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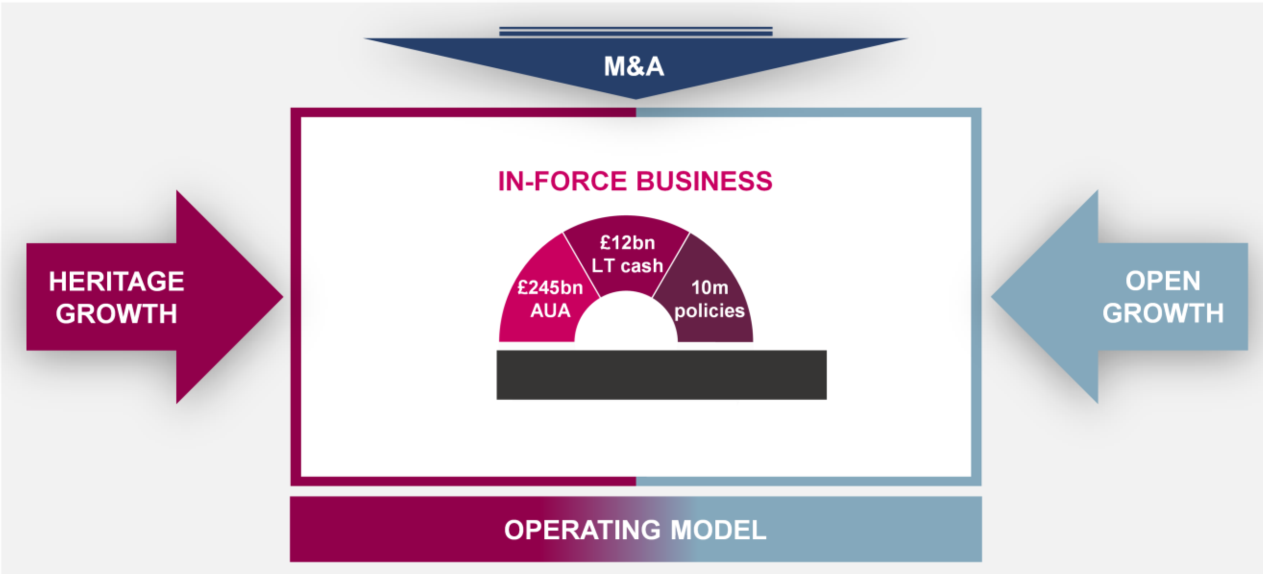
Cash
Resilience
Growth

Phoenix Group Capital Markets Day

28 November 2019

Good morning Ladies and Gentlemen, and welcome to Phoenix’s 2019 Capital Markets Day.

Phoenix delivers cash, resilience and growth

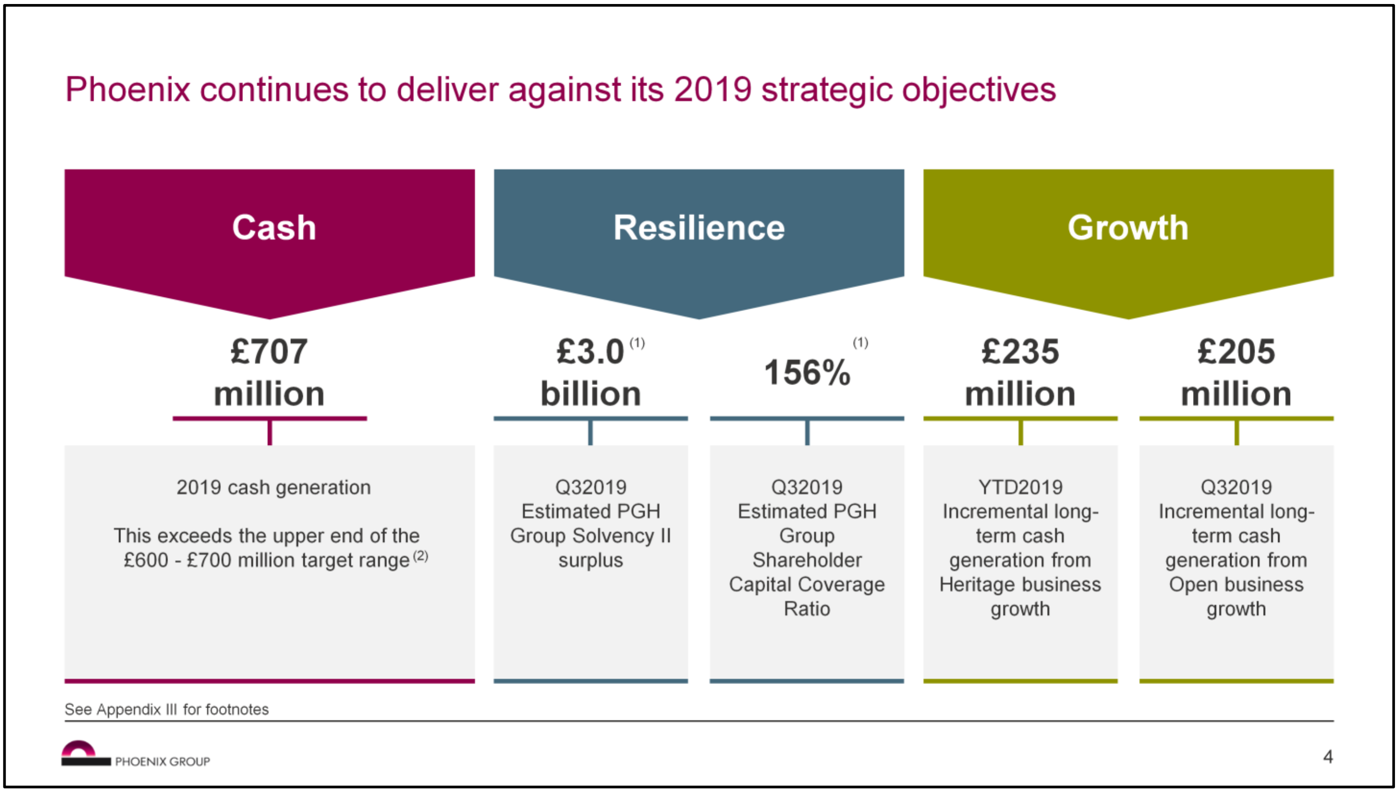


Phoenix is Europe’s Largest Life and Pensions Consolidator.

It has an in-force business comprising 10 million policies and £245 billion of assets under administration that spans Heritage and Open products and has operations in the UK, Germany and Ireland.

The key attributes of Phoenix’s in-force business continue to be cash and resilience.

What is “new” to the Phoenix story is the range of growth opportunities it has across it’s Heritage and Open businesses to bring more sustainability to cash generation.



This morning we announced a trading update setting out how we continue to deliver against our 2019 strategic objectives.

2019 cash generation is complete and at £707 million, exceeded the upper end of the target range.

We continue to demonstrate resilience. Interest rates fell by 47 basis points in Q3, but our Solvency II surplus was unchanged at £3 billion. At 156%, our solvency ratio remains in the middle of our target range of 140 to 180 per cent.

Finally, new business written during 2019 has generated £440 million of long-term cash generation. This cash generation is incremental to our £12 billion guidance and enhances the sustainability of our dividend.

Agenda

1	Introduction	**Nicholas Lyons** Chairman
2	**Management of the in-force business**	**Andy Moss** Chief Executive, Phoenix Life and Group Director, Heritage Business
3	Growth of the Open business	**Susan McInnes** Chief Executive, Standard Life Assurance Limited and Group Director, Open Business
4	Growth of the Heritage business	**Simon True** Group Corporate Development Director and Group Chief Actuary
5	Transformation of the operating model	**Tony Kassimiotis** Group Chief Operating Officer
6	Sustainable long-term cash generation	**Rakesh Thakrar** Deputy Group Finance Director
7	Consolidation in the life insurance industry	**Clive Bannister** Group Chief Executive

Turning now to the agenda. The formal part of our day will run until 1pm.

Our management team will take you though each of the core elements of our business model and explain the foundations that allow us to deliver cash, resilience and growth.

Their presentation will be followed by time for your questions.

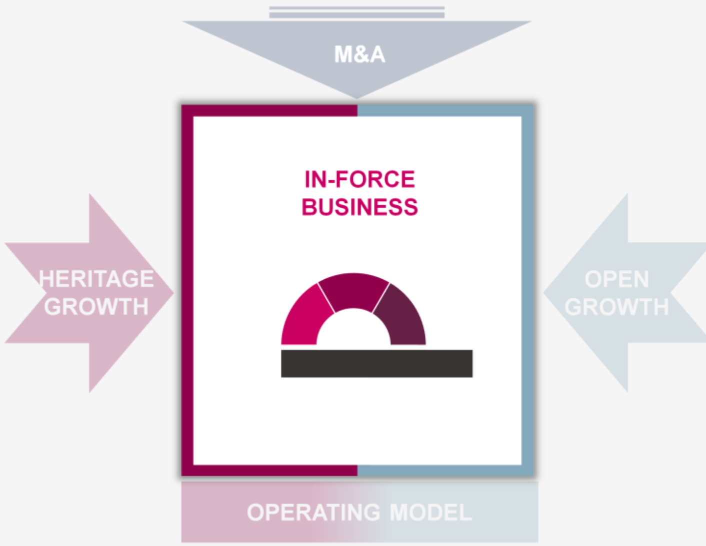
We will then break for lunch where you are invited to meet not only with our presenters, but also with subject matter experts from their teams. Please look out for the pop up banners and use the handouts confirming who is available to you for further questions.

Let me now pass you over to Andy to talk about the management of our in-force business.

MANAGEMENT OF THE IN-FORCE BUSINESS

Andy Moss

Chief Executive, Phoenix Life and Group Director, Heritage Business



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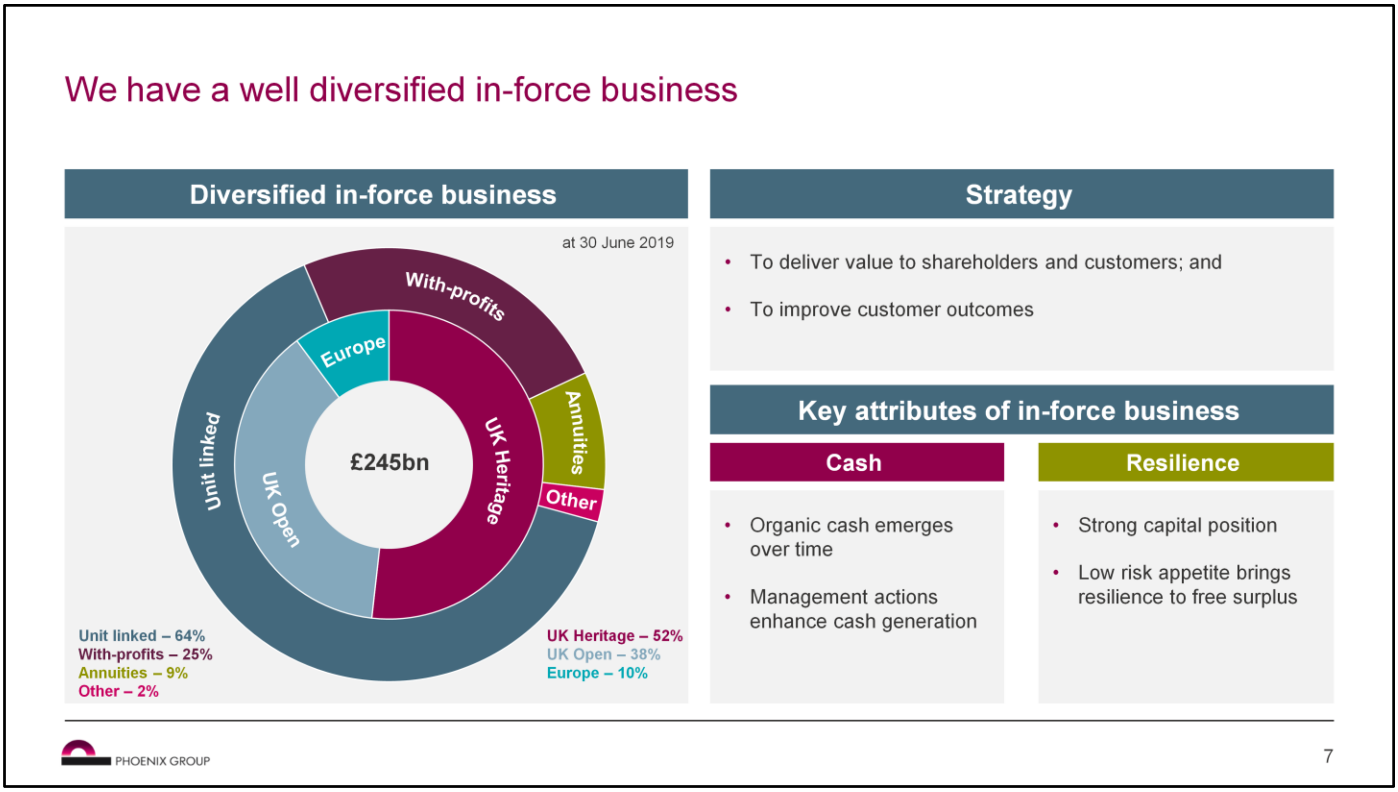
Thank you Nick

