PHOENIX GROUP

Phoenix Group

The UK’s largest specialist closed life fund consolidator

Tier 2 bond offering
June 2017

Agenda

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Executive summary

Phoenix	• UK market leading closed life fund consolidator, with market cap c. £3bn • Total assets under management of £76bn • Over 6 million policyholders
Track record	• All public financial targets since 2010 met or exceeded • Two M&A transactions completed in 2016 – AXA Wealth's pension and protection business ("AXA") and Abbey Life • Delivery of capital and financial synergies are well advanced • Integration plans are in place and delivery is ahead of schedule
Future prospects	• Significant cash generation from existing business and the 2016 acquisitions • Potential for further growth via acquisitions
Bond offering and use of proceeds	• USD 300m – USD 500m Tier 2 bullet • 10 years • Repay senior borrowings with no impact on leverage
Transaction rationale	• Strengthens capital surplus of the Group • Supports on-shoring and Group's simplification • Smooths and lengthens maturity profile • Diversifies the investor base and replenishes bank capacity for acquisition financing

1. Business overview

Overview of Phoenix Group

PHOENIX GROUP

- FTSE 250 and STOXX Europe 600 indices
- Market cap c.£3bn as at 19 June 2017

Phoenix Life

- Over 6 million policyholders
- Total assets under management of £76bn

- UK's largest specialist closed life fund consolidator
- Acquisition of Abbey Life and AXA Wealth's pensions and protection businesses both completed in Q4 2016
- Enhances economic value of closed life portfolios
- Scalable operating model
- Improves customer services and policyholder outcomes
- Phoenix is regulated by The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA)
- Phoenix's Life companies have an Insurer Financial Strength Rating of 'A' (positive outlook)

Phoenix is the UK's largest closed fund consolidator

1 Scale

A market leading platform and scale as the largest UK consolidator of closed life funds

2 Sustainability

Phoenix has a strong balance sheet and experienced management team

3 Specialism

Phoenix has a specialist operating model focused on closed life funds

4 Stewardship

Providing an effective service to our policyholders is critical to our strategy

5 Skills

Phoenix employs a uniquely talented and experienced team

6 Significant growth

A wealth of acquisition opportunities exist in the sector

Phoenix is an attractive investment proposition

- ✓ High level of predictable long-term cash generation, delivery of strong IFRS operating profits
- ✓ The UK's largest specialist closed life consolidator, well positioned for growth
- ✓ Solvency II Internal Model provides more accurate M&A pricing and understanding of synergy and diversification benefits
- ✓ Diverse, high quality investment portfolio
- ✓ Robust group solvency, resilient to market movements
- ✓ Consistent strategy, successfully executed by a management team with a record of meeting targets
- ✓ Efficient administration platform with a variable cost base, together with an effective outsourcer oversight model
- ✓ Financial flexibility to fund acquisitions, supported by Investment Grade rating

We have four areas of strategic focus which support the fulfilment of our mission and the realisation of our vision

1 DRIVE VALUE

Operating companies cash generation

Maintaining strong cash flow underpins debt servicing and repayment as well as shareholder dividends

Targets

Generate cash flows of £2.8bn between 2016-2020

2 MANAGE CAPITAL

Solvency II surplus

Currently the Solvency II surplus is the regulatory assessment of the capital adequacy at the PLHL level.

Following expiry of 'other methods' waiver on 30 June 2017, Group supervision and capital position calculation will also be undertaken at the PGH level.

Solvency II surplus of £1.3bn at PGH level represents a robust and resilient capital position.

3 IMPROVE CUSTOMER OUTCOMES

Customers satisfaction score	FOS overturn rate	Speed of transfer payouts
Externally calculated measure of how satisfied customers are with Phoenix's servicing proposition	Independent view of how firms are handling complaints	Recognised industry measure for the speed of processing Pension Transfer, Open Market Options and Immediate Vesting Personal Pensions
Targets		
90%	**< 30%**	**12 Days**

4 ENGAGE PEOPLE

Employee Engagement Index

We aim to ensure employees understand the purpose of their role and feel that their contribution is valued. The index provides an indicator of how well we are performing against these aims.

Targets

Employee engagement index >72%

Group has since 2010 met or exceeded all publicly stated targets

Phoenix has a clear set of strategic priorities

Cash generation	• Updated long-term cash generation target of £2.8 billion between 2016 - 2020 • Between £1.0 - £1.2 billion of cash between 2017 - 2018
Integration of acquisitions	• AXA Wealth synergies of £13 -15 million to be achieved by end 2017 • Abbey Life Internal Model application in H2 2017
Improve customer outcomes	• Enhanced communications • Development of digital proposition
Debt and Group structure simplification	• Onshoring process targeted to complete in H1 2018 • Continue to examine potential bond issuance
Pursue further M&A opportunities	• Group to seek further opportunities in 2017 • Financing supported by Revolving Credit Facility (‘RCF’) capacity and generation of internal resources

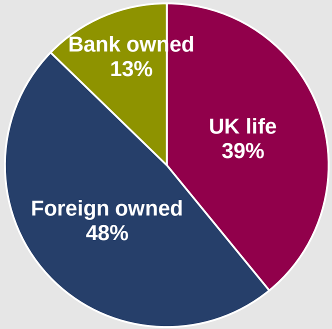
Acquisition integration is tracked against five metrics

1 Cash flows	AXA Wealth	2016 - 2020: £0.3bn	2021+: £0.2bn	✓ Better than expected with £282m to date
	Abbey Life	2016 - 2020: £0.5bn	2021+: £1.1bn	✓ On track
2 Cost synergies	AXA Wealth	Targeting £13m - £15m by FY17		✓ Ahead of original plan
	Abbey Life	£7m by HY18		✓ On track
3 Finance and Actuarial systems	9 at FY16	→	3 at HY18	✓ On track
4 Core Life Operation locations	4 in FY16	→	1 in HY18	✓ On track
5 Indemnity	Abbey Life £175m cap with risk sharing of between 10-20%			✓ On track

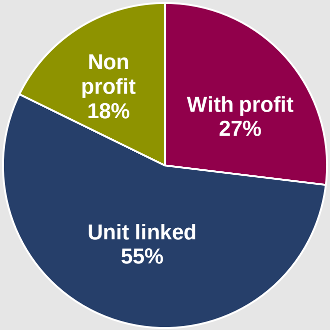
The UK closed life sector is expected to undergo further consolidation over the next few years

Market size is over £300bn

Market opportunities by owner



Market opportunities by product



Competitor analysis

Company	AUM	Competitive position
PHOENIX GROUP	**£76bn**	**The largest UK consolidator, by AUM, actively seeking further acquisition opportunities**
ReAssure	£48bn	Large active consolidator, acquired Guardian Assurance
LCCG	£12bn	Active small-mid size consolidator. Recently acquired Reliance Mutual, their first consolidation activity in the UK, following other acquisitions in Ireland and offshore
Chesnara	£4.9bn	Active consolidator at the smaller end of the market, not expected to compete against Phoenix

Closed life fund acquisitions are the key focus for Phoenix Group

Product types and critical success factors		
Product types	**Key elements**	**Critical success factors**
With-profits (£30bn)(1)	• Sharing of returns between policyholders/shareholders • Complex to manage and administer • Supported funds expose shareholders to all risks	• Specialist actuarial expertise • Estate distribution needs to balance resilience with run-off of policies • Hedging of GAR(2) risks
Unit-linked (£31bn)(1)	• Persistency important for retention of funds • Charging structures / exit fees	• Investment returns • Operational economies of scale • Customer service levels and product reviews
Annuities and Other (£13bn)(1)	• Longevity exposure can be attractive at the right price • Exposure to asset returns • Knowledge of trustee requirements key for bulk annuities	• Accurate pricing of risks • Skills in managing longevity exposure • Expertise in alternative assets to maximise risk-adjusted returns

(1) Gross liabilities as at 31 December 2016
(2) Guaranteed Annuity Return "GAR"

