact of matching adjustment set to zero C0090
Technical provisions	R0010	131,100,319	1,091,948		137,790	700,286
Basic own funds	R0020	4,393,153	(992,319)		(26,932)	(502,920)
Eligible own funds to meet Solvency Capital Requirement	R0050	4,393,153	(992,319)		(26,932)	(502,920)
Solvency Capital Requirement	R0090	2,538,952			(19,311)	438,544
Eligible own funds to meet Minimum Capital Requirement	R0100	4,393,153	(992,319)		(26,932)	(502,920)
Minimum Capital Requirement	R0110	1,142,528			(8,690)	94,128

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.5 – S.23.01.01 – OWN FUNDS

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	21,184	21,184			
Share premium account related to ordinary share capital	R0030	117,219	117,219			
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070	1,747,957	1,747,957			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	2,506,793	2,506,793			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	4,393,153	4,393,153			

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.5 – S.23.01.01 – OWN FUNDS CONTINUED

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**4,393,153**	**4,393,153**			
Total available own funds to meet the MCR	**R0510**	**4,393,153**	**4,393,153**			
Total eligible own funds to meet the SCR	**R0540**	**4,393,153**	**4,393,153**			
Total eligible own funds to meet the MCR	**R0550**	**4,393,153**	**4,393,153**			
SCR	**R0580**	**2,538,952**				
MCR	**R0600**	**1,142,528**				
Ratio of eligible own funds to SCR	**R0620**	**173%**				
Ratio of eligible own funds to MCR	**R0640**	**385%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	5,267,070
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic Own Fund items	R0730	1,886,360
Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	873,917
Reconciliation reserve	R0760	2,506,793

Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	784,963
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	784,963

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.6 – S.25.03.21 – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON FULL INTERNAL MODEL

Unique number of component C0010	Components description C0020	Calculation of the Solvency Capital Requirement C0030
1031AI	02 Other interest rate risk – UK FI PC1 down – Insurance	89,140
1034AI	03 Other interest rate risk – UK FI PC2 up – Insurance	40,555
1036AI	05 Other interest rate risk – UK FI PC3 up – Insurance	79,554
1032BI	07 Other interest rate risk – Euro FI PC1 up – Insurance	1,250,212
1034BI	09 Other interest rate risk – Euro FI PC2 up – Insurance	334,443
1036BI	11 Other interest rate risk – Euro FI PC3 up – Insurance	170,772
10399I	13 Other interest rate risk – Diversification – Insurance	(638,189)
10400I	14 Equity risk – Equity – Insurance	337,924
10600I	15 Property risk – Insurance	109,696
1071AI	16 Spread risk – Credit spread risk financials – Insurance	871,698
1071BI	17 Spread risk – Credit spread risk non-financials – Insurance	1,015,680
1071CI	18 Spread risk – Sovereign debt – Insurance	491,548
10760I	19 Spread risk – liability change due to matching adjustment	(771,191)
10799I	20 Spread risk – Diversification – Insurance	(230,842)
1090AI	22 Currency Risk – GBP & EUR currency – Insurance	371,166
1090BI	23 Currency Risk – GBP & non-EUR currencies – Insurance	320,776
10999I	24 Currency risk – Diversification – Insurance	(143,816)
11020I	25 Other market risk – Swaption Volatility – Insurance	50,594
11030I	26 Equity risk–Equity Basis risk – Insurance	102,056
19900	27 Diversification within market risk – Insurance and Pension Scheme	(2,039,203)
30100I	28 Mortality risk – Insurance	12,839
30210I	29 Longevity risk – mis-estimation risk – Insurance	137,392
30220I	30 Longevity risk – trend risk – Insurance	705,281
30299I	31 Longevity risk – diversification – Insurance	73,276
30300I	32 Disability-morbidity risk – Insurance	2,939
30400I	33 Mass lapse – SLAL Dependent Persistency–Insurance	855,750
30510I	34 Other lapse risk – SLAL Indepnt Persistency–sum groups A-C – Insurance	562,900
30610I	36 Expense risk – Company specific expense – Insurance	471,377
30620I	37 Expense risk – Economic expense – Insurance	305,530
30699I	38 Expense risk – Diversification – Insurance	(215,173)
30800I	39 Life catastrophe risk – Mortality & Morbidity Cat – Insurance	16,242
30900I	40 Other life underwriting risk – Proportions married – Insurance	54,408
39900	41 Diversification in life underwriting risk – Insurance & Pension Scheme	(1,585,851)
70100I	43 Operational risk – Insurance	487,656
80100I	44 Other risks – Insurance	211

