

United States

Providing an ageing American population with financial strategies for stable retirements.

2017 performance highlights

- Cash remittance of £475 million
- Total IFRS operating profit of £2.2 billion – up 3 per cent¹
- Variable annuity total net inflows of £4.7 billion
- Strong separate account asset growth – up 19 per cent¹ at US\$176.6 billion (£130.5 billion)
- Awarded 'Contact Center World Class FCR Certification' and 'Highest Customer Service for the Financial Industry' awards by The Service Quality Measurement Group, Inc. – the 11th consecutive year of recognition for customer service performance in both categories

The US is the world's largest retirement savings market with approximately 40 million Americans reaching retirement age over the next decade alone. This transition will trigger the need for an unprecedented shift of trillions of dollars from savings accumulation to retirement income generation.

However, these Americans face challenges in planning for life after work. For many members of this generation, a financially secure retirement is at risk, due to insufficient accumulation of savings during their working years and the current combination of low yields and market volatility. Employer-based pensions are disappearing and government plans are underfunded. Social security was never intended to be a primary retirement solution and today its long-term funding status is in question. Additionally, the life expectancy of an average retiree has significantly increased, lengthening the number of years for which retirement funding is needed.

To overcome these challenges, Americans need and demand retirement strategies that offer them the opportunity to grow and protect the value of their existing assets, as well as the ability to provide guaranteed income that will last throughout their extended lifetimes. Jackson continues to respond to this demand with product innovation and distribution strategies that meet the needs of a growing retirement population, while generating shareholder value.

Customers and products

Through its distribution partners, Jackson provides products, including variable, fixed and fixed index annuities, which offer Americans the retirement strategies they need. These products offer a range of features:

— Variable annuity

A Jackson variable annuity, with investment freedom, represents an attractive option for retirees, providing both access to equity market appreciation and guaranteed lifetime income as an add on benefit.

— Fixed index annuity

A Jackson fixed index annuity is a guaranteed product with limited market exposure but no actual equity ownership. It is designed to build wealth through a combination of a base crediting rate that is generally lower than a traditional fixed annuity crediting rate, but with the potential for additional upside based upon the performance of the linked index.

— Fixed annuity

A Jackson fixed annuity is a guaranteed product designed to build wealth without market exposure, through a crediting rate that is likely to be superior to interest rates offered from banks or money market funds.

These products also offer tax deferral, which allows interest and earnings to grow tax-free until withdrawals are made.

Jackson has a proven track record in this market with its market-leading flagship product⁶, Perspective II. Jackson's success has been built on its quick-to-market product innovation, as demonstrated by the development and launch of Elite Access in 2012, our investment-only variable annuity. Further demonstrating Jackson's flexibility and manufacturing capabilities, Jackson has launched Perspective Advisory II and Elite Access Advisory to serve advisers and distributors with a preference for advisory products. In November, Jackson launched Private Wealth Shield (PWS), a variable annuity developed specifically for trusts and private banks. To support this new product, Jackson also announced the formation of its Private Wealth & Trust group, a specialised team focused on complex planning, investment management and tax mitigation strategies for high-net-worth and ultra-high net-worth clients.

Distribution

Jackson distributes products in all 50 states of the US and in the District of Columbia. Operations in the state of New York are conducted through a New York subsidiary. Jackson markets its retail products primarily through advice based distribution channels, including independent agents, independent broker-dealer firms, regional



Adding more to life: Sandra, Jackson

'My retirement story is about how I want to spend the winter of my life. It's about having fun, enjoying my family, travelling and having the freedom to do the things I want to do, like spending time with my grandson.

My relationship with my financial adviser is a wonderful one. He is like a family member and confidant; easy to work with and establish goals.

I'm very pleased I chose a Jackson annuity. It gives me the confidence I need for my retirement. And to just live my life the way I want to live my life.'

broker-dealers, wirehouses, and banks. For variable annuity sales, Jackson is the leader in the independent broker-dealer, bank and wirehouse channels⁹ and second in regional firms⁹.

Jackson's distribution strength also sets us apart from our competitors. Our wholesaling force is the largest⁷ in the variable annuity industry and is instrumental in supporting the independent advisers who help the growing pool of American retirees develop effective retirement strategies. Our wholesalers provide extensive training to thousands of advisers about the range of our products and the investment strategies that are available to support their clients. Based on the latest available data, Jackson is the most productive variable annuity wholesale distribution force in the US⁷.