Phoenix will continue to apply its M&A criteria as the market consolidates

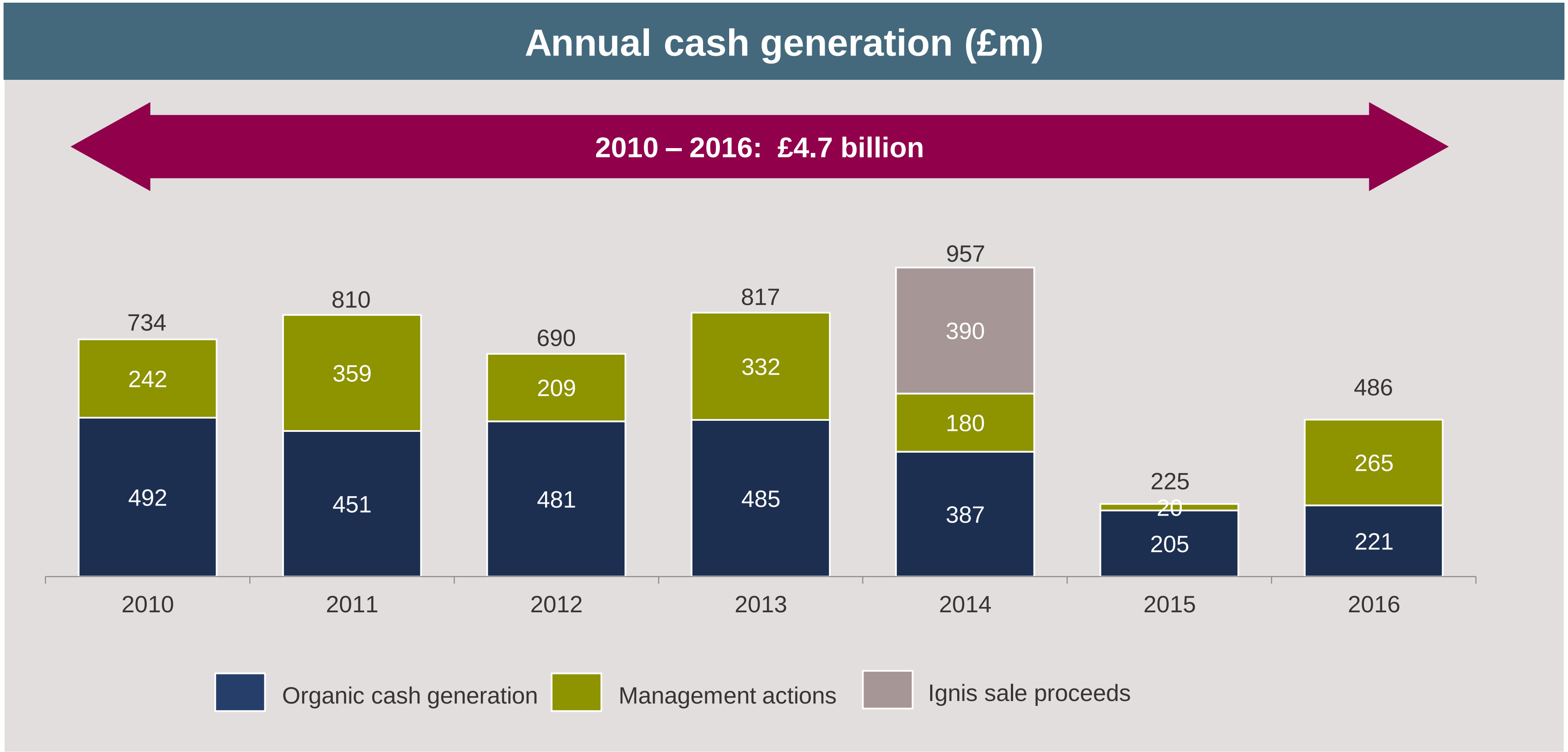
Key drivers for consolidation	Phoenix strengths
Trapped shareholder capital within legacy books	Scale offers capital efficiencies through diversification
Fixed cost pressure from policy run-off	Outsourced model offers variable cost structure
Regulatory pressure to invest in customer service and systems	Strong customer proposition in place
Specialist skill sets required e.g. with-profit funds or annuities	Established teams of subject matter experts
Low interest rate environment	Hedging and ALM expertise
Capital requirements of Solvency II regime	Internal Model provides greater clarity over capital requirements

M&A criteria

- ✓ **Closed life focus (UK and Ireland)**
- ✓ **Value accretive**
- ✓ **Supports the dividend**
- ✓ **Maintains investment grade rating**

2. Cash and capital position

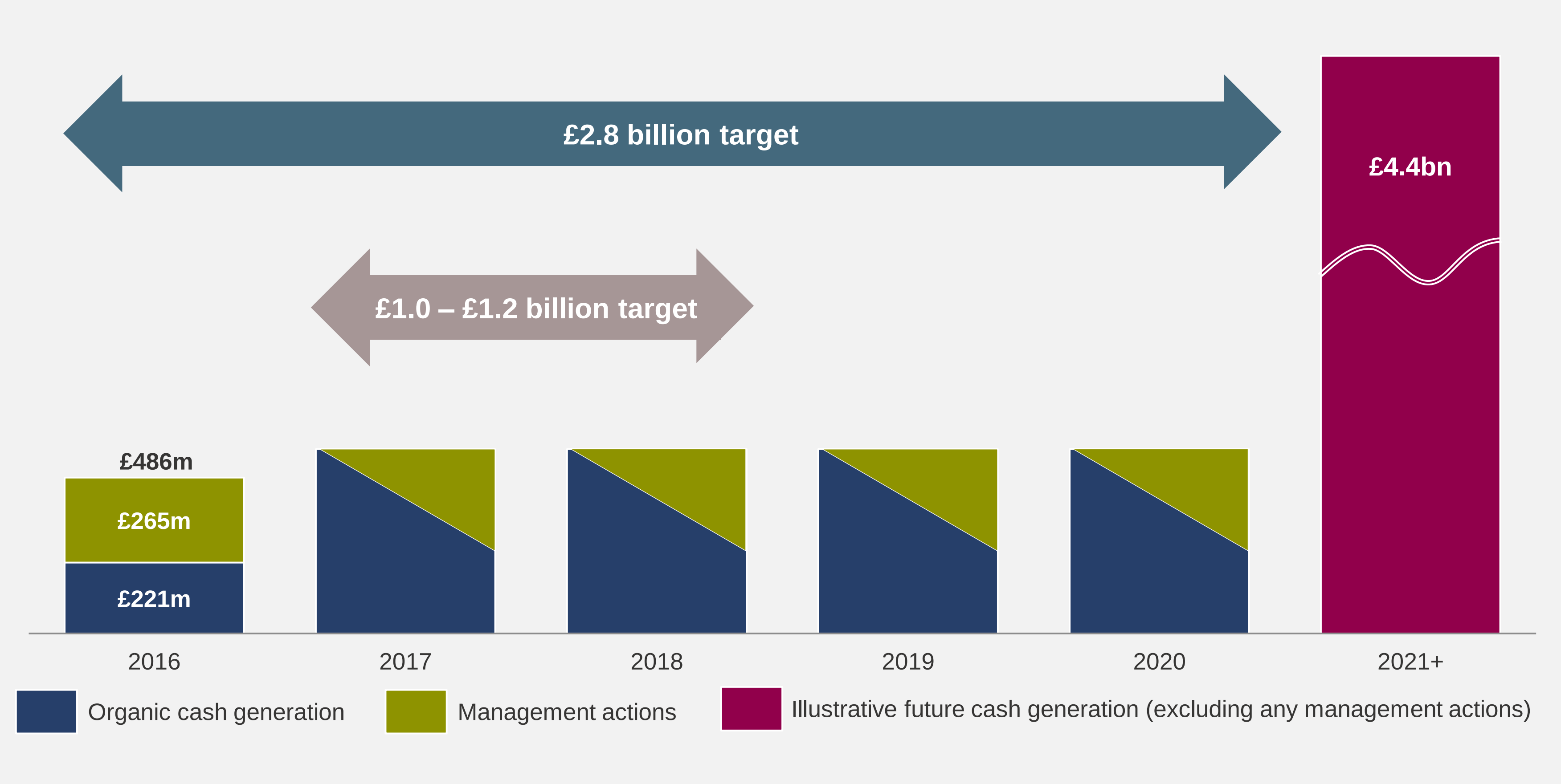
The Phoenix Group has consistently generated predictable long-term cashflows



Phoenix has met or exceeded all public cashflow targets

The Phoenix Group generates predictable long-term cashflows: £2.8 billion long-term cashflow target with £1.0-1.2 billion expected over next two years

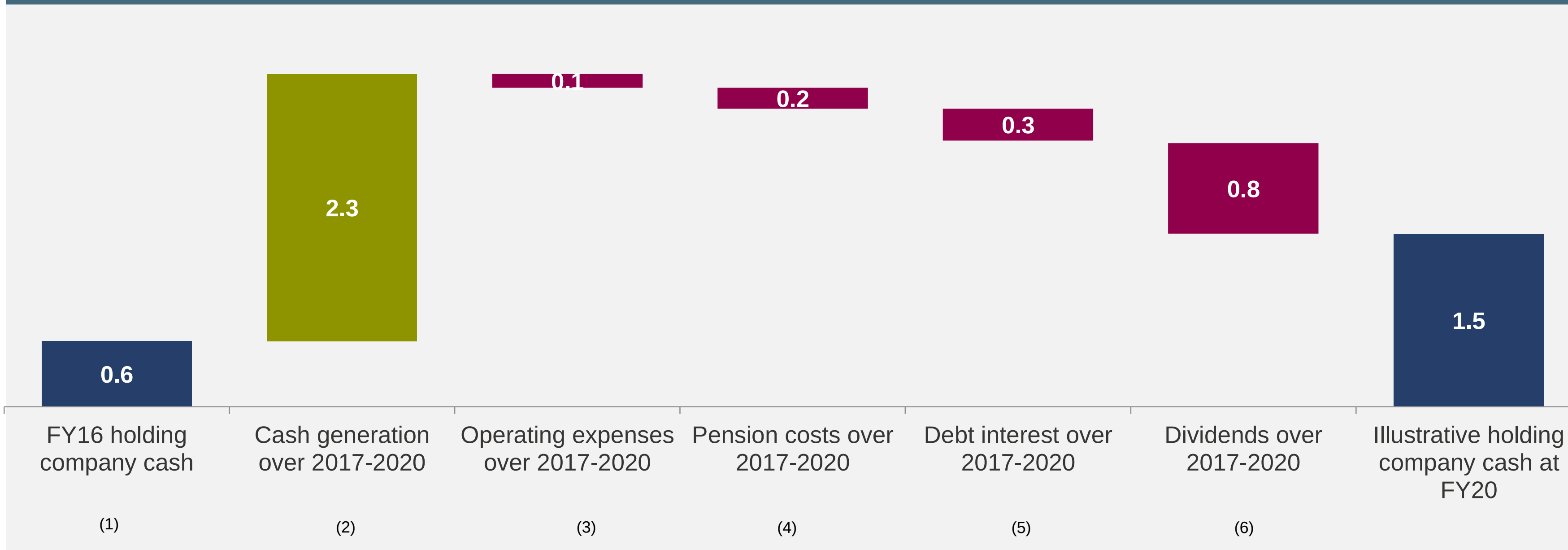
Illustrative future cash generation[1]