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.6 – S.25.03.21 – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON FULL INTERNAL MODEL CONTINUED

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	3,697,349
Diversification	R0060	(1,158,398)
Capital requirement in accordance with Art 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	**R0200**	**2,538,952**
Capital add-ons already set	R0210	0
Solvency capital requirement	**R0220**	**2,538,952**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(1,681,959)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(372,519)
Notional Solvency Capital Requirements for remaining part	R0410	1,205,340
Notional Solvency Capital Requirement for ring fenced funds	R0420	903,215
Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	430,397
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix and Additional Information continued

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLAL CONTINUED
APPENDIX 4.7 – S.28.01.01 – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

		Life activities	
MCR calculation Life		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C060
Obligations with profit participation – guaranteed benefits	R0210	20,880,118	
Obligations with profit participation – future discretionary benefits	R0220	7,120,445	
Index-linked and unit-linked insurance obligations	R0230	86,051,805	
Other life (re)insurance and health (re)insurance obligations	R0240	8,743,274	
Total capital at risk for all life (re)insurance obligations	R0250		7,042,688

		Non-life activities C0010	Life activities C0040
MCRNL Result	R0010	0	
MCRL Result	R0200		1,193,203

Overall MCR calculation		C0070
Linear MCR	R0300	1,193,203
SCR	R0310	2,538,952
MCR cap	R0320	1,142,528
MCR floor	R0330	634,738
Combined MCR	R0340	1,142,528
Absolute floor of the MCR	R0350	3,187

		C0070
Minimum Capital Requirement	R0400	**1,142,528**

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF
APPENDIX 5.1 – S.02.01.02 BALANCE SHEET

		Solvency II value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**11,324**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	11,324
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**9,476**
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	9,476
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	9,476
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	404
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	2
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**21,206**

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.1 – S.02.01.02 BALANCE SHEET CONTINUED

		Solvency II value C0010
Liabilities		
Technical Provisions – Non-life	**R0510**	
Technical Provisions – Non-Life (excluding Health)	**R0520**	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk Margin	R0550	
Technical Provisions – Health (similar to Non-Life)	**R0560**	
TP calculated as a whole	R0570	
Best Estimate	R0580	
Risk Margin	R0590	
Technical provisions – Life (excluding index-linked and unit-linked)	**R0600**	**11,005**
Technical Provisions – Health (similar to Life)	**R0610**	
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk Margin	R0640	
Technical Provisions – Life (excl Health, index linked and unit-linked)	**R0650**	**11,005**
TP calculated as a whole	R0660	
Best Estimate	R0670	9,997
Risk Margin	R0680	1,008
Technical provisions – index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk Margin	R0720	
Other Technical Provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance and intermediaries payable	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	754
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities not elsewhere shown	R0880	
Total Liabilities	**R0900**	**11,759**
Excess of assets over liabilities	**R1000**	**9,447**

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.2 – S.05.01.02 PREMIUMS, CLAIMS AND EXPENSE BY LINE OF BUSINESS

		Line of Business for:								
		Life obligations						Life reinsurance obligations		Total
		Health insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Annuities stemming from non-Life insurance contracts related to health C0250	Annuities stemming from non-life insurance contracts other than health C0260	Health reinsurance C0270	Life reinsurance C0280	Total C0300
Premiums written										
Gross	R1410									
Reinsurer's share	R1420									
Net	**R1500**									
Premiums earned										
Gross	R1510									
Reinsurer's share	R1520									
Net	**R1600**									
Claims incurred										
Gross	R1610				570					570
Reinsurer's share	R1620				570					570
Net	**R1700**									
Changes in other technical provisions										
Gross	R1710				211					211
Reinsurer's share	R1720				211					211
Net	**R1800**									
Expenses incurred	**R1900**				**2,440**					**2,440**
Other expenses	R2500									
Total expenses	**R2600**									**2,440**

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

		Insurance with profit participation	Index-linked and unit-linked insurance		
				Contracts without options and guarantees	Contracts with options and guarantees
		C0020	C0030	C0040	C0050
Technical Provisions calculated as a whole	**R0010**				
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020				
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	**R0030**				
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080				
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090				
Risk Margin	**R0100**				
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best Estimate	R0120				
Risk Margin	**R0130**				
Technical Provisions – total	**R0200**				