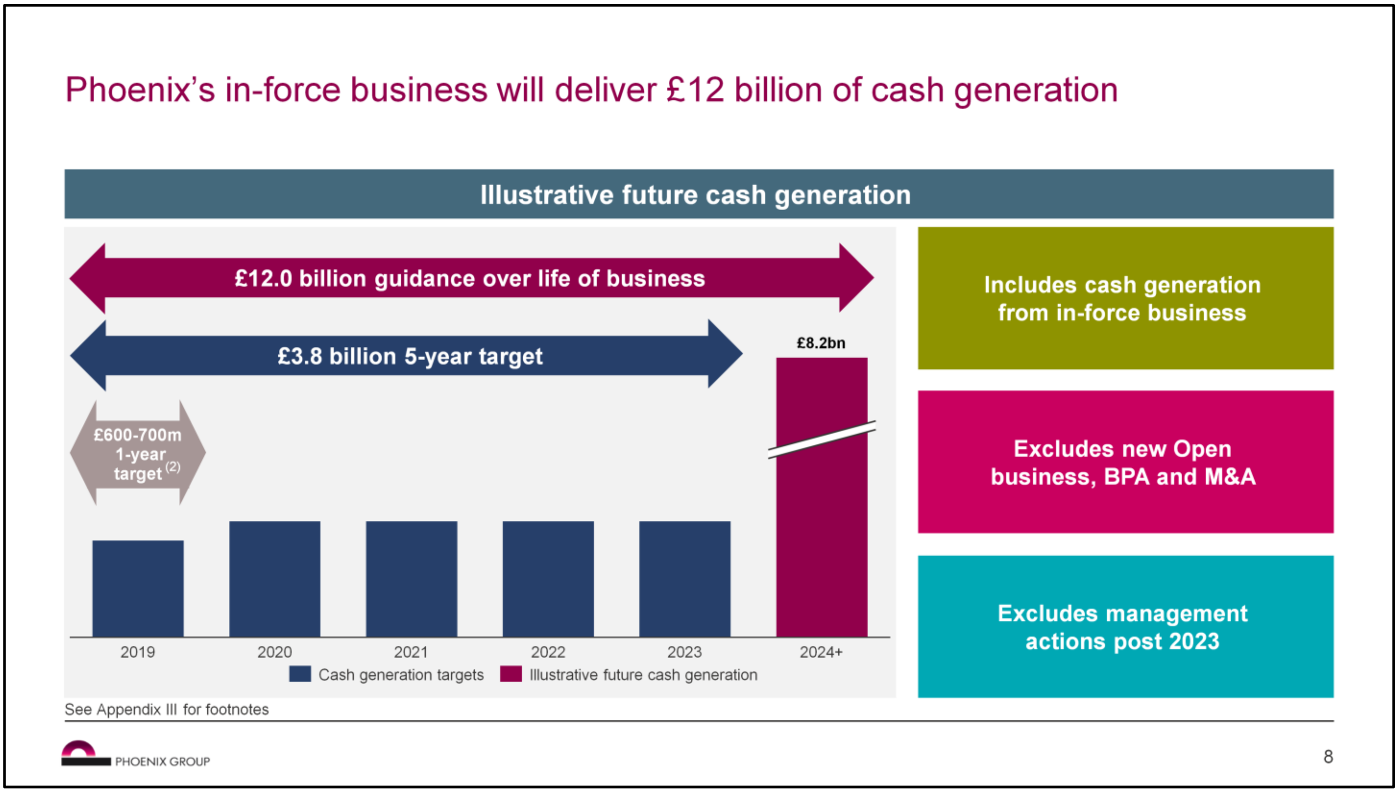


Phoenix has a well diversified in-force business which spans a wide range of Heritage and Open products in the UK, Germany and Ireland.

This mix of business reflects two decades of consolidation activity which has brought over 100 legacy brands under the Phoenix umbrella.

The strategy for our in-force business is the same, irrespective of whether the business is Heritage or Open. We aim to deliver value to shareholders and customers and improve customer outcomes.

Our in-force business has two key attributes that I will talk about today: Cash and Resilience.



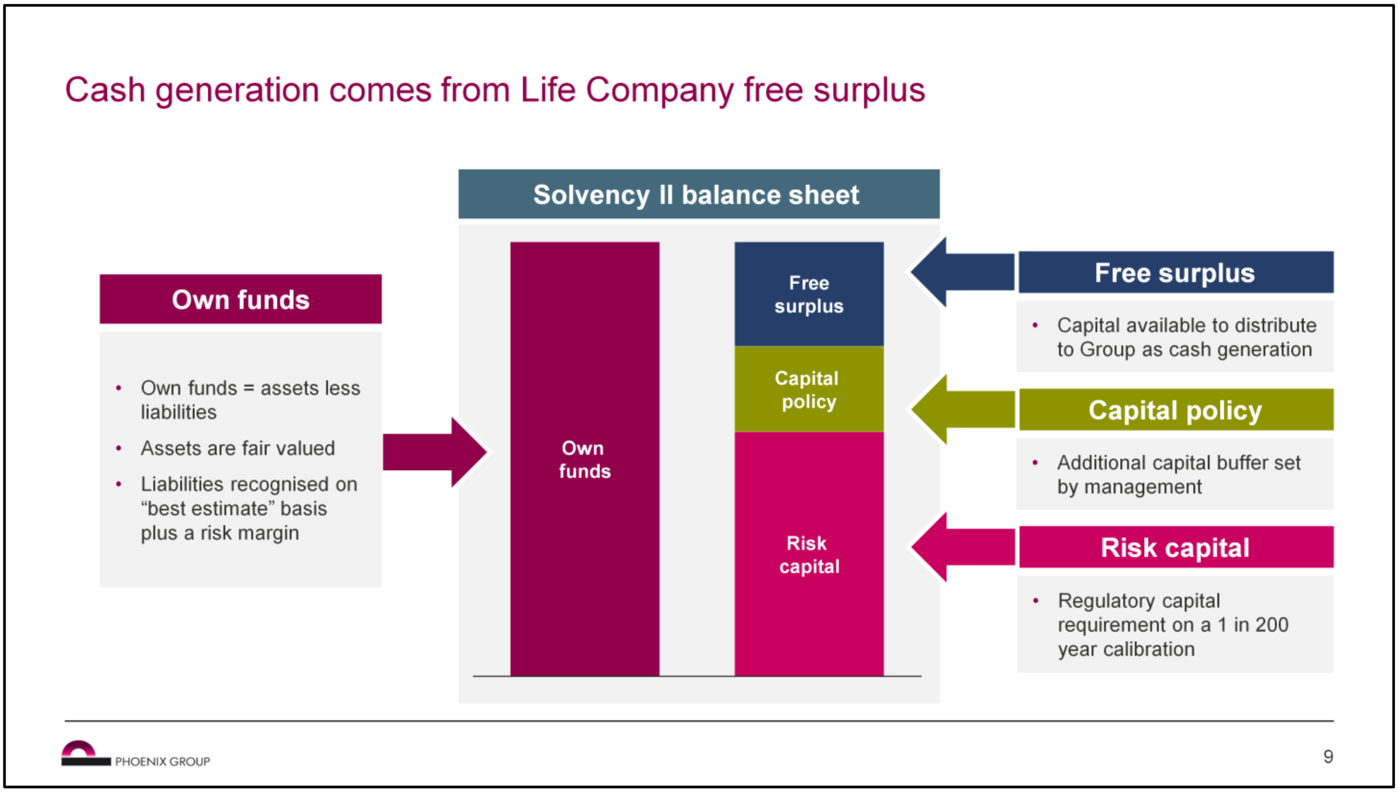
Phoenix's in-force business produces long-term, predictable cash generation.

"Cash is king" at Phoenix and the cash generated by our Life companies and remitted to Group is our key performance metric.

The dependable nature of cash generation from our in-force business allows us to set both short term (being 1 year) and medium term (being 5 year) cash generation targets. We also provide guidance on the cash that will come from the business over its life-time.

This guidance excludes any cash generation from growing either our Heritage or Open businesses or from future M&A and we only include management actions in the first five years.

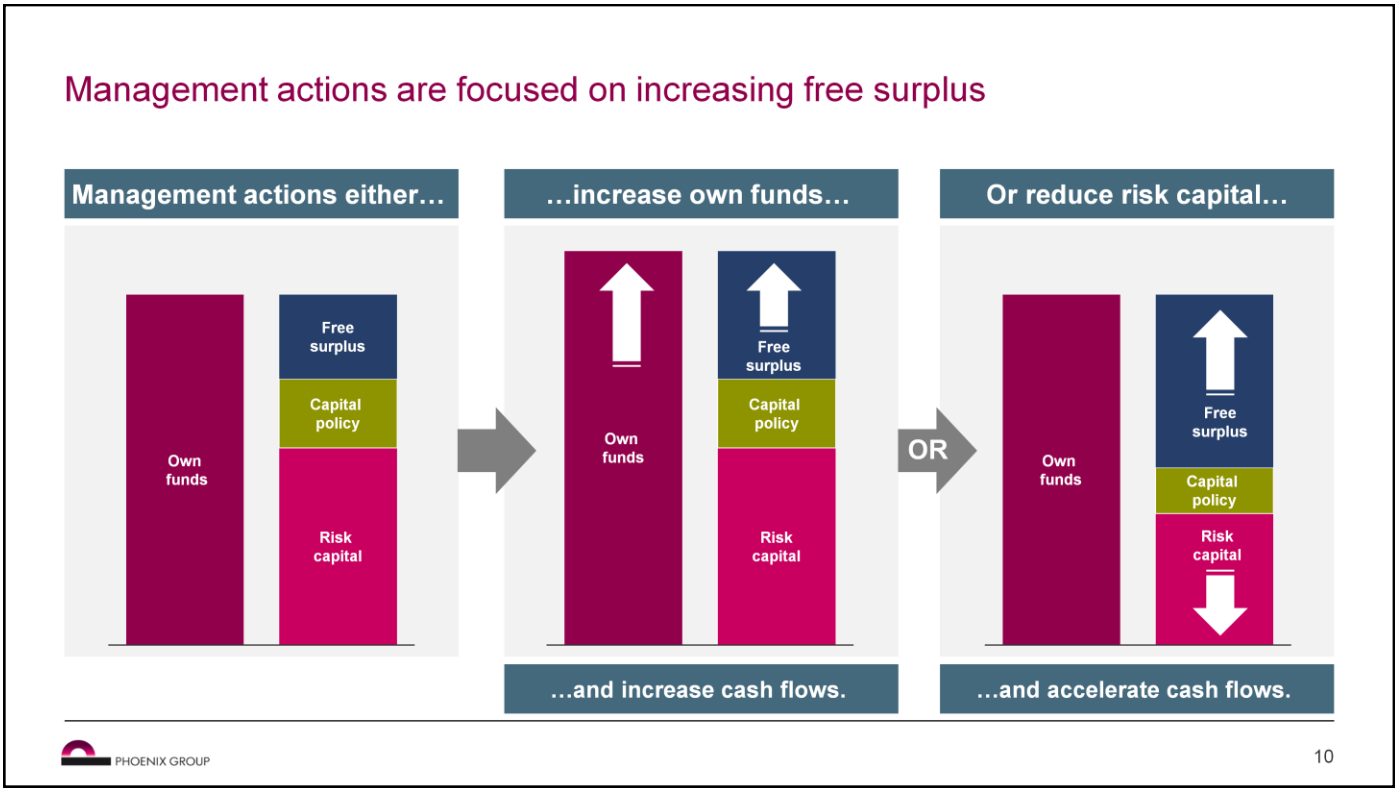
We are extremely proud of our track record of meeting or exceeding all cash generation targets since 2010 and have extended this track record with today's announcement of 2019 cash generation.



Cash generation is the remittance of free surplus from our Life companies to Group.

Free surplus represents the excess of own funds over both the regulatory risk capital that is calculated to withstand a 1 in 200 year event, and an additional buffer or "capital policy" set by management based in accordance with risk appetite.

We report each period on the Life company free surplus and as at 30 September 2019 it was £1.0 billion.