(1) Not to scale

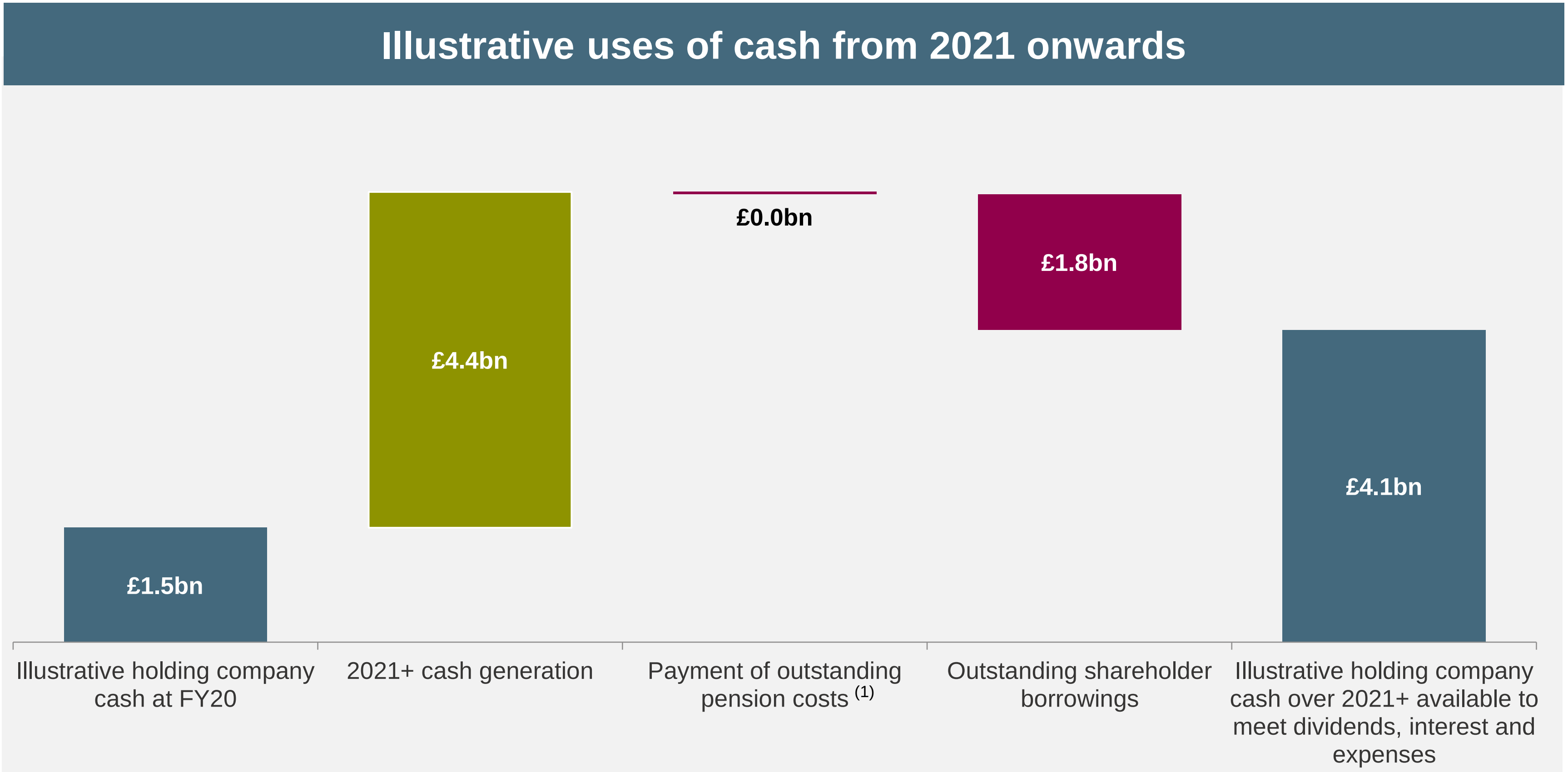
Debt servicing costs well supported by additional cashflows which also support our acquisition strategy

Illustrative uses of cash from 2017 to 2020 (£bn)



(1) FY16 holding company cash of £570m
(2) £2.8bn 2016-2020 cash generation target, less £486m generated in FY16
(3) Illustrative operating expenses of £30m per annum over 2017 to 2020
(4) Pension scheme contributions estimated in line with current funding agreements. Comprising £50m in 2017 and £40m p.a. from 2018 to 2020 in respect of the Pearl scheme and £10m in 2017 in respect of the PGL scheme
(5) Bank revolving credit facility interest costs estimated using average rate of 2.37% per annum (calculated using the interpolated 4.5 year mid-swap rate plus current bank facility margin of 1.55%). Includes interest on the Group’s listed bonds, excluding interest on PLL Tier 2 bonds which are incurred directly by Phoenix Life Limited. It excludes £150m tap of £300m 4.125% Jul-22 Tier 3 Notes and impact of the £178m tender offer for £300m 5.750% July 2021 senior bond in May 2017.
(6) Illustrative dividend assumed at cost of £193m in 2017 and £197m per annum over 2018 to 2020 in line with expectations

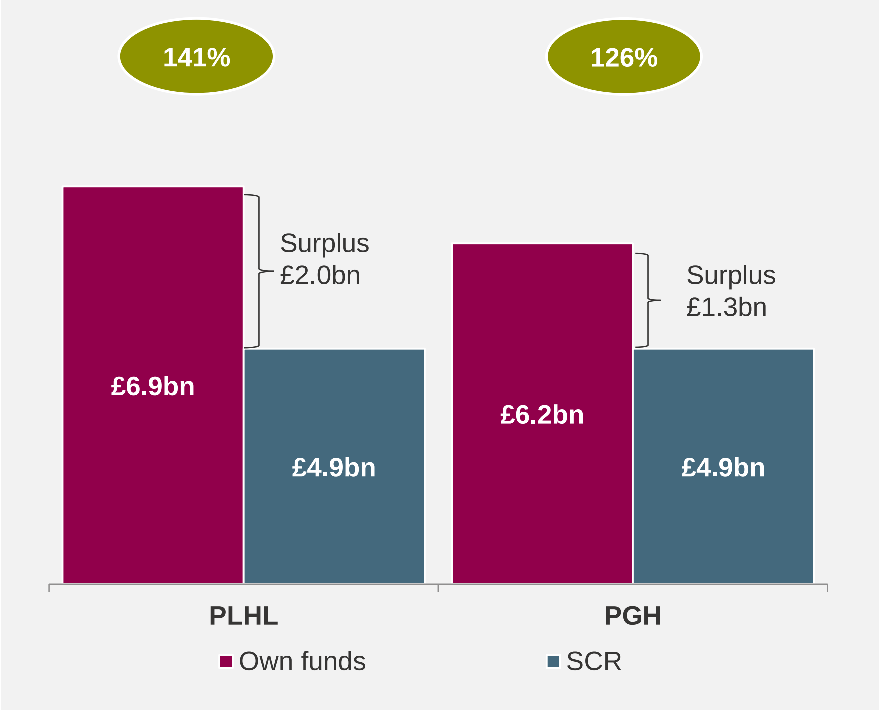
Beyond 2020, there is an expected £4.4 billion of cashflows to emerge, before management actions



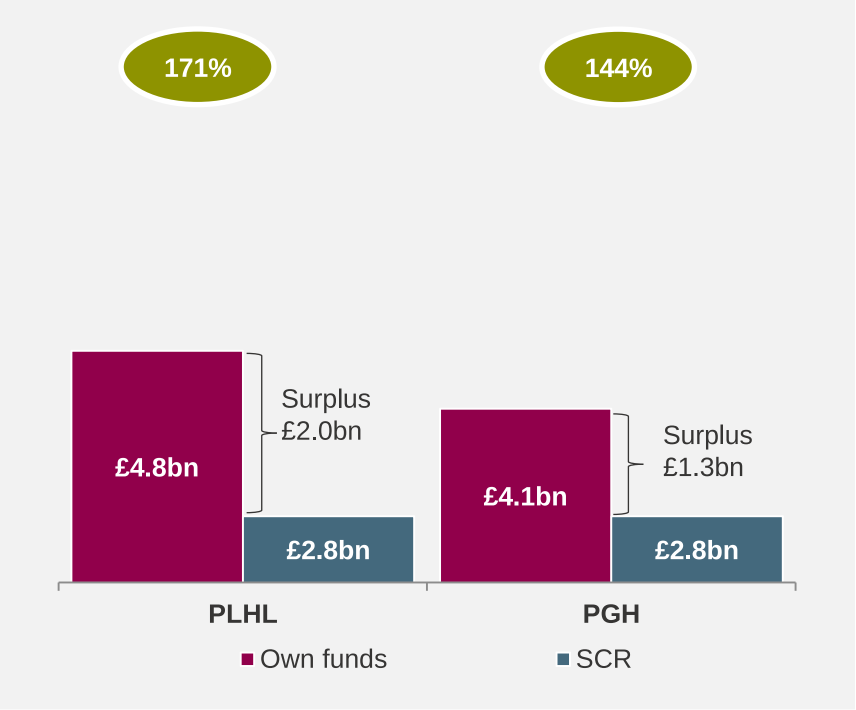
(1) £30 million of pension contributions due on Pearl scheme in 2021