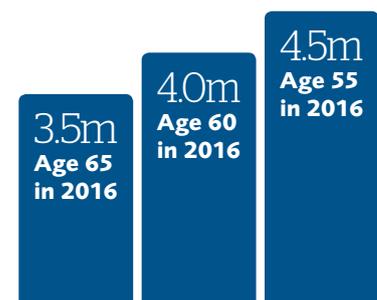
In August 2017, National Planning Holdings (NPH), an affiliate of Jackson, announced the sale of the business of the four firms in its independent broker-dealer network to LPL Financial LLC (LPL). With the US financial services industry experiencing a time of significant regulatory change and consolidation in the independent broker-dealer (IBD) sector, Jackson has determined its overall strategy did not include being a consolidator in the retail IBD space. Rather, our primary strategy is to focus on expanding Jackson's success as the leading manufacturer of retirement income products in the country.

Regulatory landscape

The industry has continued to manage through an ever-changing regulatory landscape. In April 2016, the US Department of Labor (DoL) released a final version of its Fiduciary Duty Rule (Rules), which seeks to eliminate conflicts of interest in investment advice, in order to protect and encourage savings and investment for working Americans. The DoL implemented a partial applicability date of 9 June 2017 where fiduciary advisers have an obligation to give advice that adheres to 'impartial conduct standards'. These impartial conduct standards require advisers to adhere to a best interest standard when making investment recommendations, charge no more than reasonable compensation for their services, and refrain from making misleading statements. In late November, the DoL announced an 18-month extension on the full applicability date from 1 January 2018 to 1 July 2019. The DoL intends to complete its review under the Presidential Memorandum, instructing the DoL to re-examine its fiduciary rule and decide whether to propose further changes, leaving the final form of the Rules unclear.

Understanding our markets

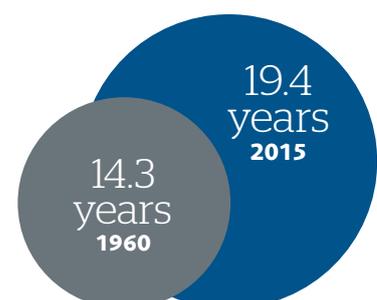
Retirement wave Baby boomer population by age²



Under-saved Median net worth³ US\$000



Increased longevity Life expectancy at 65⁴



Our businesses and their performance continued

As a result of the DoL regulatory initiative and the uncertainties regarding the application and implementation of the Rules, the annuity industry saw continued pressure on sales in 2017. Sales in the variable annuity industry as of the third quarter of 2017 at US\$70.9 billion¹⁰ were down 11 per cent compared with the same period last year. Even with competitors recently offering fixed index annuities with benefits that resemble those of variable annuities, sales of fixed index annuities (US\$42.9 billion)¹⁰ along with fixed annuity products (US\$38.9 billion)¹⁰ were lower as of the third quarter of 2017 at 9 per cent and 13 per cent respectively, compared with the same period last year. Total annuity industry sales were down approximately 11 per cent¹⁰ as of the third quarter of 2017.

Regardless of the outcome of the Rules, the regulatory disruption has challenged the industry to review the ways in which investment advice is provided to American investors. Manufacturers will need to have the ability to provide product and system adaptations in order to support the success of various distribution partners in their delivery of invaluable retirement strategies that investors need. Because of its strong distribution, leadership in the annuities market, best-in-class service and low-cost efficient operation, Jackson is extremely well positioned to take advantage of this opportunity.

The US National Association of Insurance Commissioners (NAIC) is currently conducting an industry consultation with the aim of reducing the non-economic volatility in the variable annuity statutory balance sheet and enhancing risk management. Following an industry quantitative impact study (QIS), changes have been proposed to the current framework. These changes were presented to the December NAIC national meeting, and were exposed for comment

by industry and interested parties until early March 2018. Jackson will continue to engage with the industry and the NAIC during the comment period.

On 22 December, 2017, President Trump signed into law the Tax Cuts and Jobs Act making significant changes to America's tax code. In 2017, the lowering of the corporate tax rate resulted in a charge for the reduction of Jackson's deferred tax assets. In the future, the lower rate and the effect of other changes to the calculation of taxable income are expected to lead to higher after-tax earnings, return on equity and capital generation, all else being equal.

Investment for growth

With trillions of dollars of adviser-distributed assets across distribution platforms that have not historically been a focus, such as the dually registered investment adviser channel, there is significant opportunity to reach even more American retirees and serve their needs with annuity products going forward. The industry will need to remain flexible and cost-effective in making changes to products, systems, and processes. We continue to ensure that we understand and make the necessary adjustments to support the needs and demands of American retirees into the future.