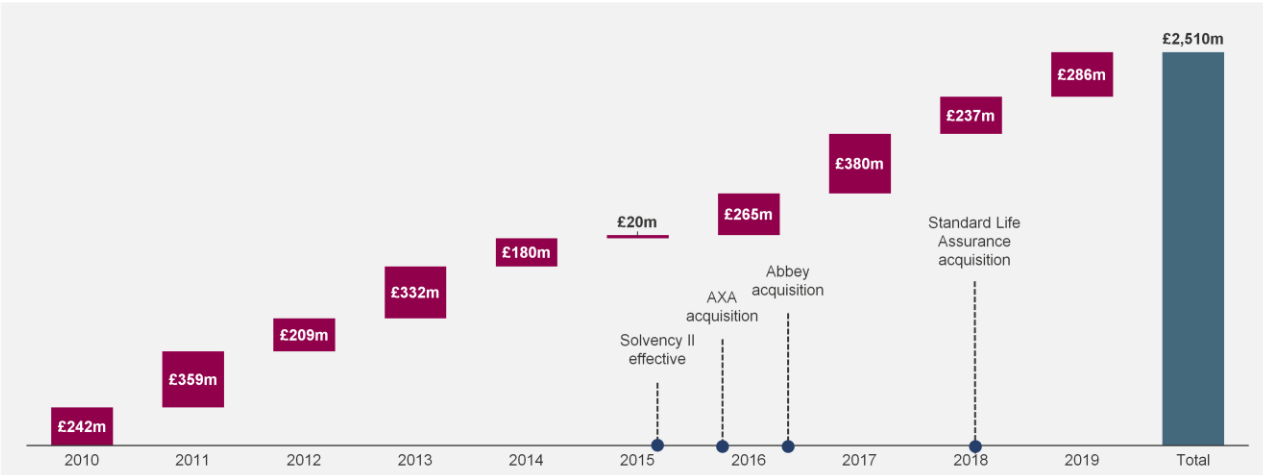
The majority of our cash generation comes from the emergence of surplus as our in-force business runs off over time and capital unwinds. We call this "organic" cash generation.

However, at Phoenix we deliver management actions which increase free surplus and therefore enhance this organic cash generation.

Management actions either increase own funds and therefore increase the overall cash flows from the business or reduce risk capital and therefore accelerate the timing of cash flows.

£2.5 billion of cash generated from management actions in the last decade

Core competency of delivering management actions year on year



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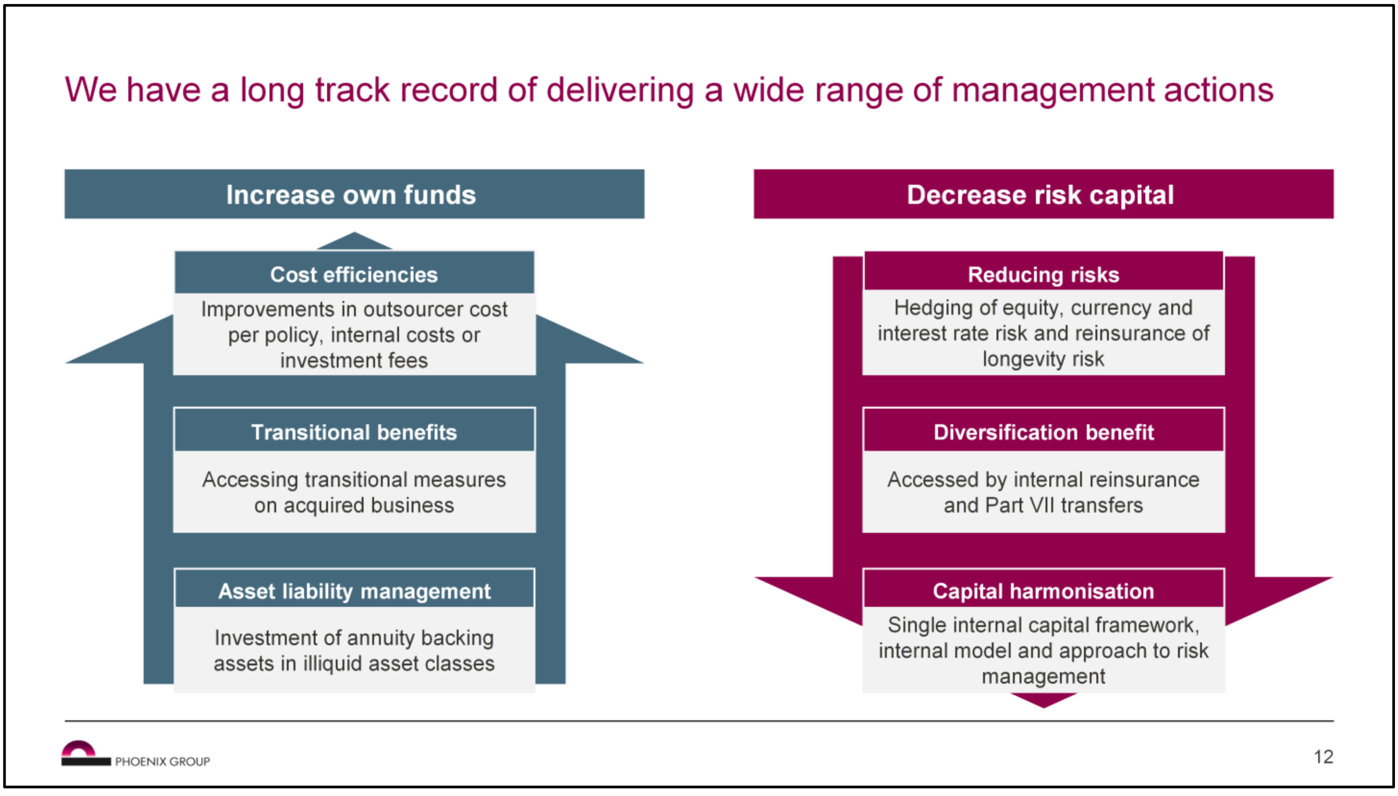
We have a strong track record of delivering management actions, which have contributed £2.5 billion of cash generation in the last decade.

Cash generation from management actions is lumpy and we typically see an increased amount of management actions following on from an acquisition. On average management actions comprise about one third of our cash generation over the long-term.

Whilst it does vary year on year, in recent years we have typically seen management actions split broadly 50:50 between actions that increase own funds and those that decrease risk capital.

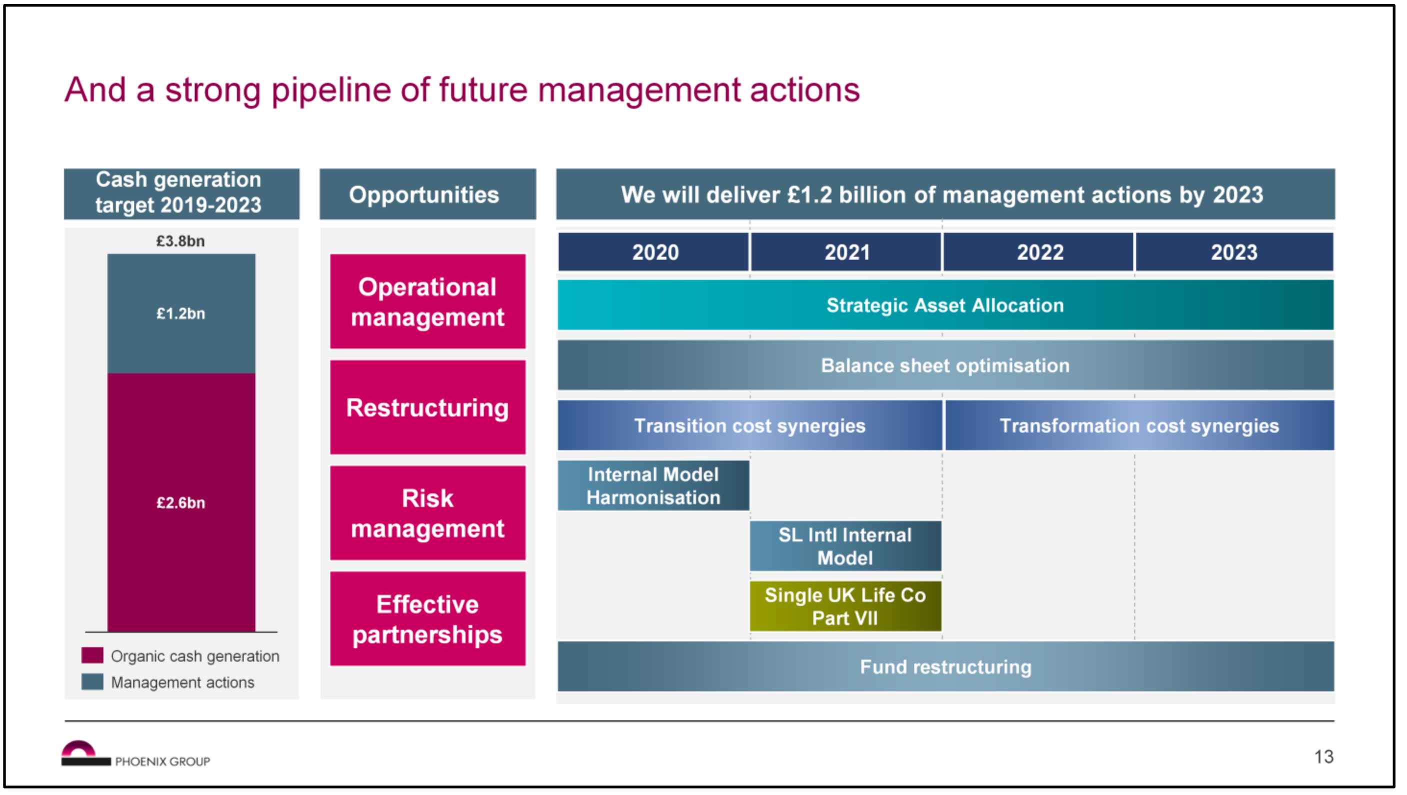


Historical management actions include a wide range of innovative solutions designed to deliver additional value to both shareholders and customers.

We have increased own funds and therefore increased overall cash flows by delivering cost efficiencies across all areas of our operating model and by achieving better returns on the assets under our management.

Phoenix has a low appetite for risks like equity, currency, interest rate and longevity. Reducing our exposure to these risks through hedging and reinsurance reduces the risk capital of the group and accelerates the release of cash.

We have also embedded a single approach to capital management across all acquired businesses, enabling us to maximise the diversification benefit and capital efficiency of the in-force business.



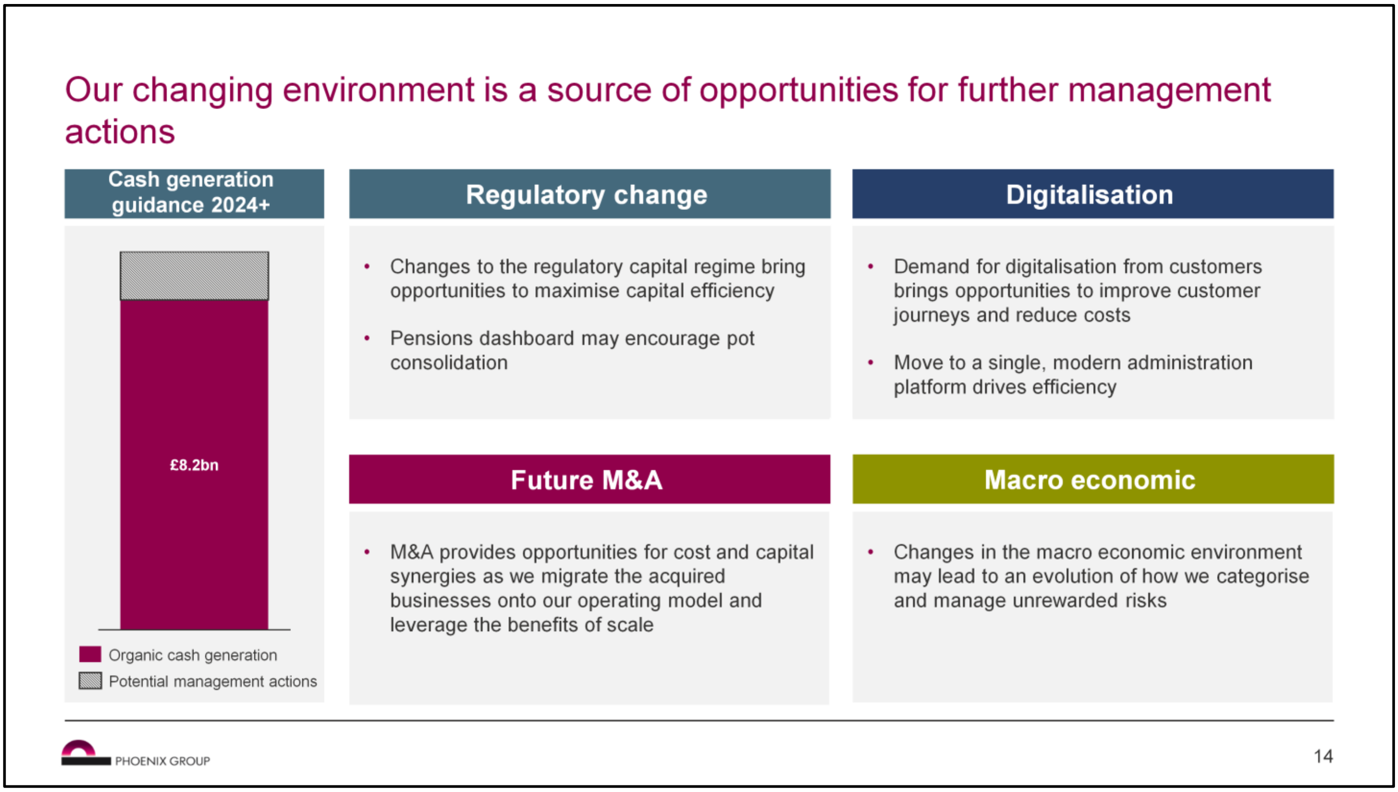
We identify management actions across four main buckets: operational management, restructuring, risk management and effective partnerships.