PLHL and PGH Solvency II surplus and SCR coverage ratio

Solvency II Coverage ratio(1)



Shareholder Capital ratio(1) (2)

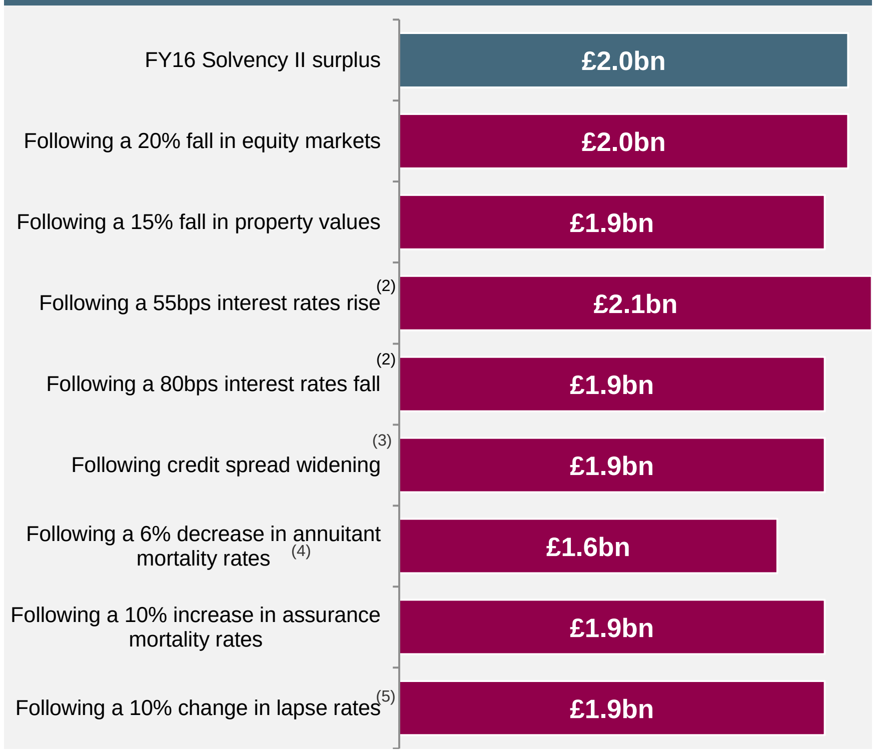


(1) Position assuming recalculation of transitionals as at 31 December 2016 and pro forma for Tier 3 bond issuance in January 2017 and impact of moving AXA businesses onto Phoenix Internal Model. The PGH position also includes £150m tap of the 4.125% Jul-22 Tier 3 Notes and impact of the £178m tender offer for £300m 5.750% July 2021 senior bond in May 2017. The Solvency II Coverage ratio calculation represents the ratio of the Group's eligible own funds to SCR, as calculated in accordance with Solvency II rules. The calculation therefore includes the SCR of unsupported With Profit Funds and the PGL pension scheme, together with an equivalent own funds amount. It does not, however, include surpluses that arise in those funds but which are available to absorb economic shocks.

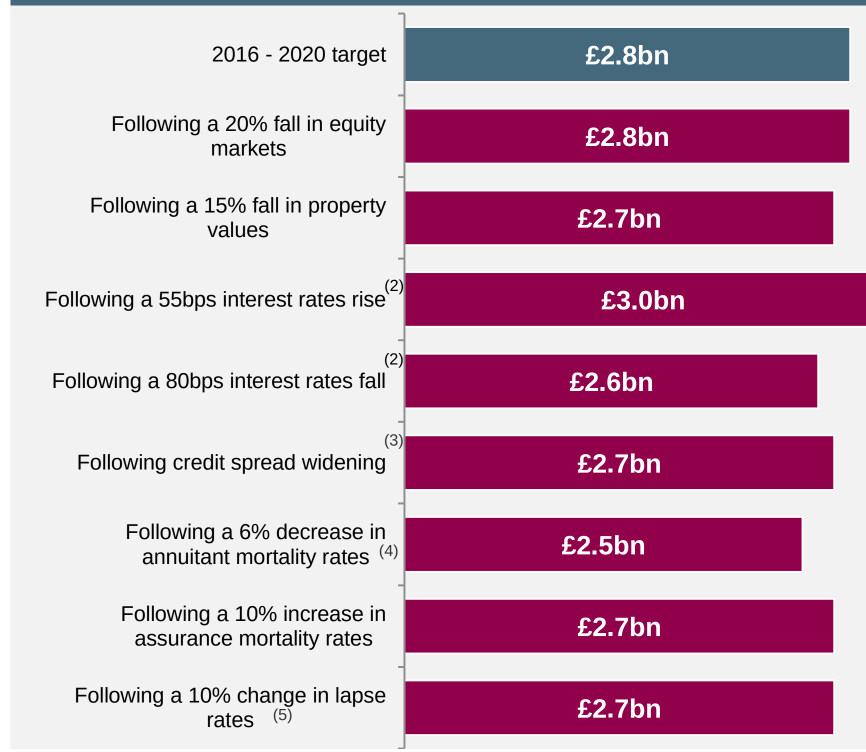
(2) The Shareholder Capital Coverage Ratio demonstrates the extent to which shareholders' eligible Own Funds cover the Solvency Capital Requirements. It is defined as the ratio of the Group Own Funds to Group SCR, after adjusting to exclude amounts relating to unsupported with-profit funds and PGL pension scheme.

Solvency II surplus and long term cash generation remains resilient to market movements

PLHL Solvency II surplus sensitivities[1]



Cash generation sensitivities[1]



(1) Assumes stress occurs on 1 January 2017

(2) Assumes recalculation of transitionals

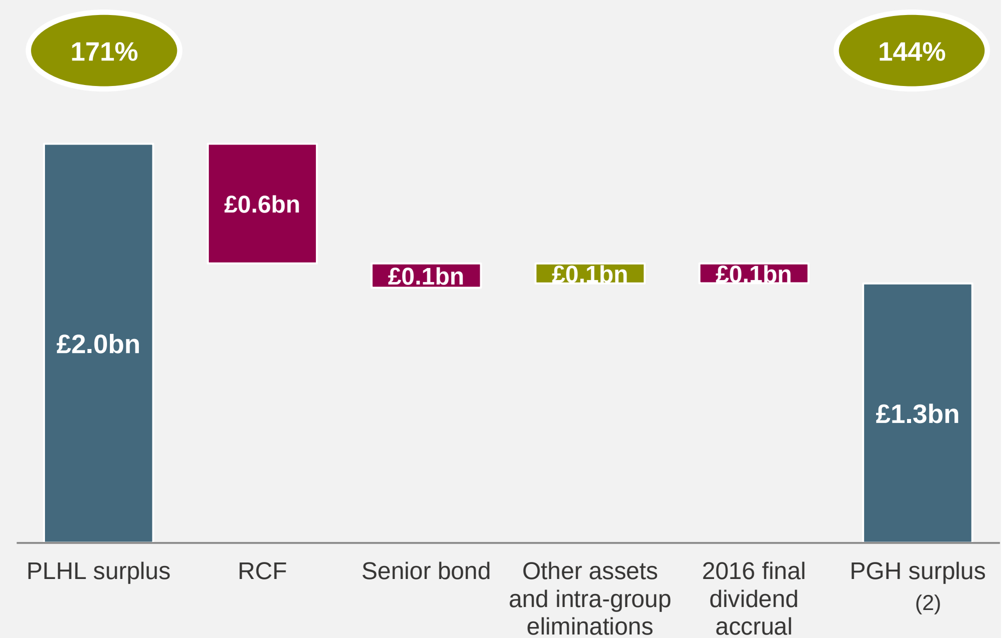
(3) Credit stress equivalent to an average 150bps spread widening across ratings, 10% of which is due to defaults/downgrades

(3) Equivalent of 6 month increase in longevity, applied to the annuity portfolio

(4) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups

Onshoring process is supported by proposed subordinated debt issuance

Surplus at PLHL level includes senior debt as equity(1)



Onshoring process

March 2017	PGH substituted as issuer of debt previously issued from PGH Capital
HY17	Solvency II capital position reported at PGH level
H2 2017/ 2018	Governance simplification
2018	Corporate structure simplification, and Solvency II reported at new UK plc topco

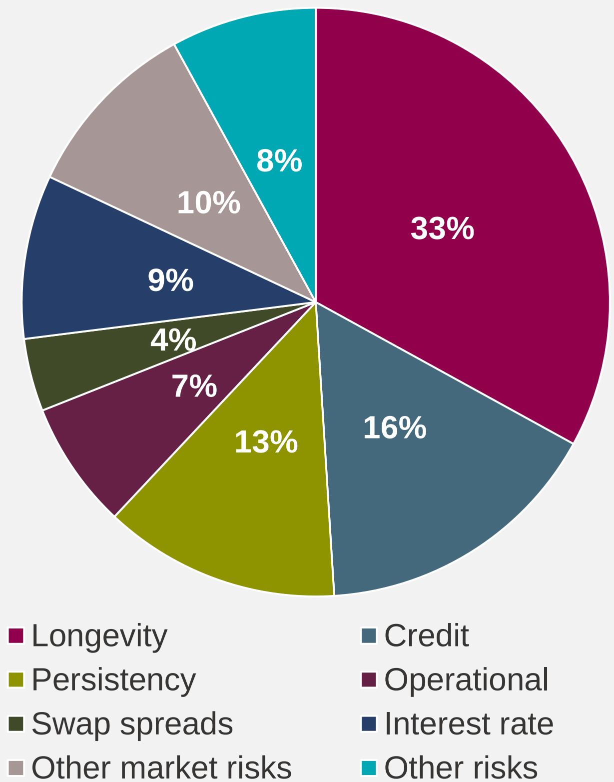
Further subordinated debt issuance to replace senior debt would increase surplus at PGH level

(1) Position assuming recalculation of Transitionals as at 31 December 2016 and proforma for Tier 3 bond issuance in January 2017 and impact of moving AXA businesses onto Phoenix Internal Model. The PGH position also includes £150m tap of the 4.125% Jul-22 Tier 3 Notes and impact of the £178m tender offer for £300m 5.750% July 2021 senior bond in May 2017.