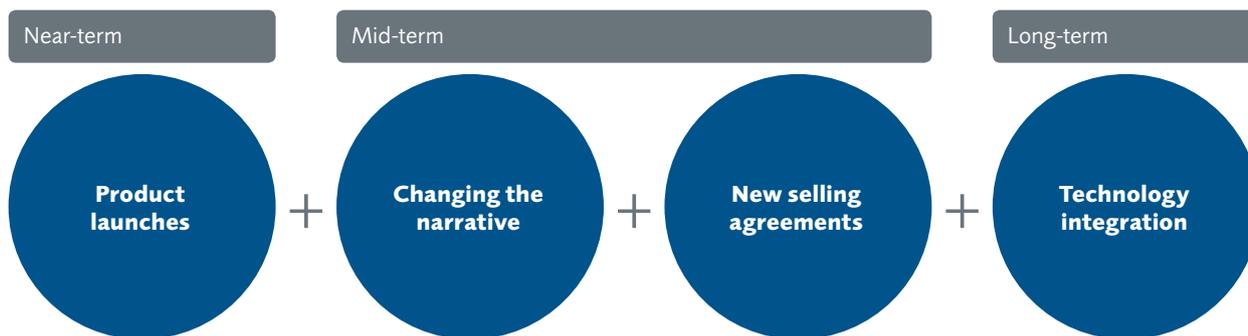
Jackson has implemented changes necessary to meet the requirements of the sections of the fiduciary rules which are effective. Jackson has made and continues to consider changes to its product offerings, entered into new selling agreements with advisory providers, and is working with its distributors to support implementation of the Best Interest Contract Exemption or product changes to the extent those become necessary before July 2019.

Jackson's competitive strengths are even more critical during periods of disruption. Our best-in-class distribution team, our agility and success in launching well designed products, the continued success through many economic cycles of our risk management and hedging programmes and our effective technology platforms and award-winning customer service will provide Americans with the retirement strategies they so desperately need, and will enable us to be positioned to capture additional growth during times of transition and into the future.



Barry Stowe
Chairman and Chief Executive
North American Business Unit

Evolution of capabilities to succeed in the advisory market



Driving our business

Customers

Many retirees or soon to be retirees face a reality of under-saving, having no guaranteed income source and the prospect of living longer than any prior generation. Jackson's focus is to provide solutions to help address these concerns for the millions of Americans currently transitioning to and through retirement.

Products

Jackson's products provide needed access to equity market growth, protection of principal, and a way of converting retirees' savings into retirement income with a degree of certainty. With a long history of disciplined product design and prudent risk management, Jackson has earned and continues to earn trust from its key stakeholders.

Distribution

Jackson's distribution teams set us apart from our competitors. Jackson's wholesaling force is the largest and most productive in the industry, supporting thousands of advisers across multiple channels and distribution outlets.

Investment for growth

Jackson continues to invest in technology and innovative products to efficiently and effectively adapt to what our customers and regulatory environment require. Jackson has recently launched an advisory version of our flagship product Perspective II and our innovative Elite Access product to allow for penetration into untapped distribution channels.

Creating value and benefiting our stakeholders

Average of **10,000** Americans retire per day⁵

Assisting **4 million** customers with their financial needs

2 of the top 10 variable annuity contracts by premium⁶

Perspective II is the **#1** selling variable annuity contract⁶

Largest VA wholesale distribution force in the US⁷

Most productive VA wholesale distribution force in the US⁷

Corporate Insight Annuity Monitor Awards for excellence in the online and offline experience offered to prospects, clients and advisers

Approximately **35%** of Jackson's advisory variable annuity sales from new advisers⁸

Notes

- 1 Growth rate on a constant exchange rate basis.
- 2 US Census Bureau Population division 2014 estimate of population.
- 3 2016 Federal Reserve Board's Triennial Survey of Consumer Finances.
- 4 US Department of Health and Human Services, 'Health, United States 2016'.
- 5 Social Security Administration, Annual Performance Plan for FY 2012, and Revised Final Performance Plan for FY 2011.
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- 7 Independent research and Market Metrics, a Strategic Insight Business.
- 8 New advisers defined as producers who have not sold Jackson product since 2014.
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- 10 LIMRA/Secure Retirement Institute, US Individual Annuity Participants Report 3Q YTD 2017.