Using this framework, we have identified a strong pipeline of management actions which we expect to contribute one third of our 5 year cash generation target of £3.8 billion.

Integral to this is the ongoing delivery of cost and capital synergies associated with the transition of the acquired Standard Life Assurance business. We continue to place no value on the benefit of harmonising the two internal models of the group, but recognise it as a key management action for delivery in 2020.

Cost synergies will not conclude with the transition programme. We will work to access further synergy benefits across the Group cost base through ongoing transformation.

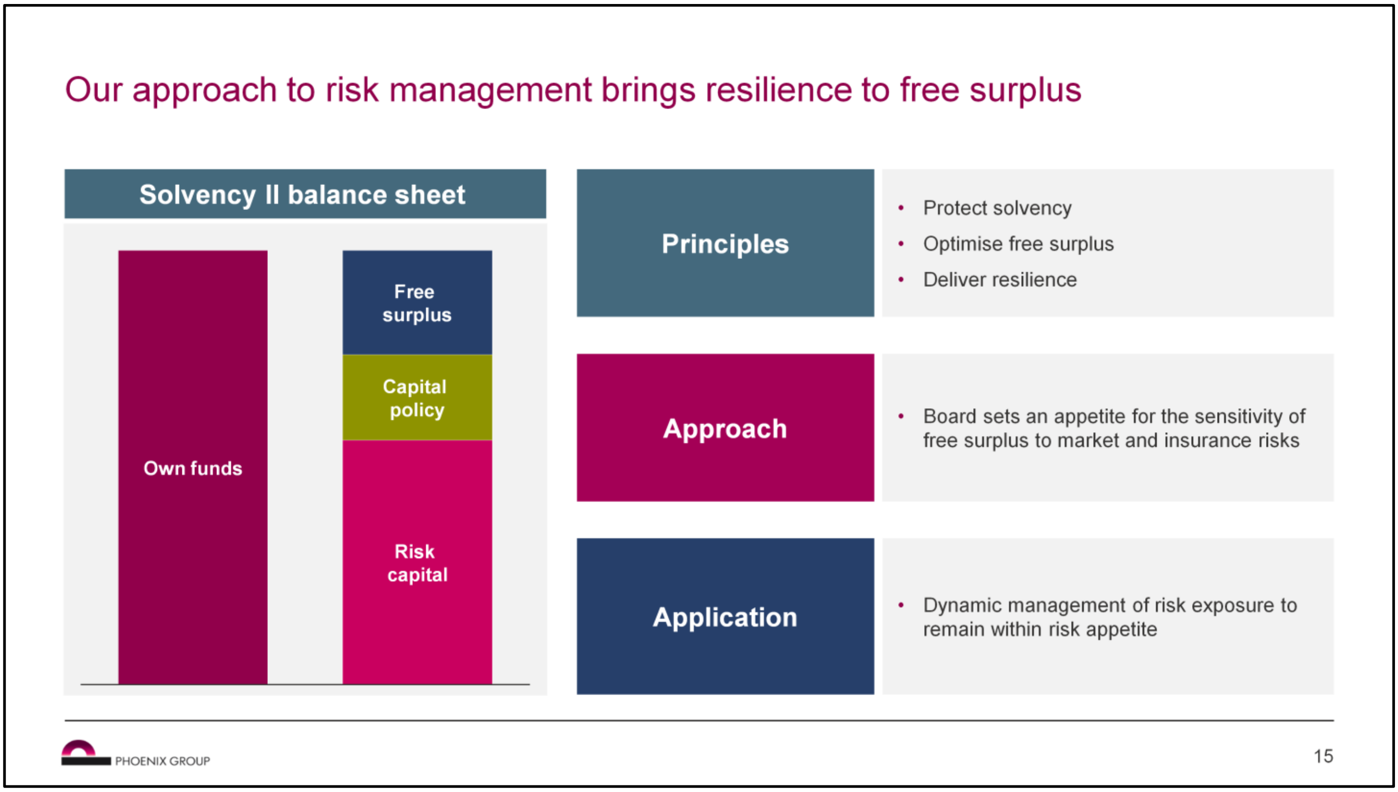
In addition we will continue to generate value by investing in higher yielding assets to back our long dated annuity liabilities and have identified a range of actions that will optimise our solvency balance sheet and access capital benefits through fund restructuring.



Whilst our targets only place an estimate on the management actions that we will deliver over the next five years, we expect there to be opportunities for management actions over the life of our in-force business.

New opportunities for management actions arise as our environment changes. Future M&A is an obvious example of an opportunity for cost and capital synergies, but we also see regulatory change, digitalisation and our macro economic environment as potential sources of value generation.

Whilst some companies may see such change as a threat to their business model, we view change as an opportunity to deliver additional value from our in-force business.

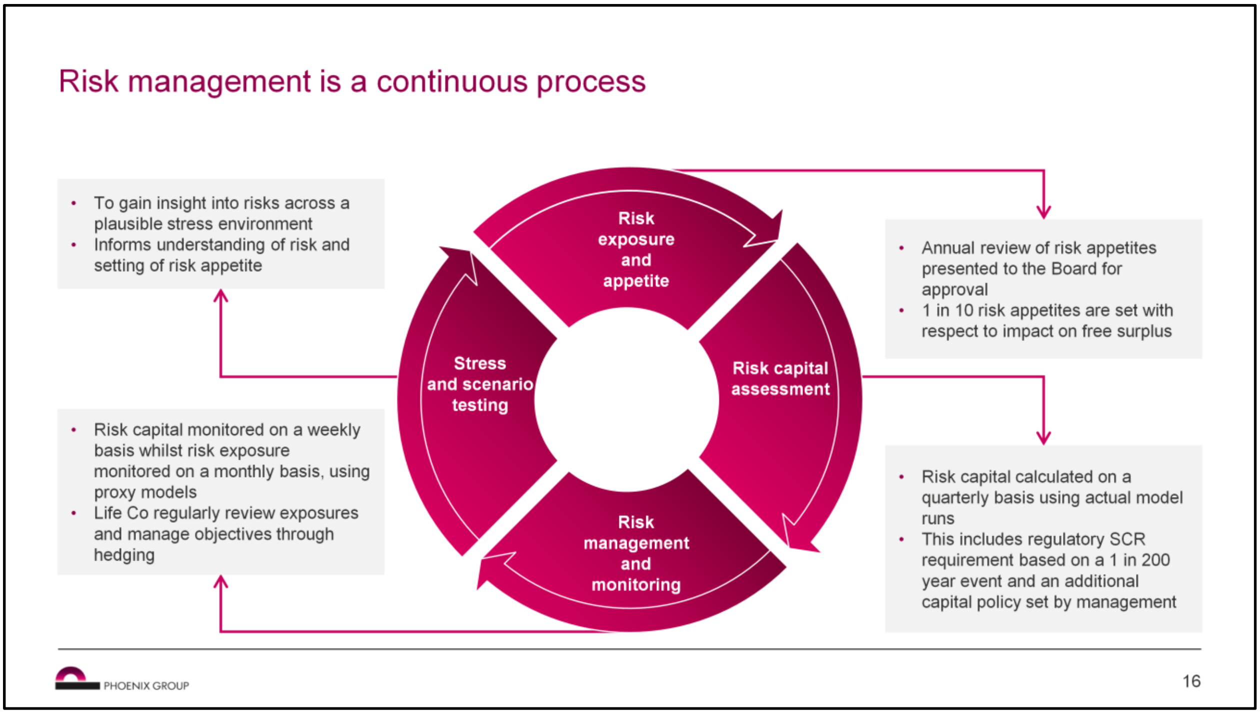


As I mentioned earlier, cash generation is remitted from Life company free surplus.

Phoenix therefore operates a risk management framework aimed at bringing <u>resilience</u> to free surplus and <u>certainty</u> to cash generation.

Free surplus is the excess of own funds over both the regulatory risk capital and the capital management policy that management set in accordance with an "all risk" combined scenario.

To protect free surplus, the Board sets an appetite for the maximum impact that changes in risks should have on the quantum of free surplus. Risk appetite is typically set at a 1 in 10 year level and management action is taken to ensure that <u>actual</u> risk exposure is managed to <u>within</u> appetite.

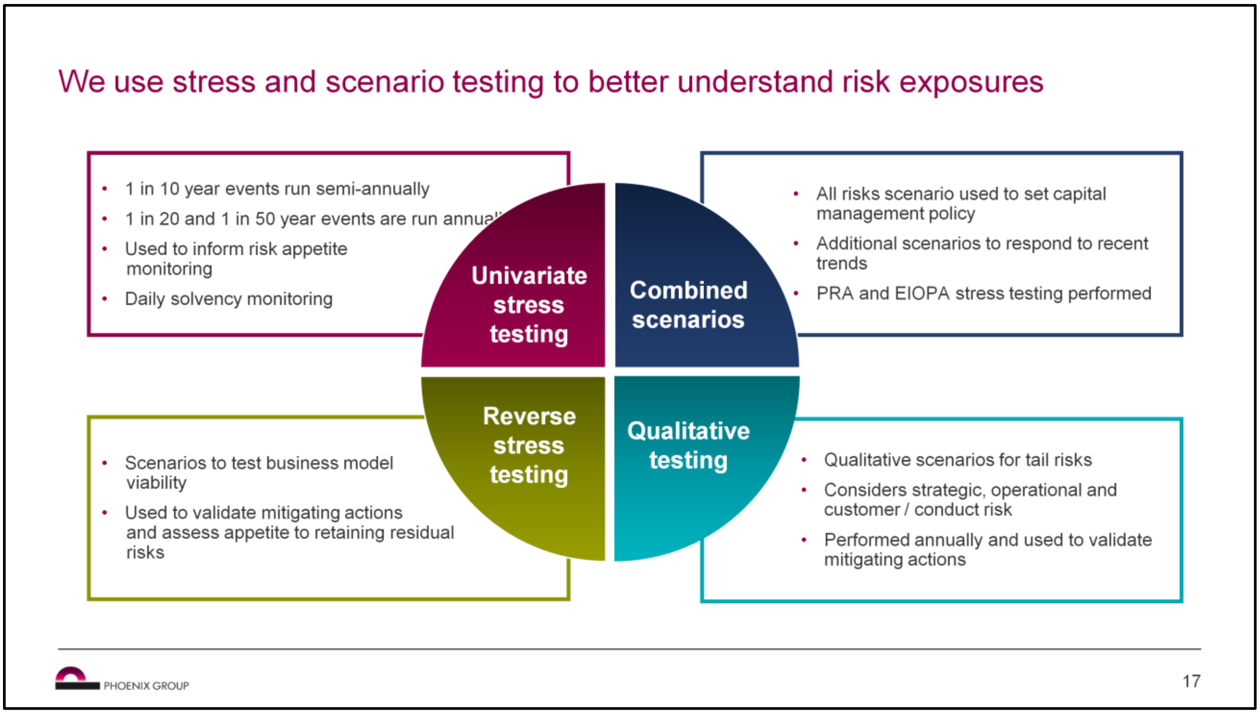


To achieve this, we operate a continuous risk management process at Phoenix.

The process begins by identifying and understanding the risks faced by the business.

We manage our exposure to each risk to remain within risk appetite through a combination of asset liability matching and risk reduction actions like hedging and reinsurance.

Finally, we conduct extensive stress and scenario testing to gain insight into risks across a plausible stress environment.

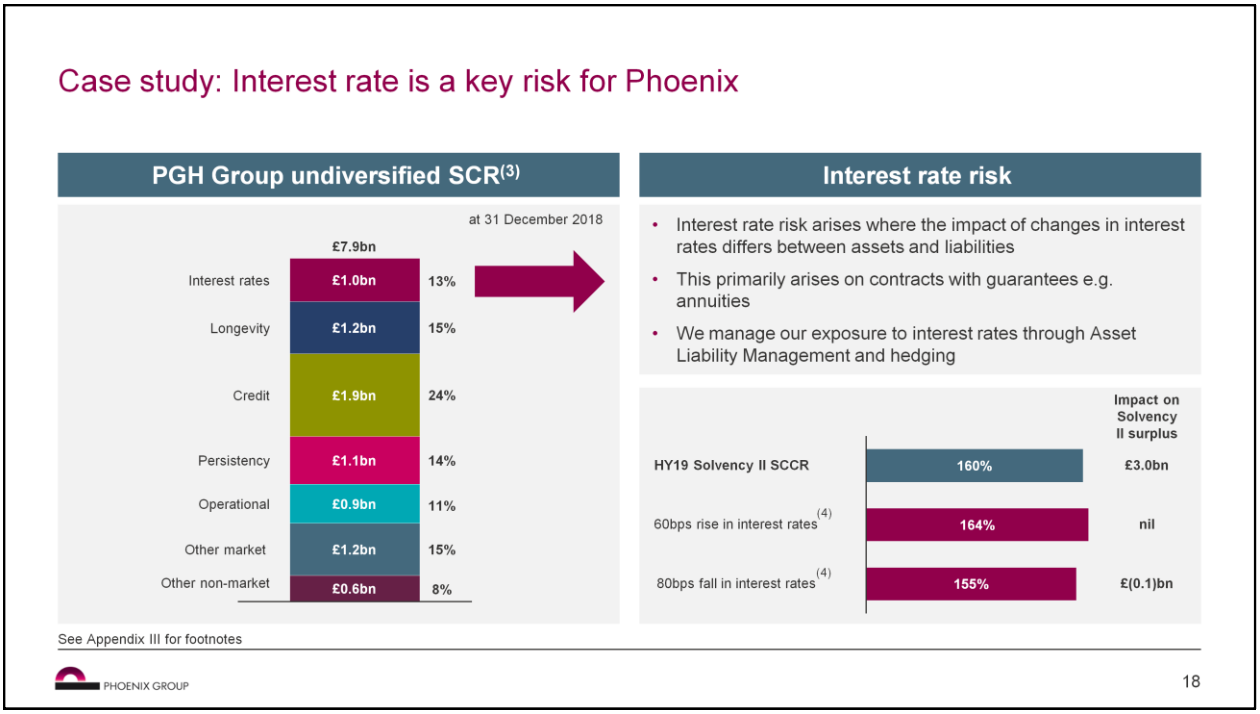


Stress testing on individual risks – or "univariate stress testing" considers the solvency impact of stress events of different severity.