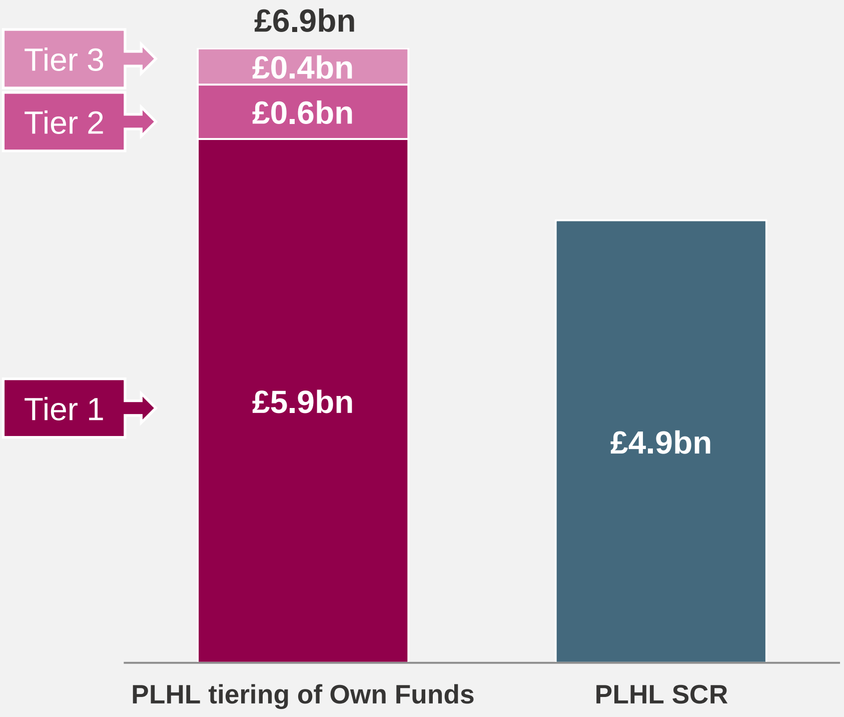
(2) Coverage ratio calculated on the Shareholder Capital basis, assuming additional £150m of Own Funds as at FY16 due to the Tier 3 tap issue completed in May 2017

Breakdown of SCR and Own Funds

PLHL SCR by risk type[(1)]



PLHL Own Funds by Capital Tier[(1)]



(1) Position assuming recalculation of transitionals as at 31 December 2016 and pro forma for Tier 3 bond issuance in January 2017 and impact of moving AXA businesses onto Phoenix's Internal Model. Split of SCR at PLHL level (pre diversification benefits). It excludes £150m tap of £300m 4.125% Jul-22 Tier 3 Notes and impact of the £178m tender offer for £300m 5.750% July 2021 senior bond in May 2017.

3. Debt and proposed offering

Phoenix continues to seek simplification of its debt and corporate structure

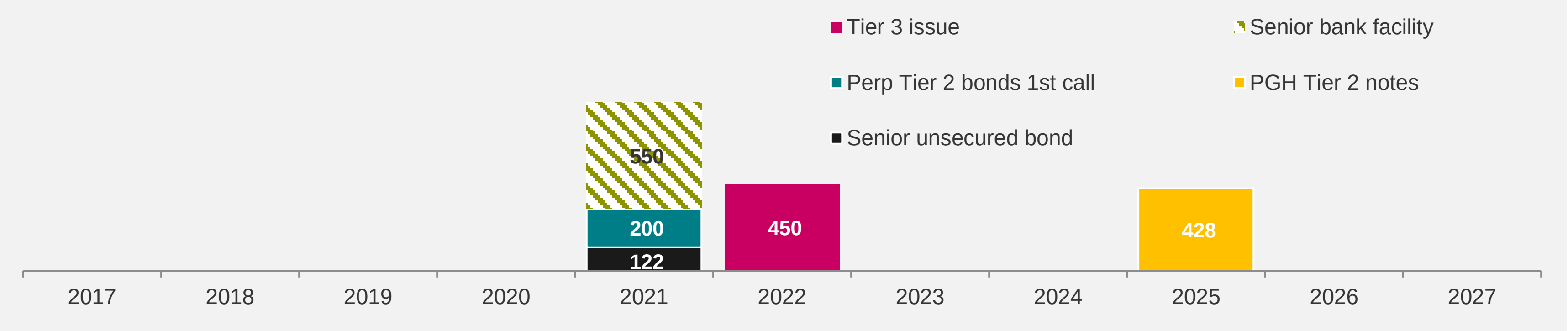
	Current position	Future plans
Bank debt	✓ £182 million AXA Wealth facility fully repaid in December 2016 ✓ Abbey Life facility rolled into expanded £900 million RCF ✓ £550 million of RCF currently drawn	• Increased size of RCF provides capacity to finance acquisitions • Continue to diversify away from senior bank debt to subordinated bonds
Bonds	✓ £300 million Tier 3 bond issued in January 2017 ✓ £150 million tap of existing Tier 3 bond in May 2017 ✓ £178m buy-back of senior bond in May 2017 ✓ Fitch investment grade rating on positive outlook	• Future bond issuance will assist repayment of senior debt • Actions to simplify corporate structure (onshoring) to continue during 2017 and 2018

Summary of the debt and debt maturity profile

Structure of £1,750 million of outstanding debt as at 21st June 2017

	Instrument	Issuer/borrower	Maturity	Face value
Bank Debt	**Unsecured Revolving Credit Facility (L+155bps)(1) (2)**	Phoenix Group Holdings	June 2021	£550m(2)
Bonds	**Unsecured Senior Bond (5.750% due Jul-2021, XS1081768738)**	Phoenix Group Holdings	July 2021	£122m
	Subordinated Tier 3 Bond (4.125% due Jul-2022, XS1551285007)	Phoenix Group Holdings	July 2022	£450m
	Subordinated Tier 2 Bond (6.625% due Dec-2025, XS1171593293)	Phoenix Group Holdings	December 2025	£428m
	Subordinated Tier 2 Bond (7.250% Perpetual NC2021, XS0133173137)	Phoenix Life Limited	March 2021 (first call date)	£200m

Debt maturity profile as at 21st June 2017 (£m)



(1) Revolving Credit Facility has a interest margin of 135bps. In addition, a utilisation fee of 20bps is payable if the RCF is utilised by more than one third of the £900 million facility, and 40bps if utilised by more than two thirds of the £900 million facility. Commitment fees of 35% of margin are payable on undrawn amounts. A one notch uplift in the Group's credit rating will reduce the margin by 25bps

(2) £550m drawn under £900m facility

The proceeds of the new Tier 2 bond will be used to repay the senior unsecured bank debt, keeping leverage neutral

Issuer	Phoenix Group Holdings ("PGH")
Size	USD 300m – USD 500m
Maturity	10 years
Use of Proceeds	General Corporate Purposes and repayment of senior bank debt
Currency	USD
Structure	Tier 2 bullet

- ✓ Strengthens capital surplus of the Group
- ✓ Supports on-shoring and Group's simplification
- ✓ Smooths and lengthens maturity profile
- ✓ Diversifies the investor base and replenishes bank capacity for acquisition financing

Phoenix aims for ratings upgrade during 2017

	Ratings sensitivities for upgrade	Status update
Capitalisation	Phoenix's score in Prism Factor-Based Capital Model remains "extremely strong"	✓
Leverage	Financial leverage remains below 30%	✓
Successful integration of Abbey and AXA Wealth	An upgrade is subject to evidence of successful integration of Abbey and AXA Wealth's pension and protection business into Phoenix's operations	• Integration ahead of schedule • £282m of cash extracted from AXA • Residual integration risk "low"

Fitch Ratings (1)	
PLL and PLAL IFS rating	A
PGH	A-
PGH £122m Senior Bond	BBB+
PGH £428m Subordinated Tier 2 Bond	BBB-
PGH £450m Subordinated Tier 3 Bond	BBB-
Outlook	Positive

Strong position in niche market

- Largest specialist consolidator of closed life assurance funds in the UK
- Scalable operations
- Diversified product portfolio

Strong capitalisation and operating profitability

- Fitch views Phoenix's capitalisation as 'Extremely Strong' based on the agency's Prism factor-based capital model
- Strong regulatory capital
- Strong cash generation
- Stable dividend policy

Low investment risk

- With-profits and unit-linked focus limits investment risk
- With-profits funds' investments aligned with capital positions
- Fixed-interest investments of high quality
- Sophisticated ALM and strong liquidity

Source: Fitch Rating report 19 August 2016

(1) All ratings reaffirmed with positive outlook on 28th September 2016

4. Conclusion

The Phoenix Group has a strong business and credit profile, repositioned for growth