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Other life insurance				Accepted life reinsurance	
		C0060	Contracts without options and guarantees C0070	Contracts with options and guarantees C0080	Annuities stemming from non-life insurance contracts other than health C0090	C0100	Insurance with profit participation on Accepted reinsurance (Gross) C0110
Technical Provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**			**9,997**			
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080			9,476			
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			521			
Risk Margin	**R0100**	**1,008**					
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best Estimate	R0120						
Risk Margin	**R0130**						
Technical Provisions – total	**R0200**	**11,005**					

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Index-linked and unit-linked insurance on Accepted reinsurance (Gross) C0120	Other life insurance on Accepted reinsurance (Gross) C0130	Annuities from non-life accepted insurance contracts other than health (Gross) C0140	Total (Life other than health insurance, incl. Unit-Linked) C0150
Technical Provisions calculated as a whole	**R0010**				
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020				
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate	**R0030**				**9,997**
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0080				9,476
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090				521
Risk Margin	**R0100**				**1,008**
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	R0110				
Best Estimate	R0120				
Risk Margin	**R0130**				
Technical Provisions – total	**R0200**				**11,005**

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.3 – S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS CONTINUED

		Health insurance (direct business)			Annuities stemming from non-Life insurance contracts related to health	Health reinsurance (reinsurance accepted)	Total Health (similar to Life)
			Contracts without options and guarantees	Contracts with options and guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical Provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	R0020						
Technical provisions calculated as a sum of BE and RM							
Gross Best Estimate	**R0030**						
Total Recoverables from reinsurance/SPV and Finite Re after adjustment	**R0080**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090						
Risk Margin	R0100						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best Estimate	R0120						
Risk Margin	R0130						
Technical Provisions – total	**R0200**						

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.5 – S.23.01.01 – OWN FUNDS

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	50	50			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	9,397	9,397			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	9,447	9,447			

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.5 – S.23.01.01 – OWN FUNDS CONTINUED

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**9,447**	**9,447**			
Total available own funds to meet the MCR	**R0510**	**9,447**	**9,447**			
Total eligible own funds to meet the SCR	**R0540**	**9,447**	**9,447**			
Total eligible own funds to meet the MCR	**R0550**	**9,447**	**9,447**			
SCR	**R0580**	**1,693**				
MCR	**R0600**	**3,187**				
Ratio of eligible own funds to SCR	**R0620**	**558%**				
Ratio of eligible own funds to MCR	**R0640**	**296%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	9,447
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic Own Fund items	R0730	50
Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	9,397
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED

APPENDIX 5.6 – S.25.03.21 – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON FULL INTERNAL MODEL

Unique number of component C0010	Components description C0020	Calculation of the Solvency Capital Requirement C0030
1071AI	16 SPREAD RISK – CREDIT SPREAD RISK FINANCIALS – INSURANCE	1,693
30610I	36 EXPENSE RISK – COMPANY SPECIFIC EXPENSE – INSURANCE	40

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	1,733
Diversification	R0060	(40)
Capital requirement in accordance with Art 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**1,693**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**1,693**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
Notional Solvency Capital Requirements for remaining part	R0410	
Notional Solvency Capital Requirement for ring fenced funds	R0420	
Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix and Additional Information continued

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – SLPF CONTINUED
APPENDIX 5.7 – S.28.01.01 – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

		Life activities	
MCR calculation Life		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C060
Obligations with profit participation – guaranteed benefits	R0210		
Obligations with profit participation – future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	521	
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities C0010	Life activities C0040
MCRNL Result	R0010	0	
MCRL Result	R0200		11

Overall MCR calculation		C0070
Linear MCR	R0300	11
SCR	R0310	1,693
MCR cap	R0320	762
MCR floor	R0330	423
Combined MCR	R0340	423
Absolute floor of the MCR	R0350	3,187
	R0400	C0070
Minimum Capital Requirement	**R0400**	**3,187**

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI)
APPENDIX 6.1 – S.02.01.02 BALANCE SHEET QRT

		Solvency II value C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**67,505**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	R0130	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	67,505
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	8,422
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	21
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**75,948**

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI) CONTINUED
APPENDIX 6.1 – S.02.01.02 BALANCE SHEET QRT CONTINUED

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP – life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions – health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP – index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	7,216
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	4,891
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**12,107**
Excess of assets over liabilities	**R1000**	**63,841**