It is the results of this stress testing that we report to you semi-annually as our sensitivities and it forms the basis of the solvency monitoring that we perform daily at Phoenix.

We also perform testing on combined scenarios where we model the impact of a number of individual risks happening at the same time. We use an "all risks" scenario to quantify the amount of capital policy that we hold in addition to risk capital. During 2019 we have also modelled combined scenarios that simulate the impact of Brexit, a hard left political government and the transition to a carbon neutral economy.

Reverse stress testing and qualitative testing of non-financial scenarios are also performed on an annual basis and provide additional insight into the risks that our business faces.



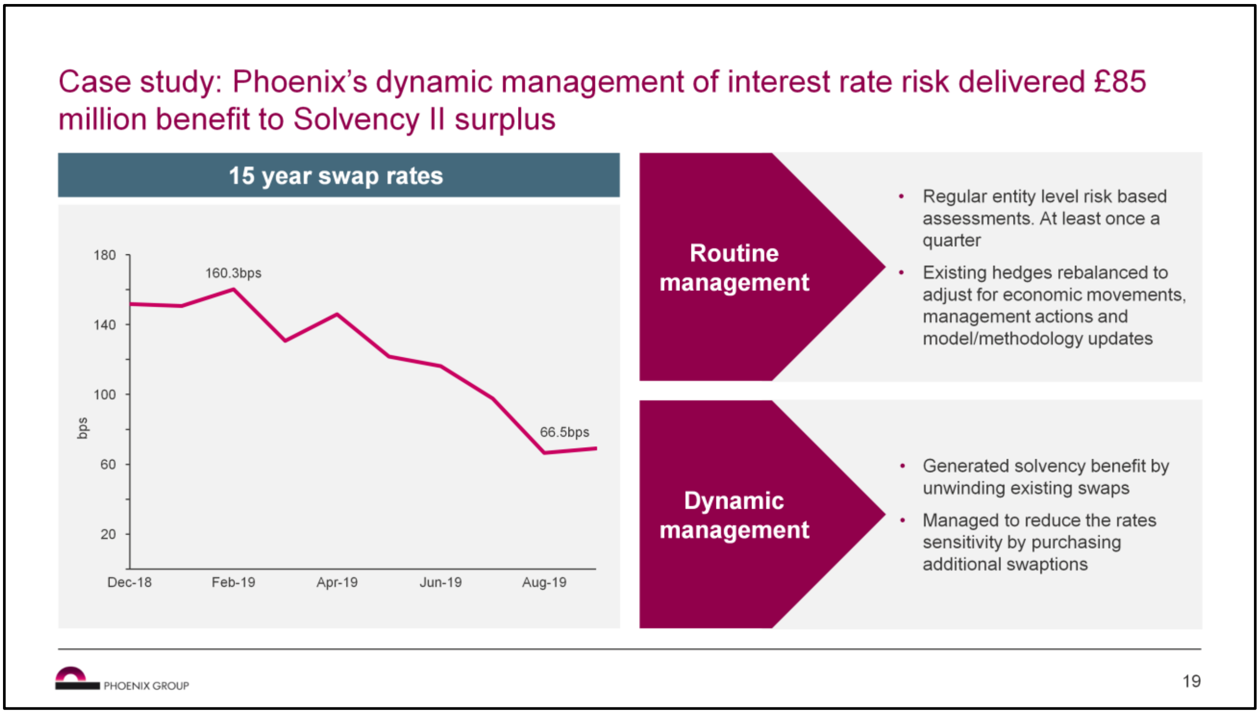
Our approach to risk management is best understood by working through a case study.

Interest rate risk comprises 13% of the Group’s undiversified SCR and arises where the impact of changes in interest rates differs between assets and liabilities. This is primarily seen on products which have guarantees, for example, annuities.

In the first instance, we seek to manage our exposure to interest rate risk through sourcing assets that are well matched to the profile and features of our liabilities.

However, there will always be some residual exposure, which we manage by using hedging at fund, entity and group level.

This approach brings resilience to free surplus.



Our approach to the hedging of interest rate risk has both a routine and a dynamic component.

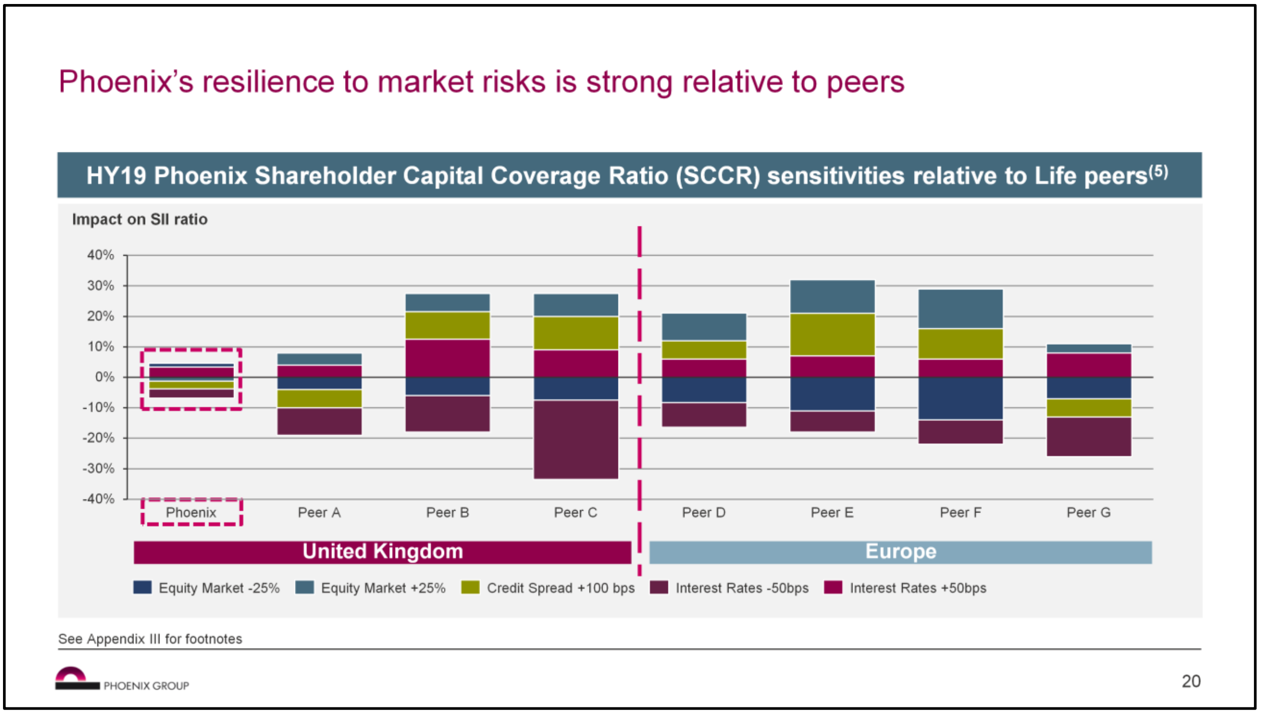
Each quarter we complete a solvency valuation and use the results to review the effectiveness of our existing hedges with rebalancing actions taken if necessary.

However, we have seen interest rates across all durations fall during the year. This is evidenced here by the 15 year swap rate which fell over 90 bps between the end of February and the end of August.

As a result of this significant market uncertainty, we have taken a dynamic approach to ensure our exposure to interest rate risk remains within risk appetite and our free surplus remains resilient. In August, we therefore took additional protection to mitigate against the risk of future yield falls by unwinding swaps and entering into receiver swaptions.

The impact of these dynamic actions was an £85 million increase in Solvency II surplus with a similar reduction in our exposure to a rates down sensitivity.

This benefit is reflected in the Q3 2019 solvency position that Rakesh will walk you through later.

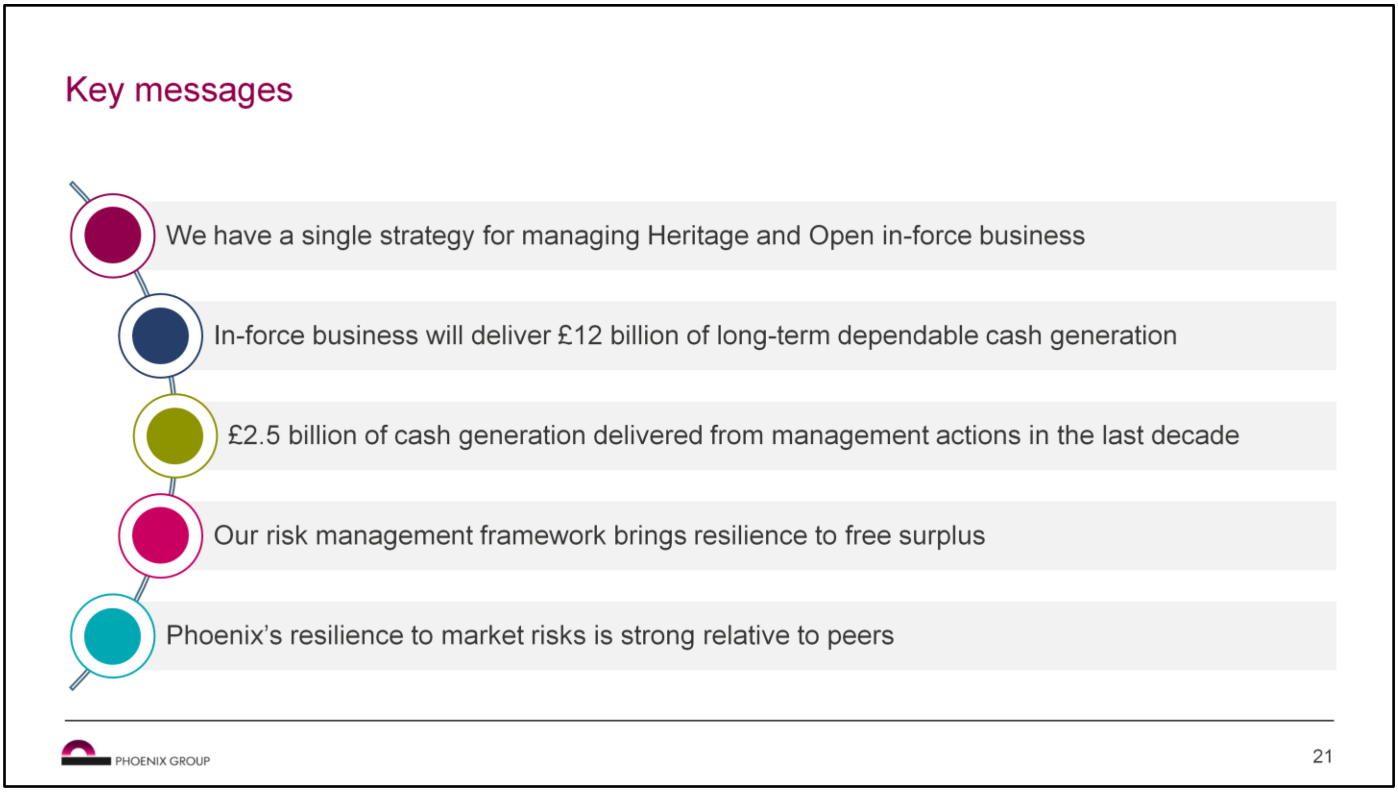


As a result of our approach to risk management, Phoenix is more resilient to market risks than its peers.

This is illustrated in the data presented here which shows the relative sensitivity of life insurance peers to interest rate, equity and credit rate risks.

Phoenix is on the far left hand side of the chart and exhibits significantly less upside and down side exposure than its competitors.

This increased resilience brings certainty to cash generation and supports our stable and sustainable dividend policy.



To summarise

We have a single strategy for managing the £245 billion of in-force Heritage and Open business within the Group.