- ✓ UK's leading consolidator, well positioned to undertake acquisitions in future
- ✓ Strong support in both equity and debt markets
- ✓ Robust and focussed set of strategic priorities.
- ✓ Minimal residual integration risk remaining, enabling growth opportunities to be explored
- ✓ High level of predictable cash generation
- ✓ Leverage in line with investment grade rating
- ✓ Robust group solvency, resilient to market movements
- ✓ All ratings on positive outlook

Appendices

I. Indicative Termsheet

II. Structural Comparison

III. Recent history of the Phoenix Group

IV. Current corporate structure

V. Current capital management framework under Solvency II

VI. Ongoing focus on maximising operational efficiency

VII. Management actions in 2016 have added £463 million to Solvency II surplus

VIII. Transitional recalculations offset moves in the Risk Margin

IX. Reduction in Risk Margin substantially offsets the run-off of transitional measures over time

X. Wide range of products within Phoenix at FY16

XI. Phoenix has a long track record of managing longevity risk

XII. Future sources of growth in our annuity book

XIII. Impact of Brexit on Phoenix Group

XIV. Asset mix of life companies

XV. Credit rating analysis of debt portfolio

XVI. Total debt exposure by country

Appendix I - Indicative Termsheet

Issuer	Phoenix Group Holdings ("PGH")
Size	USD [●]
Maturity	[●] 2027 (subject to Solvency Condition and Regulatory Clearance Conditions)
Scheduled Call Options	None
Senior Rating / Expected Issue Rating	BBB+ / BBB- (Fitch) (Positive outlook)
Coupon	[●]%, payable semi-annually in arrear, on [●] and [●] in each year, commencing [●] 2018, subject to deferral in accordance with the Conditions
Step-up (bps)	N/A
Subordination	• Subordinated to policyholders, unsubordinated creditors and Tier 3 • Pari passu with other Tier 2 obligations • In priority to undated or perpetual subordinated obligations and all classes of shares in the Issuer
Optional Interest Deferral	None
Mandatory Interest Deferral	• Payment of interest on the Notes will be mandatorily deferred on a Regulatory Deficiency Interest Deferral Date (each Interest Payment Date in respect of which a Regulatory Deficiency Interest Deferral Event has occurred and is continuing) or upon non-satisfaction of the Solvency Condition • Regulatory Deficiency Interest Deferral Event means where a SCR or MCR breach has occurred, or any other event which requires interest deferral in order to comply with Tier 2 Capital requirements (including where the PRA has determined that payment of interest must be deferred) • NB dual level test at the Issuer and Insurance Group Level • Any interest deferred will constitute Arrears of Interest and shall not themselves bear interest
Settlement of Arrears of Interest	May be paid in whole or in part at any time. Will become due or payable on the earliest of (i) next Interest Payment Date that is not a Regulatory Deficiency Interest Deferral Date, (ii) Issuer Winding-up, or (iii) redemption or purchase of the Notes
Suspension of Repayment	• Contractual lock-in if an Insolvent Insurer Winding-up has occurred, SCR or MCR breach, non-satisfaction of the Solvency condition or the Regulatory Clearance Condition; or any other event which requires redemption deferral in order to comply with Tier 2 requirements (including where the PRA has determined that redemption must be deferred) • NB dual level test at the Issuer and Insurance Group Level
Special Call Events	Issuer option to call at par at any time for taxation reasons (requirement to pay additional amounts, loss of deductibility) or upon a Capital Disqualification Event or a Rating Methodology Event
Substitution and/or Variation	Applicable for taxation reasons or upon a Capital Disqualification Event or a Rating Methodology Event, provided terms are not materially less favourable to investors than the terms of the Notes
Use of Proceeds	General Corporate Purposes and repayment of senior bank debt
Denominations	USD200,000 + USD1,000

Appendix II - Structural comparison

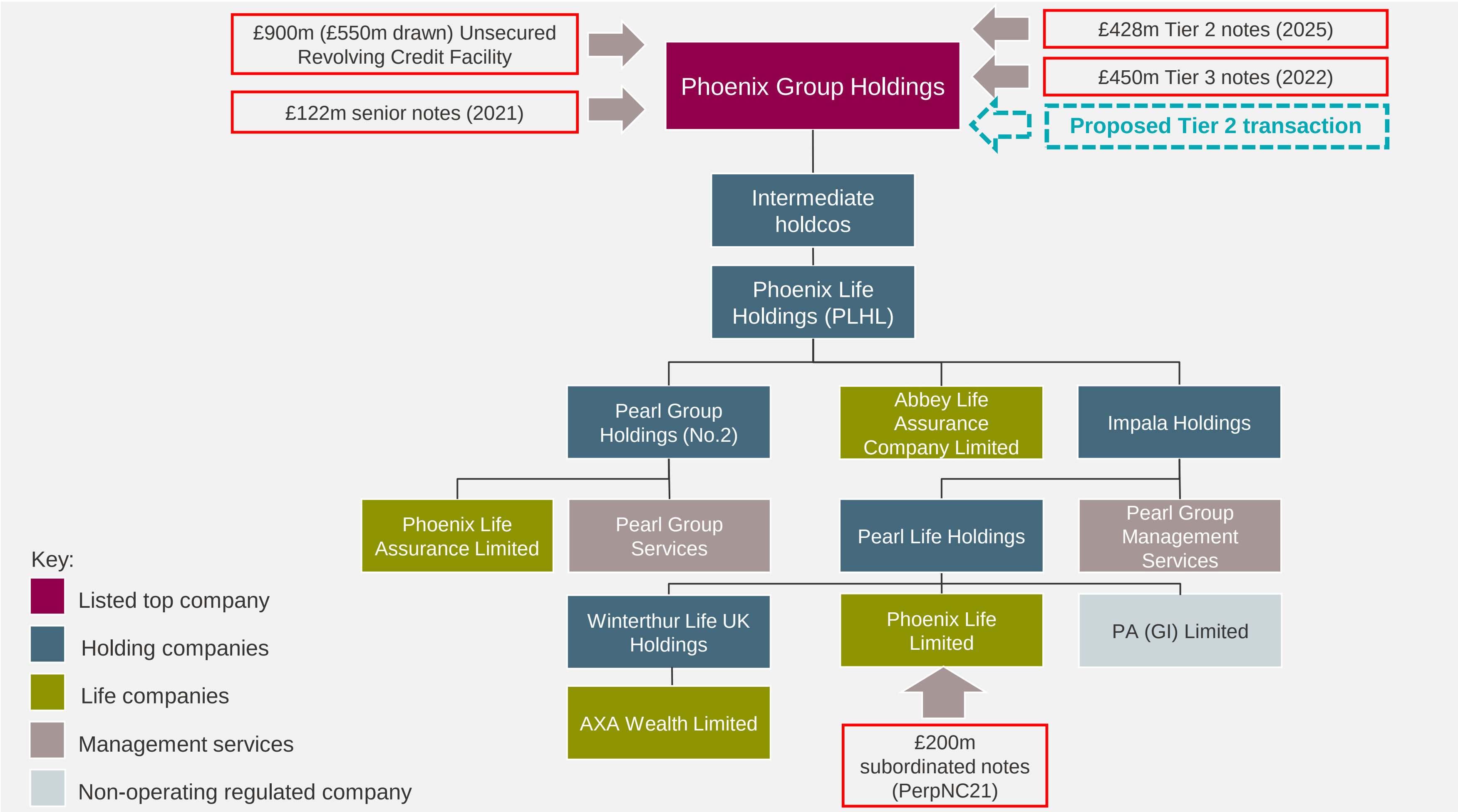
	PGH 2027 Notes	Legal & General Tier 2	AXA Tier 2	PGH 2025 Notes
Issuer	Phoenix Group Holdings	Legal & General Group plc	AXA SA	Phoenix Group Holdings[1]
Issue Date	[●] 2017	14 March 2017	10 January 2017	23 January 2015
Size	USD [●]m	USD 850m	USD 1,000m	GBP 428m
Tenor	10y bullet	30NC10	30NC10	11y bullet
Maturity Date	[●] 2027	21 March 2047	17 January 2047	18 December 2025
First Call Date	None	21 March 2027	17 January 2027	None
Issue Rating (M / S / F)	[- / - / BBB-]	Baa1 / BBB+ / BBB+	A3 / BBB+ / BBB	- / - / BBB-
Subordination	In priority to undated subordinated obligations and all classes of shares	In priority to existing undated Tier 2 securities, Tier 1 obligations and all classes of shares	In priority to undated subordinated obligations, deeply subordinated obligations and all classes of shares	In priority to undated subordinated obligations and all classes of shares
Interest Rate	Fixed rate of [●]% per annum payable semi-annually until maturity	Fixed rate of 5.25% per annum payable semi-annually until First Call Date, then reset to 5yr $ mid-swap +368.7bp	Fixed rate of 5.125% per annum payable semi-annually until First Call Date, then reset to 3mth $ LIBOR +388.3bp	Fixed rate of 6.625% per annum payable annually until maturity
Step-up	None	100bp on First Call Date	100bp on First Call Date	None
Optional Interest Deferral	None	At issuer's discretion, subject to 6-month dividend pusher	At issuer's discretion, subject to 6-month dividend pusher	None
Mandatory Interest Deferral	SCR breach, or any other event which requires interest deferral in order to comply with Tier 2 requirements (including upon the regulator's determination)	SCR breach, or any other event which requires interest deferral in order to comply with Tier 2 requirements (including upon the regulator's determination)	SCR breach, or regulator's determination that interest deferral is required	SCR breach, or any other event which requires interest deferral in order to comply with Tier 2 requirements (including upon the regulator's determination)
Arrears of Interest	Cash cumulative and non-compounding	Cash cumulative and non-compounding	Cash cumulative and compounding	Cash cumulative and non-compounding
Suspension of Repayment	• Insolvent Insurer Winding-up has occurred • SCR breach, or any other event which requires redemption deferral in order to comply with Tier 2 requirements (including upon the regulator's determination)	• Insolvent Insurer Winding-up has occurred • SCR breach, or any other event which requires redemption deferral in order to comply with Tier 2 requirements (including upon the regulator's determination)	• Insolvent Insurer Winding-up has occurred • SCR breach, or regulator's determination that redemption deferral is required	• Insolvent Insurer Winding-up has occurred • SCR breach, or any other event which requires redemption deferral in order to comply with Tier 2 requirements (including upon the regulator's determination)
Special Call Events	Issuer option to call at par at any time for taxation reasons (additional amounts, deductibility), Capital Disqualification Event or Ratings Methodology Event	Issuer option to call at par at any time for taxation reasons (additional amounts, deductibility), Capital Disqualification Event or Ratings Methodology Event	Issuer option to call at par at any time for taxation reasons (additional amounts, deductibility), Capital Disqualification Event, Ratings Methodology Event or Accounting Event	Issuer option to call at par at any time for taxation reasons (additional amounts, deductibility) or Capital Disqualification Event
Exchange and/or Variation	Applicable for taxation reasons, Capital Disqualification Event or Ratings Methodology Event	Applicable for taxation reasons, Capital Disqualification Event or Ratings Methodology Event	Applicable for Capital Disqualification Event or Ratings Methodology Event	Applicable for taxation reasons or Capital Disqualification Event