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI) CONTINUED
APPENDIX 6.2 – S.05.01.02 PREMIUMS, CLAIMS AND EXPENSE BY LINE OF BUSINESS QRT

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance C0010	Income protection insurance C0020	Workers' compensation insurance C0030	Motor vehicle liability insurance C0040	Other motor insurance C0050	Marine, aviation and transport insurance C0060	Fire and other damage to property insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090	Legal expenses insurance C0100	Assistance C0110	Miscellaneous financial loss C0120	Health C0130	Casualty C0140	Marine, aviation, transport C0150	Property C0160	Total C0200
Premiums written																		
Gross – Direct Business	R0110																	0
Gross – Proportional reinsurance accepted	R0120																	0
Gross – Non-proportional reinsurance accepted	R0130																	0
Reinsurers' share	R0140																	0
Net	**R0200**																	**0**
Premiums earned																		
Gross – Direct Business	R0210																	0
Gross – Proportional reinsurance accepted	R0220																	0
Gross – Non-proportional reinsurance accepted	R0230																	0
Reinsurers' share	R0240																	0
Net	**R0300**																	**0**
Claims incurred																		
Gross – Direct Business	R0310																	0
Gross – Proportional reinsurance accepted	R0320																	0
Gross – Non-proportional reinsurance accepted	R0330																	0
Reinsurers' share	R0340																	0
Net	**R0400**																	**0**
Changes in other technical provisions																		
Gross – Direct Business	R0410																	0
Gross – Proportional reinsurance accepted	R0420																	0
Gross – Non-proportional reinsurance accepted	R0430																	0
Reinsurers' share	R0440																	0
Net	**R0500**																	**0**
Expenses incurred	**R0550**												**10,668**					**10,668**
Other expenses	**R1200**																	
Total expenses	**R1300**																	**10,668**

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI) CONTINUED
APPENDIX 6.3 – S.23.01.01 – OWN FUNDS QRT

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	3,000	3,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	60,841	60,841			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	63,841	63,841			

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI) CONTINUED
APPENDIX 6.3 – S.23.01.01 – OWN FUNDS QRT CONTINUED

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**63,841**	**63,841**			
Total available own funds to meet the MCR	**R0510**	**63,841**	**63,841**			
Total eligible own funds to meet the SCR	**R0540**	**63,841**	**63,841**			
Total eligible own funds to meet the MCR	**R0550**	**63,841**	**63,841**			
SCR	**R0580**	**1,610**				
MCR	**R0600**	**3,187**				
Ratio of eligible own funds to SCR	**R0620**	**3,965%**				
Ratio of eligible own funds to MCR	**R0640**	**2,003%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	63,841
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic Own Fund items	R0730	3,000
Adjustment for restricted Own Fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**60,841**

Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI) CONTINUED
APPENDIX 6.4 – S.25.03.21 – SOLVENCY CAPITAL REQUIREMENT – FOR UNDERTAKINGS ON FULL INTERNAL MODELS

Unique number of component **C0010**	**Components description** **C0020**	Calculation of the Solvency Capital Requirement C0030
10700I	Market Spread Risk	–
11000I	Market risk excluding spread risk	–
19900I	Diversification within Market Risk	–
20000I	Counterparty Risk	–
30000I	Life underwriting Risk	–
70100I	Operational Risk	1,610
80150I	Other Risks	–
80190I	Other Risks	–
80200I	Non-dynamic management actions	–
80300I	Loss-absorbing capacity of deferred tax	–
80400I	Other Adjustments	–

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	1,610
Diversification	R0060	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**1,610**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**1,610**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix and Additional Information continued

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2019) – PA(GI) CONTINUED

APPENDIX 6.5 – S. 28.01.01 – MINIMUM CAPITAL REQUIREMENT – ONLY LIFE OR ONLY NON-LIFE INSURANCE OR REINSURANCE ACTIVITY

		Life activities	
MCR calculation Life		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C0060
Obligations with-profit participation – guaranteed benefits	R0210		
Obligations with-profit participation – future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities C0010	Life activities C0040
MCRNL Result	R0010		
MCRL Result	R0200		

Overall MCR calculation		C0070
Linear MCR	R0300	
SCR	R0310	1,610
MCR cap	R0320	725
MCR floor	R0330	403
Combined MCR	R0340	403
Absolute floor of the MCR	R0350	3,187

		C0070
Minimum Capital Requirement	**R0400**	**3,187**

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