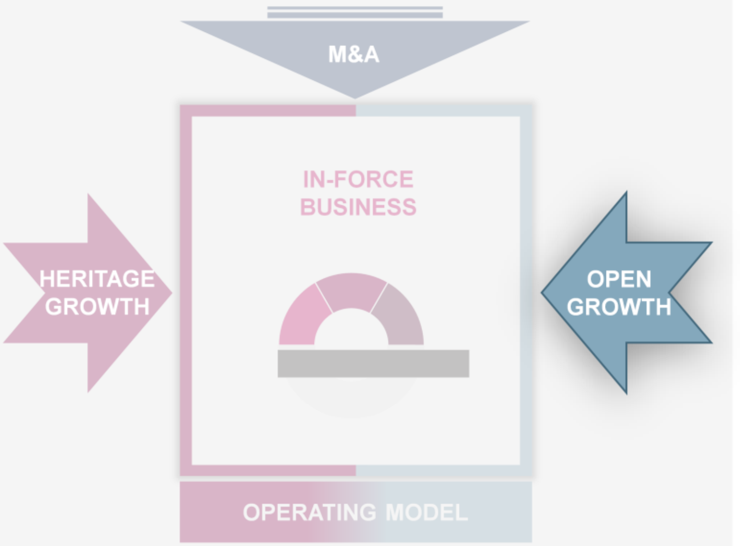
This business delivers long-term, dependable cash generation which we seek to enhance or accelerate through the delivery of management actions.

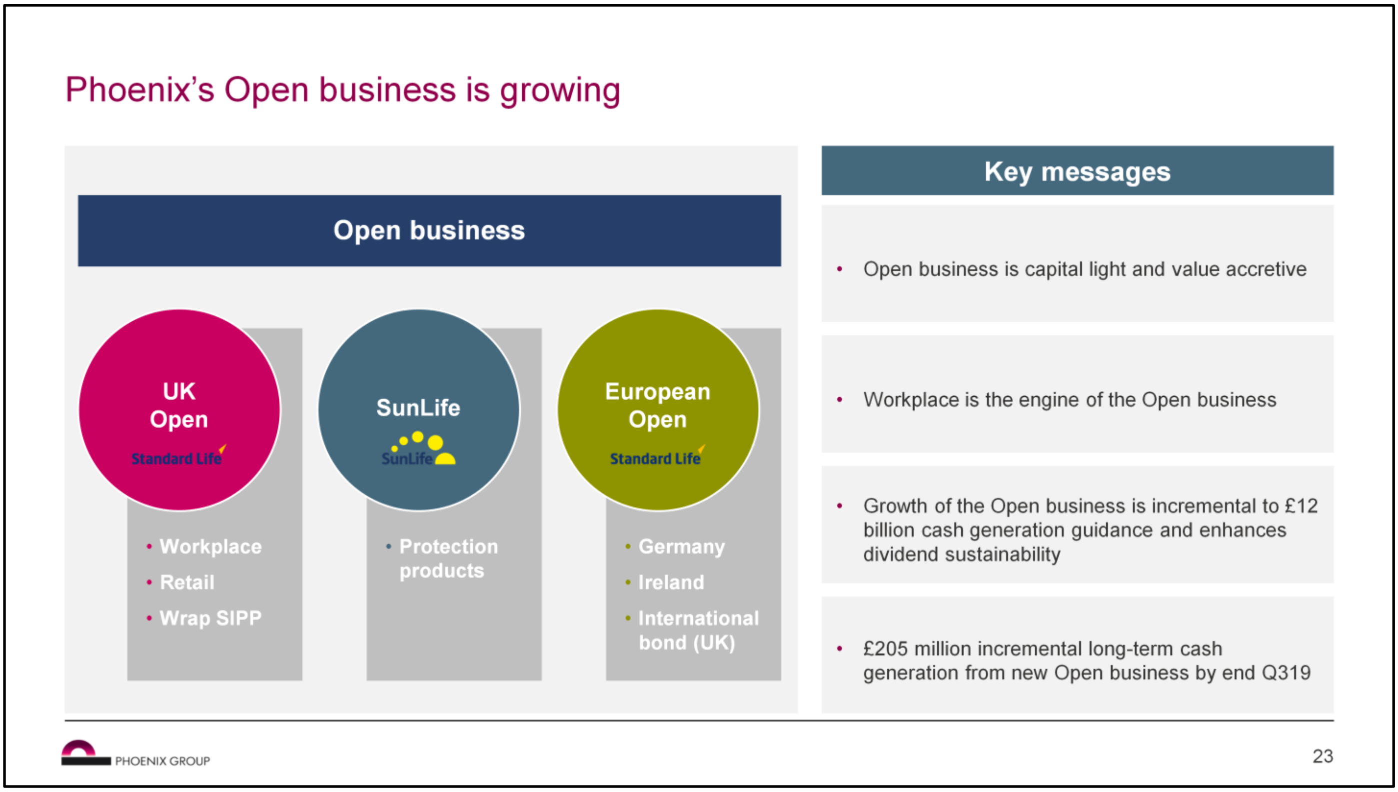
Our approach to risk management brings resilience to our solvency balance sheet which sets us apart from our peers.

GROWTH OF THE OPEN BUSINESS

Susan McInnes

Chief Executive, Standard Life Assurance Limited and Group Director, Open Business



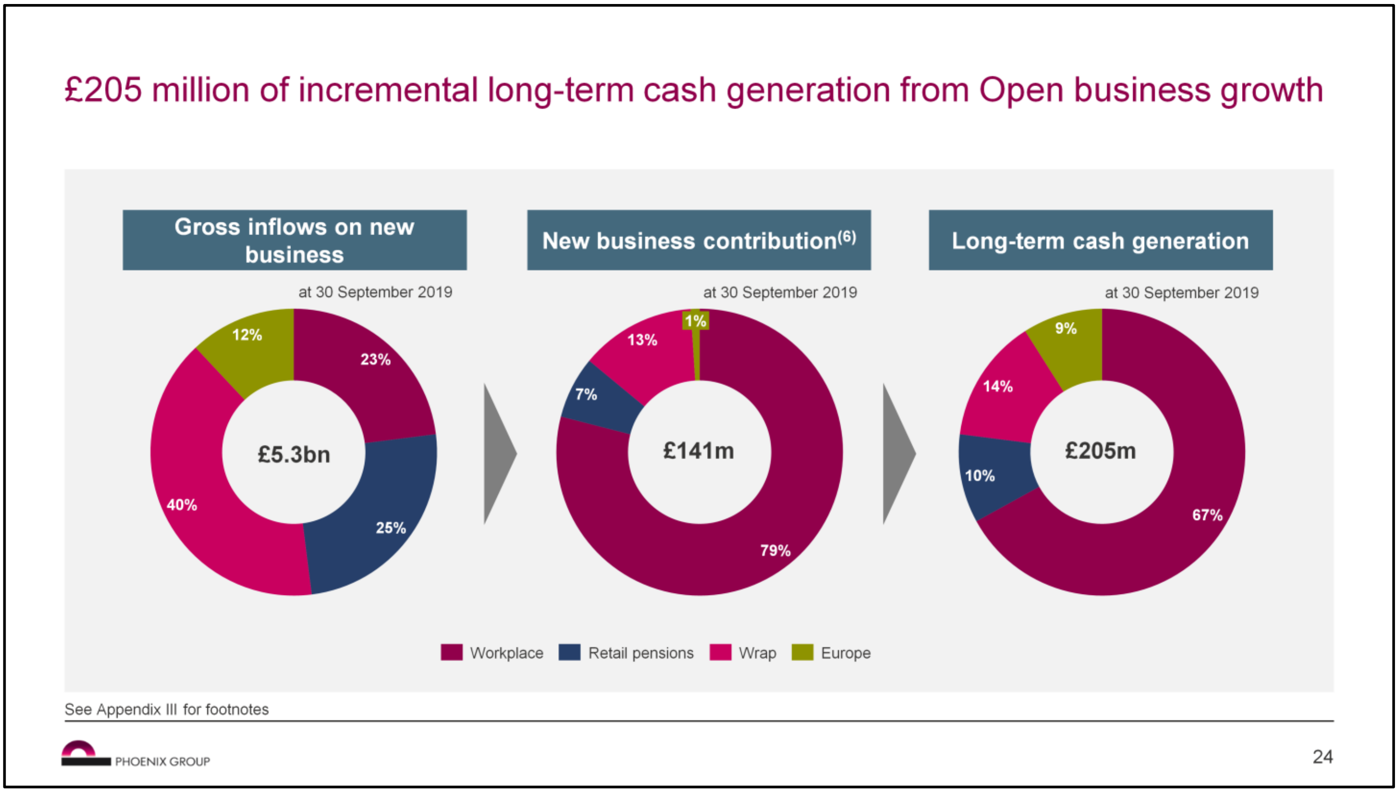


Thank you Andy

Phoenix's Open business is capital light and growing. It comprises unit-linked products sold under the Standard Life Brand and a small, specialist over 50's protection business called SunLife.

The Open business is not a homogenous group, but spans a range of products across the UK, Germany and Ireland. The largest of these is Workplace pensions which we see as the engine of growth for the Open business.

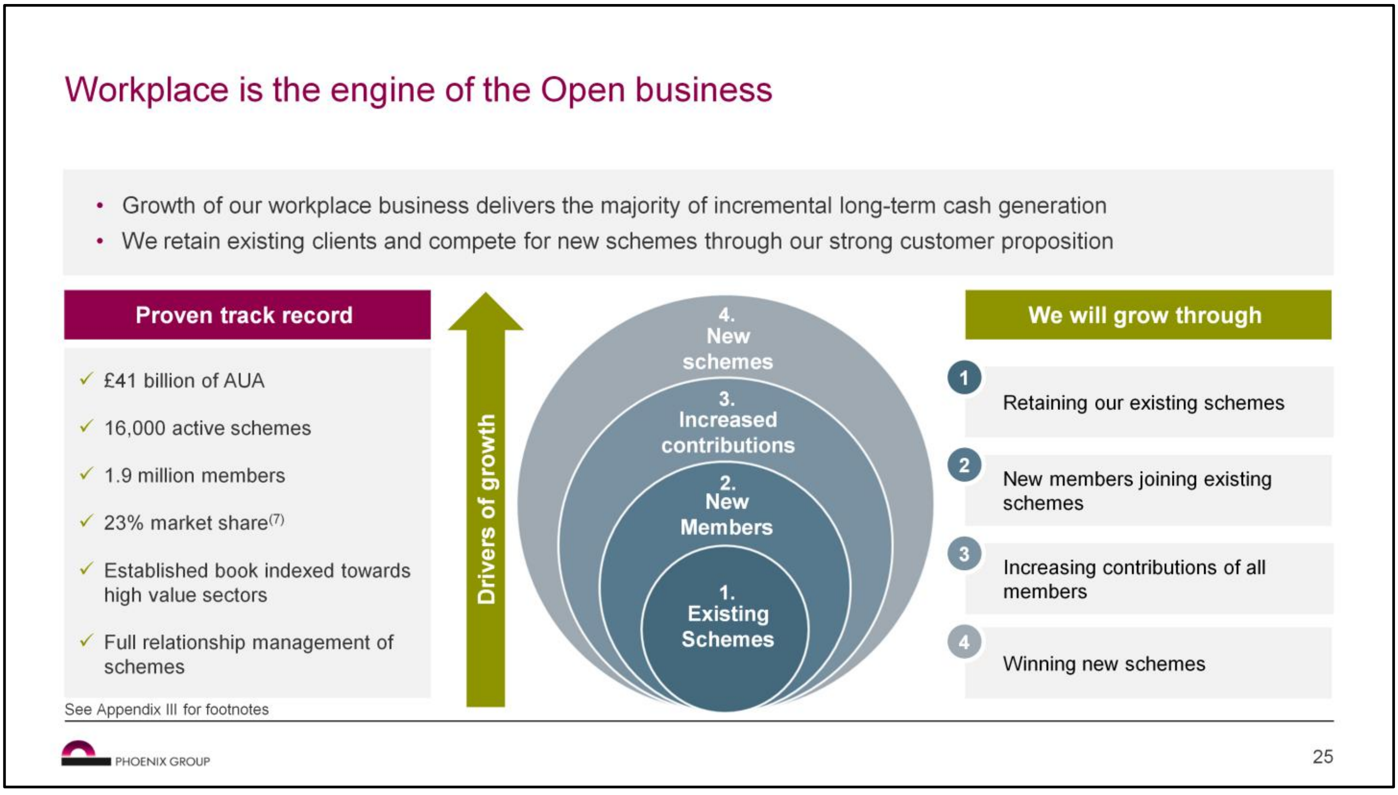
Our £12 billion long-term cash generation guidance reflects the cash we expect to emerge from our Open in-force business over time, but it assumes no growth in this business. Therefore, all NEW open business in the form of increased contributions from existing customers or from new customers is incremental to long-term cash generation.



In the first 9 months of 2019, gross inflows on new business were £5.3 billion, around 90% of which was generated by our open business in the UK.

These gross inflows translated to a new business contribution of £141 million and will deliver incremental long-term cash generation of £205 million.

These results show how valuable workplace is to the Open business segment, contributing nearly 80% of new business contribution. This result was in part driven by the increase in auto-enrolment contributions from 5% to 8% which took place in April and made a new business contribution of around £50 million.