[1] Phoenix Group Holdings was substituted in place of PGH Capital Public Limited Company as issuer and principal debtor of the Notes on 20 March 2017
Source: Offering circulars and prospectuses

Appendix III - Recent history of the Phoenix Group

2011/2012	• New Management Team
2013	• £250m equity raise and re-termed bank debt
2014	• Sale of Ignis Asset Management for £390m to Standard Life • £300m 7-year senior bond issue • New single bank facility of £900m
2015	• Exchange of £425m Tier 1 bond into £428m 2025 Solvency II Tier 2 Bond • Achieved Investment Grade credit rating in August 2015 • Solvency II Internal Model approved by PRA
2016	• Acquisition of AXA Wealth's pension and protection businesses for £373m • Acquisition of Abbey Life for £933m
2017	• Issuance of £300m first Tier 3 Sterling Bond in January 2017 • £150m Tap of existing Tier 3 bond • £178m tender offer for £300m senior bond

Appendix IV - Current corporate structure



All shareholdings are 100%. Only shows material subsidiaries

Appendix V - Current capital management framework under Solvency II

Group solvency (PGH)

- Following expiry of 'other methods' waiver on 30 June 2017, Group supervision and capital position calculation will also be undertaken at the PGH level

Phoenix Group Holdings → **Debt interest and repayments**
Shareholder dividends

Cash remittances ↑

Group solvency (PLHL)

- Continued requirement to calculate the Group capital position at Phoenix Life Holdings Limited ('PLHL'), being the ultimate insurance parent undertaking in EEA

Phoenix Life Holdings Limited → **Head office costs**
Pension scheme contributions

Cash remittances ↑

Phoenix Life companies

Individual company solvency

- Capital policies held on top of SCR
- Free Surplus represents excess over capital policy and can be distributed to holding companies as cash

Appendix VI - Ongoing focus on maximising operational efficiency

Costs reductions track policy run-off						
	2010 – 2011	2011 – 2012	2012 – 2013	2013 – 2014	2014 – 2015	Cumulative since 2010
Policy run-off	6.9%	6.7%	10.4%[(2)]	8.5%	4.5%	32.0%
Costs[(1)] run-off	9.2%	7.2%	9.6%	9.8%	6.9%	36.1%

- Underpinned by outsourcer variable cost model
- Enhanced by ongoing operational efficiency within retained business
- Cost pressures from regulatory change being managed

Notes: (1) Cost measures based on Phoenix Life direct and allocated costs for running the closed life book operation
(2) Includes impact of annuity transfer to Guardian, resulting in a transfer of 322,000 policies on 1 October 2013

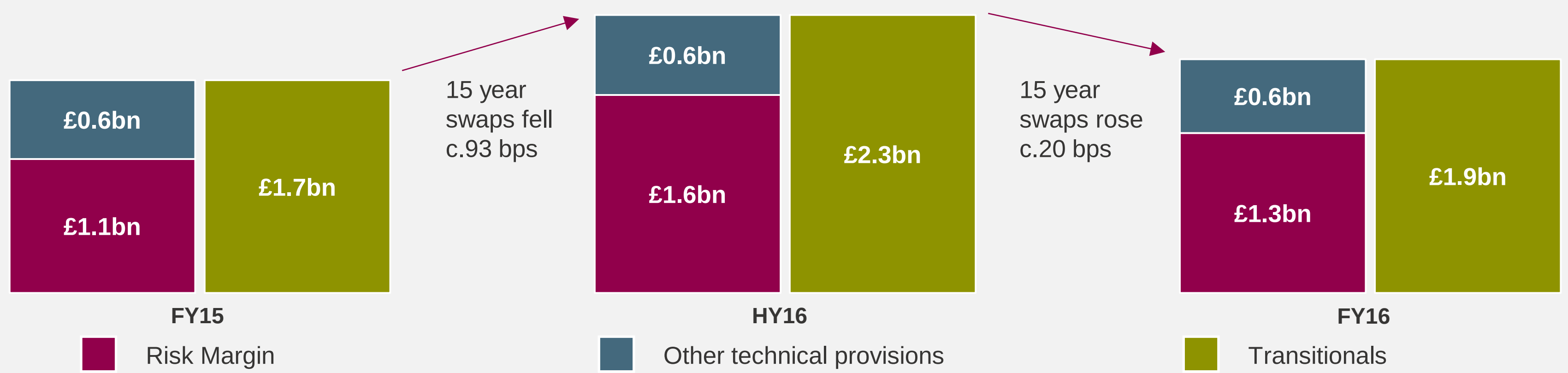
Appendix VII - Management actions in 2016 have added £463 million to Solvency II surplus

Increase overall cashflows	**Accelerate cashflows**
Increase Solvency II Own Funds	**Reduce Solvency II SCR**
• Part VII transfer of annuity portfolio • Reduced expense agreements with life companies • ALM – Total Return Swaps • Balance sheet reviews and Matching Adjustment benefit on new asset classes	• Longevity swap with external reinsurer • Operational risk methodology enhancements • ALM – hedging and methodology
£250 million benefit in FY16	**£213 million benefit in FY16**

Appendix VIII - Transitional recalculations offset moves in the Risk Margin

- Transitionals are used to smooth the transition to the Solvency II regime
- PRA have stated that transitionals are Tier 1 capital
- Solvency II uses a swaps discount curve less a credit risk adjustment (rather than a gilts curve) together with a requirement to hold a Risk Margin in addition to best estimate liabilities
- Given the liquid UK swaps curve of 50 years, UK firms can use transitionals - other European countries use an Ultimate Forward Rate after 20 years
- The Risk Margin is highly sensitive to interest rates and therefore the transitional benefit is recalculated for a sustained move in interest rates or a material change to the risk profile of the company, subject to regulatory approval

Moves in interest rates drive changes in Risk Margin and recalculation of transitionals(1)

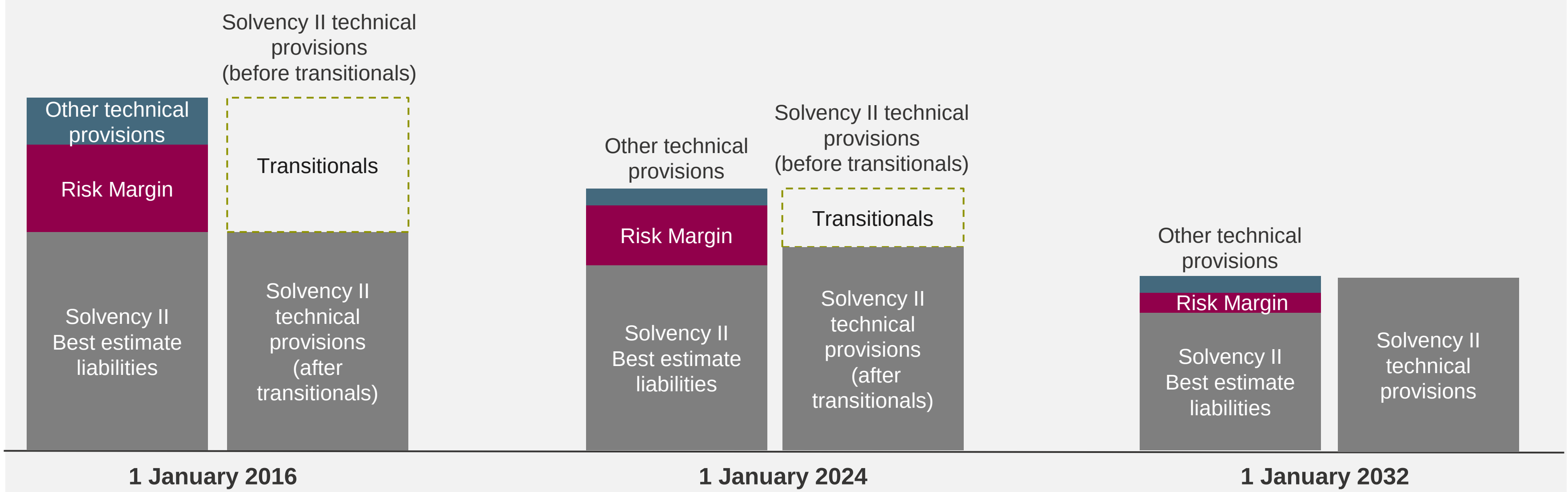


(1) FY16 position is estimated. Analysis excludes Risk Margin, other technical provisions and transitionals within strong with-profit funds and Abbey Life