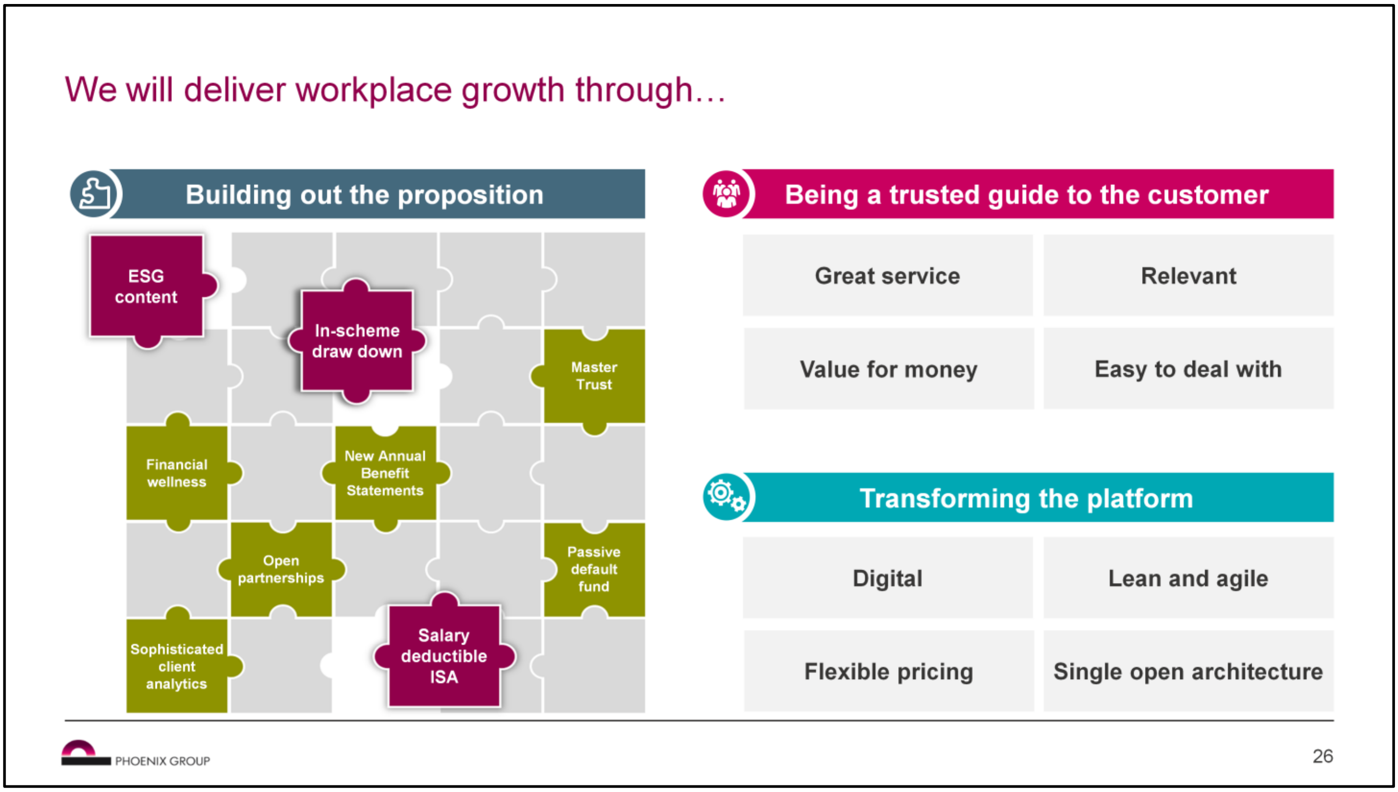


Workplace is the primary method of customer acquisition for the business and acts as the engine for growth.

With over £41 billion of assets under administration, around 16,000 active premium paying schemes and 1.9 million scheme members, the Standard Life Brand holds a 23% market share and is recognised as a leading brand in the workplace market, which we expect to be in excess of £790 billion by 2027.

Growth in workplace comes organically by retaining existing schemes and is accelerated by new members joining schemes and by increases in contributions. With around 280,000 new members joining existing schemes in 2018, and auto-enrolment increases in 18 and 19, the potential for workplace growth is very powerful and our scheme retention continues to be high.

We also compete to win new schemes which bring further opportunities for growth.



We will deliver workplace growth by offering products and services that meet customers' needs and by acting as a trusted guide for their financial decisions.

We continue to invest in our workplace proposition to ensure it remains competitive and I wanted to talk to you about a few of our recent developments.

In October 2019, we launched a new passive investment solution within workplace which provides a simple, lower cost default solution which is what many of our clients are now asking for.

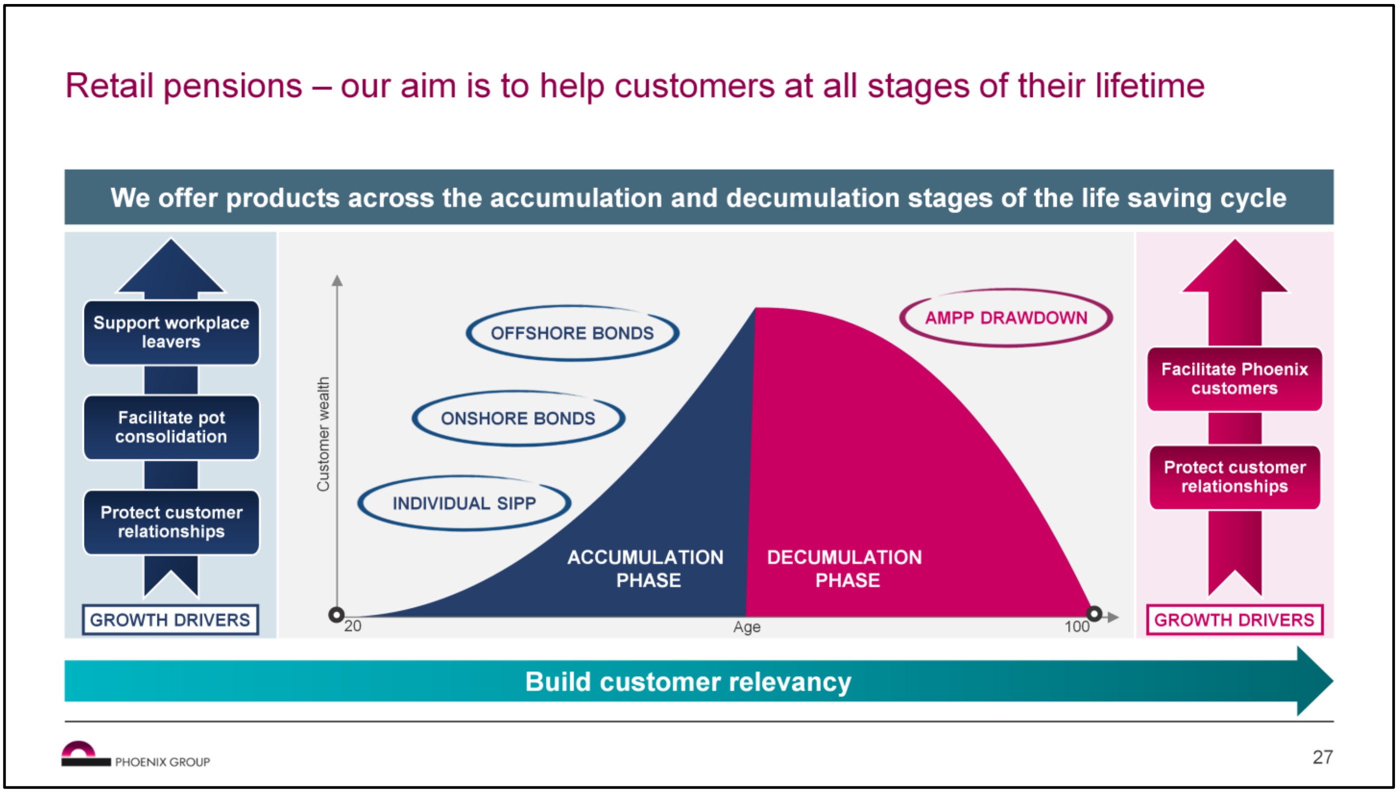
We were one of the first providers to receive authorisation from the Pensions Regulator for two Master Trust schemes. These schemes have over 240,000 customers and £5.5 billion of assets under administration, making them amongst the largest in the UK. This is a growing "modern" business in which Standard Life Assurance is well positioned to compete.

This year we launched new annual benefits statements across our flagship contract and trust based workplace products. These were designed in conjunction with behavioural insight experts and our changes include presenting important information up front, removing jargon, including infographics and also a "save more" section.

In terms of investments, we see increasing demand from our customers wanting to invest responsibly and understand more about ESG. We are committed to working closely with our strategic partner, Standard Life Aberdeen to deliver investment solutions that meet our customers needs.

But we know that proposition alone is not sufficient. We want to be recognised as a trusted guide to our customers and aim to be relevant and easy to deal with, whilst delivering great service and value for money.

To continue to innovate and deliver a great experience we need to develop our proposition in a more agile way. We have recently announced the extension of our partnership with TCS who will support us in transforming into a more modern, efficient and scalable business. This transformation will continue to place customers at its core and strengthen our position as a market leader in the workplace market. Tony will tell you more about this later on.



Our retail pensions business comprises a range of products across both the accumulation and decumulation stages of the life savings cycle.

We aim to be our customers' first choice for their life savings by being relevant across all stages of the life cycle.

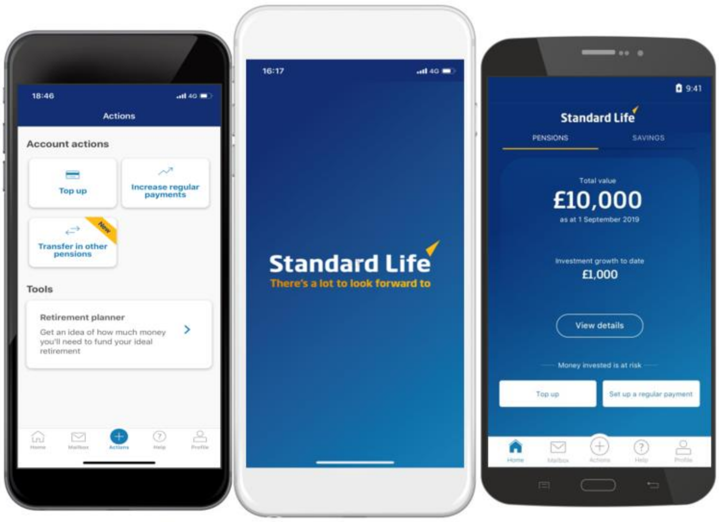
In terms of the accumulation phase I have spoken to you before about our workplace leavers driving growth in this segment as they leave their employer but keep their pot invested in a Retail product. In the first half of 2019 we saw around £1 billion of assets under administration transfer in this manner, providing us with the opportunity to build relationships with customers that extend beyond membership of their workplace schemes.

We also see opportunities for growth from pot consolidation. On average we are now expected to have 11 different jobs in our careers and we hope customers will choose to consolidate their various pensions pots with us. We have had over £500 million of gross inflows from external pot consolidation year to date.

There is no longer a “cliff edge” when it comes to the traditional retirement age and our products must provide a flexible solution from accumulation into decumulation. Our drawdown product is currently available to customers who have a Standard Life policy, but launches shortly for Phoenix customers to help with this phase of the life savings cycle.

To deliver and sustain growth we must build customer relevance. We continue to invest in our customer connection programme and develop our digital and face to face advice offering with Standard Life Aberdeen. We have also expanded our annual programme of retirement roadshows and webinars.

Customers are moving towards digital first



- Guided journeys to help customers plan targets, save more and move into drawdown
- Top-up and pension consolidation functionality generating c. £500 million gross flows YTD
- Fingerprint and face ID biometric login
- Secure 2-way mailbox with photo attachment functionality
- Average app users log in 8 times per month
- App Store rating of 4.6 ★★★★★

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We continue to invest in the digital journey of Heritage and Open customers through the online customer dashboard and mobile app.

Not only does digitalisation help reduce administration costs, it supports customer engagement and means Phoenix remains relevant in our customers lives day to day.

Our history and different branding result in slightly different "shop windows" for our customers but the underlying functionality and services are broadly aligned ensuring all customers get the benefit of a digital interface and on line servicing options.

Here I am showing you the "shop window" for the customers of Standard Life Assurance. We now record over 1 million mobile app and secure site session per month. Monthly online logins now typically outnumber phone calls 8 to 1, and this is growing rapidly.

Customers are able to top up, increase regular payments and consolidate pots through the app. Customers can also complete a fully guided retirement journey online to make the most of their pension freedoms options.

We have more work to do to encourage enabled customers to “think Digital first” but current take up rates are encouraging.

Please come and see us over lunch and you can try the app yourself.