PHOENIX GROUP

Appendix IX - Reduction in Risk Margin substantially offsets the run-off of transitional measures over time

Illustrative Solvency II evolution of liabilities(1)



- Transitional measures will run-off over 16 years from 2016 and will reflect the run-off of the business as per Solvency II implementation
- The Risk Margin and other liabilities will also run-off over the duration of the liabilities to substantially offset the adverse impact of the run-off of transitional measures
- Modest strain of slower Risk Margin and other technical provisions run-off incorporated in cashflow targets

(1) Graphs illustrative and not to scale

Appendix X - Wide range of products within Phoenix at FY16

Product	Shareholder exposure	Principal shareholder risks
Unsupported with-profits	• Typically the shareholder receives 10% of declared bonus (90:10 structure)	• Indirect Market / ALM risk • Indirect Longevity risk • Indirect Lapse risk
Supported with-profits	• Shareholder capital exposed to 100% downside until estate is rebuilt to cover capital requirements	• Market / ALM risk • Longevity risk • Lapse risk
Unit-linked	• Shareholders indirect exposure through fund-related charges	• Indirect Market risk • Lapse risk
Annuities and other	• Shareholder directly exposed to all investment and demographic risks	• Longevity risk • Credit / ALM risk • Lapse risk

Appendix XI - Phoenix has a long track record of managing longevity risk

Significant history of annuity transactions

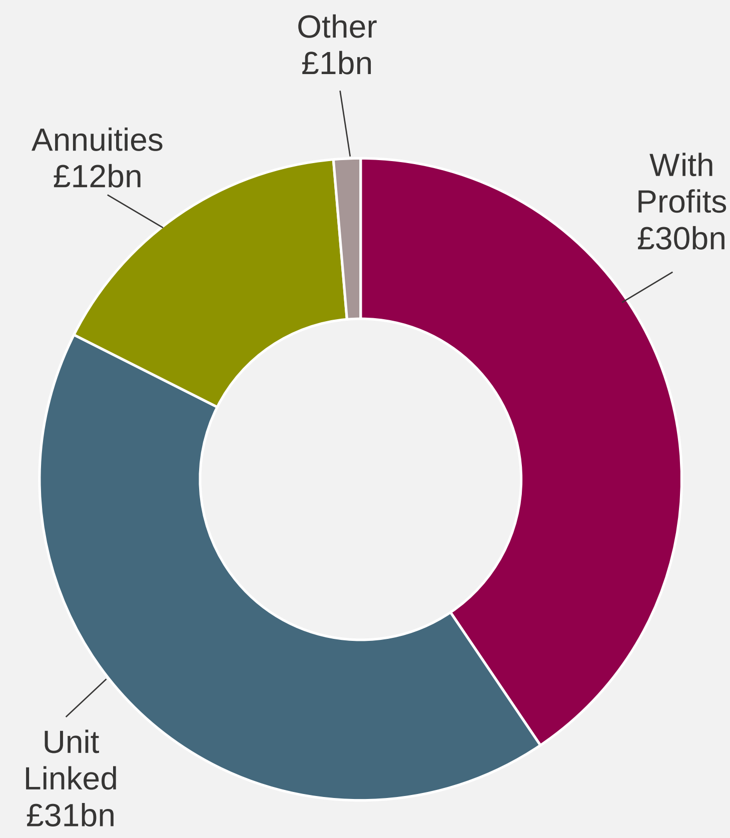
Risk reduction

2012	Sale of £5bn annuity book to Guardian
2014	Sale of £2bn annuity book to Guardian
2014	£1bn longevity swap (PGL pension scheme)
2015	£1bn longevity reinsurance (Opal Re)
2016	£2bn longevity swap

Risk acquisition

2016	Acquisition of £2.5bn annuity book (Abbey Life)
2016	Wrote over £500m of vesting annuities, majority being GARs
2016	£1bn pension buy-in transaction with PGL pension scheme

Gross liabilities at 31 December 2016



Appendix XII - Future sources of growth in our annuity book

Vesting annuities

- Phoenix only writes annuities for existing policyholders
- Wrote £370 million of Guaranteed Annuity Rate annuities ("GARs") in FY16
- Non-GAR annuities of £172 million in FY16

Acquiring annuity portfolios

- Back books of annuities may be sold by vendors as portfolios or as part of a more diverse closed book
- Transitional measures available to offset risk margin
- Different approach to asset mix allows buyers to take an alternative view on value

Bulk annuity market

- Projected demand of £350 billion over next 10 years
- Current lack of capacity to absorb potential demand
- Knowledge of trustee requirements key for bulk annuities

Criteria identical to those for closed life fund acquisitions

- ✓ **Value accretive**
- ✓ **Supports the dividend**
- ✓ **Maintains investment grade rating**

Appendix XIII - Impact of Brexit on Phoenix Group

Impact on capital position	• Significant fall in swap rates following EU Referendum impacted Solvency II position, in line with the sensitivities disclosed at FY15 • Additional management actions delivered during 2016
Asset quality	• High quality corporate bond portfolio, with 98% of shareholder portfolio being investment grade • Shareholders and bondholders have minimal exposure to equities and property
Risk mitigation	• Cashflows from the Phoenix Life companies protected through hedging actions

Appendix XIV - Asset mix of life companies

At 31 December 2016 £m unless otherwise stated	Total shareholder, non-profit and supported with-profits[2]	%	Policyholder funds[3]		Total policyholder	Total assets[1]
			Non-supported with-profits funds	Unit-linked		
Cash deposits	3,696	19	4,342	1,858	6,200	9,896
Debt securities						
Debt securities – gilts	3,546	18	6,724	2,163	8,887	12,433
Debt securities – bonds	10,523	55	6,427	2,926	9,353	19,876
Total debt securities	**14,069**	**73**	**13,151**	**5,089**	**18,240**	**32,309**
Equity securities	235	1	5,699	15,747	21,446	21,681
Property investments	218	1	802	619	1,421	1,639
Other investments[4]	1,021	6	1,849	7,449	9,298	10,319
Total	**19,239**	**100**	**25,843**	**30,762**	**56,605**	**75,844**

(1) The analysis of the asset portfolio comprises assets held by the Group's life companies. It excludes other Group assets such as cash held in holding companies and service companies, and is net of derivative liabilities. This information is presented on a look through basis to underlying holdings where available

(2) Includes assets where shareholders of the life companies bear the investment risk

(3) Includes assets where policyholders bear most of the investment risk

(4) Includes equity release mortgages of £433 million, policy loans of £10 million, other loans of £308 million, net derivative assets of £1,468 million, reinsurers' share of investment contracts of £6,808 million and other investments of £1,292 million

Appendix XV - Credit rating analysis of debt portfolio

At 31 December 2016 £m	Total shareholder, non-profit and supported with-profits	Policyholder funds			Total assets
		Non-supported with-profits funds	Unit-linked	Total policyholder	
AAA	2,268	1,626	519	2,145	4,413
AA	5,521	7,962	1,415	9,377	14,898
A	3,645	1,312	550	1,862	5,507
BBB	2,328	1,624	360	1,984	4,312
BB	136	167	47	214	350
B and below	18	117	11	128	146
Non-rated	153	343	2,187	2,530	2,683
As at 31 December 2016	**14,069**	**13,151**	**5,089**	**18,240**	**32,309**

Appendix XVI - Total debt exposure by country

At 31 December 2016 £m	Sovereign and Supranational		Corporate: Financial Institutions		Corporate: Other		Asset Backed Securities		Total debt securities		Total debt
	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	
UK	3,863	9,224	1,672	1,660	1,591	1,041	1,217	659	8,343	12,584	20,927
Supranationals	817	466	-	-	-	-	-	-	817	466	1,283
USA	21	132	658	674	600	386	18	5	1,297	1,197	2,494
Germany	246	571	76	61	294	153	74	29	690	814	1,504
France	65	101	171	194	293	155	29	-	558	450	1,008
Netherlands	28	118	307	302	69	21	93	33	497	474	971
Italy	-	26	15	18	63	40	-	-	78	84	162
Ireland	-	-	30	29	4	7	31	18	65	54	119
Spain	-	10	1	25	48	28	-	-	49	63	112
Other - non Eurozone(2)	159	629	878	1,015	388	248	80	10	1,505	1,902	3,407
Other - Eurozone	16	41	98	86	53	22	3	3	170	152	322
Total debt exposure	**5,215**	**11,318**	**3,906**	**4,064**	**3,403**	**2,101**	**1,545**	**757**	**14,069**	**18,240**	**32,309**
of which Peripheral Eurozone	**-**	**36**	**46**	**72**	**115**	**75**	**31**	**18**	**192**	**201**	**393**
At 31 December 2015 £m											
Total debt exposure	**3,466**	**10,023**	**2,226**	**1,741**	**2,243**	**2,562**	**728**	**538**	**8,663**	**14,864**	**23,527**
of which Peripheral Eurozone	**-**	**8**	**39**	**31**	**104**	**60**	**-**	**13**	**143**	**112**	**255**

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

(2) Other mainly includes Australia, Switzerland and Japan

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