Wrap SIPP is delivered through our important Strategic Partnership

Wrap SIPP is a platform product

- Strong brand
- Sold on Standard Life Aberdeen's platform
- Lower margin but higher volume
- Low acquisition costs

Individually managed accounts

Advisor relationships

Digital enhancements

Drivers of growth

Client Service Proposition Agreement

Responsibilities	SLA	Phoenix
Sales	✓	✗
Advisor relationships	✓	✗
Platform charges	✓	✗
Investment fees	✓	✗
Administration	✗	✓
Insurance wrapper	✗	✓
Product charges	✗	✓

The Strategic Partnership in practice

Standard Life Aberdeen

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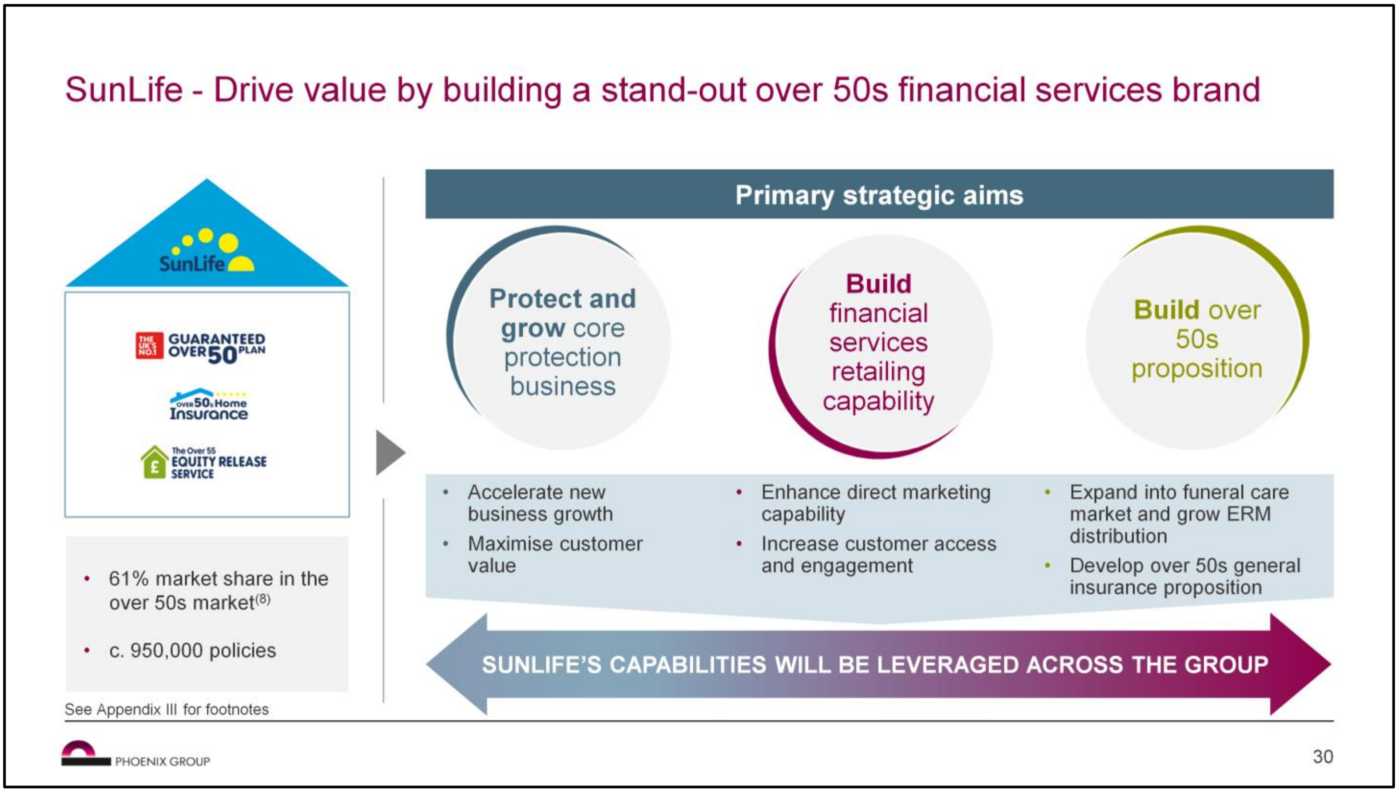
WRAP SIPP is an insured self invested personal pension product sold through advisors, typically to more affluent customers. Our Wrap book is where we partner most with Standard Life Aberdeen as this SIPP sits on their Wrap platform which continues to be number one in the market for gross flows.

Under our strategic partnership, Standard Life Aberdeen manage the advisor relationship and are responsible for sales. We at Phoenix provide the insurance wrapper for the product and are responsible for administration.

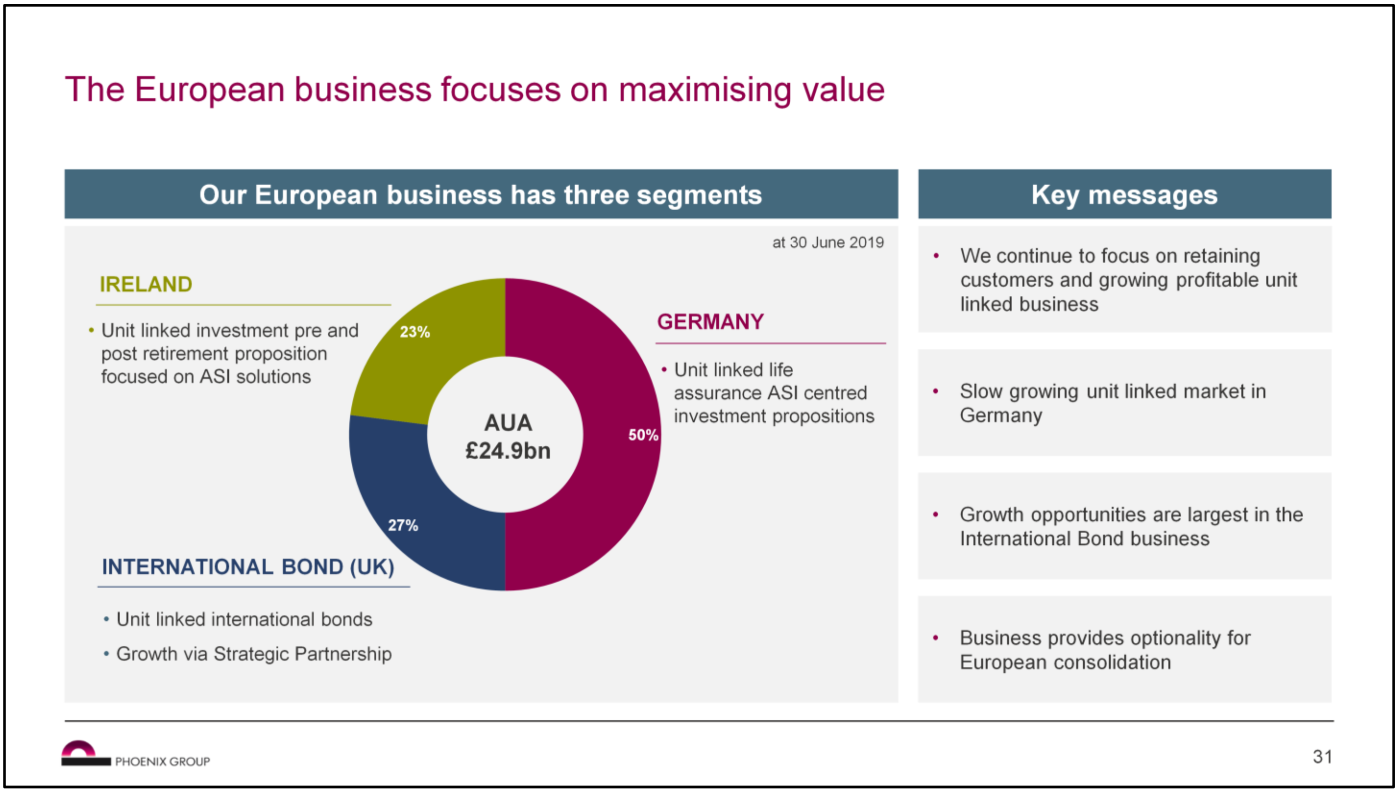
For Phoenix this is higher volume but lower margin business reflecting our overall effort. This was evidenced in the first 9 months of 2019 results where WRAP SIPP accounted for 40% of gross new business inflows, but only 14% of long-term cash generation.



SunLife is our distribution business and a Market leader in over 50s products where they maintained an impressive 61% market share. SunLife's protection business brings mortality risk to the Group which acts as a natural hedge to the longevity risk in our annuity business.

The primary strategic aim of SunLife is to protect and grow its core protection business, however we have been testing the strength and reach of the brand into other products. During 18 and 19 we have developed the capability to introduce equity release mortgage products with good early success. We will remain open to other products if opportunities arise.

Moving forwards, SunLife's capabilities in marketing, data insight and innovation remain really helpful within the wider group.

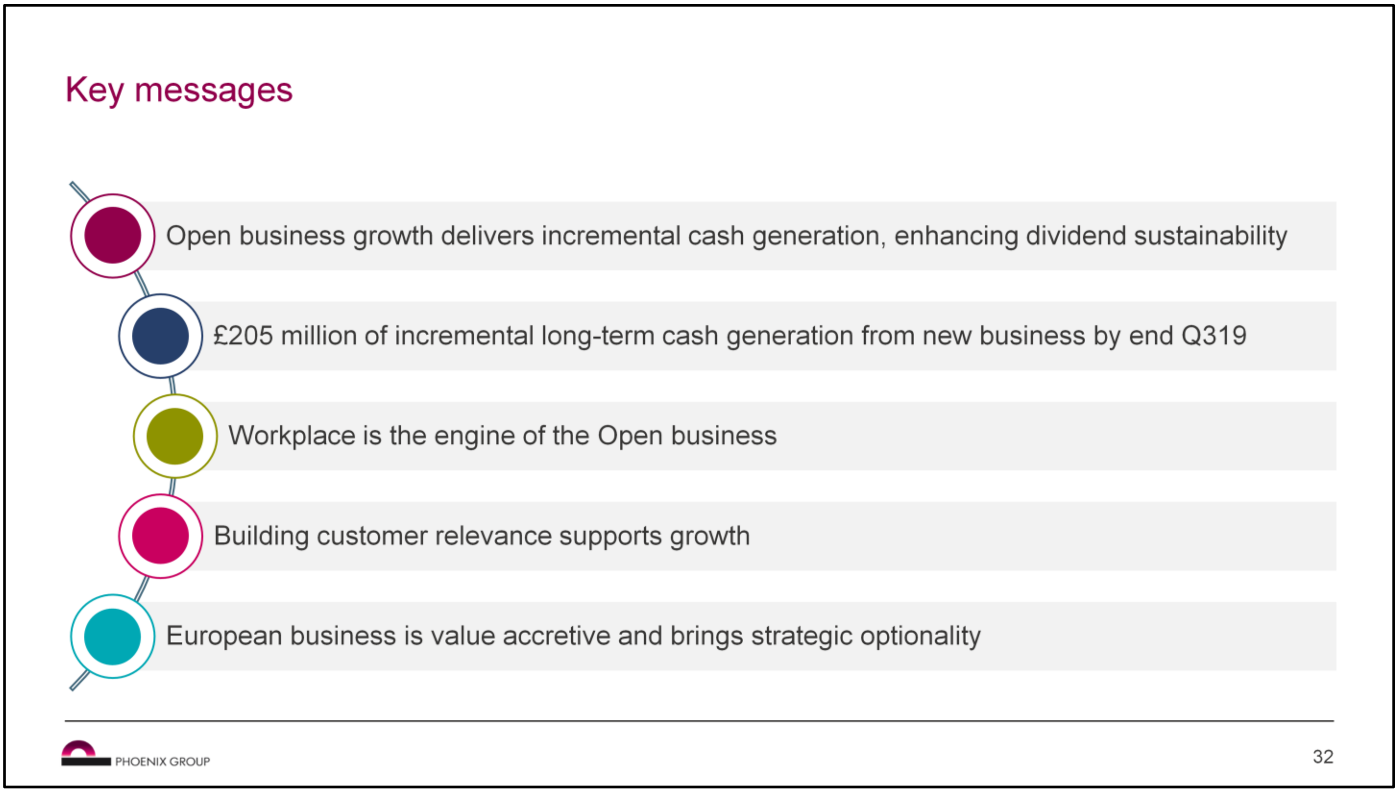


Lastly, turning to our European business. As a reminder it has three segments: Ireland, Germany and the International Bond in the UK. The German and Irish business is managed through Standard Life International which provides us with a European foothold.

European markets continue to be challenging and have undoubtedly been disturbed by recent Brexit uncertainty. Our focus in these markets is therefore to protect our existing assets, optimise sales where possible and drive efficiencies and improvements to maximise value.

Our opportunities for growth are largest in the International Bond business. The recent launch of the Capital Redemption bond met a critical requirement in this market and has seen encouraging interest to date.

Europe is a small part of the open business but provides real optionality for future consolidation.



To conclude

Our open business is growing, and this growth delivered £205 million of incremental long-term cash generation during the first 9 months of 2019. This brings enhanced sustainability to our dividend paying capabilities.

Workplace is the engine of our business and we are focused on growing this business through investment in our proposition.

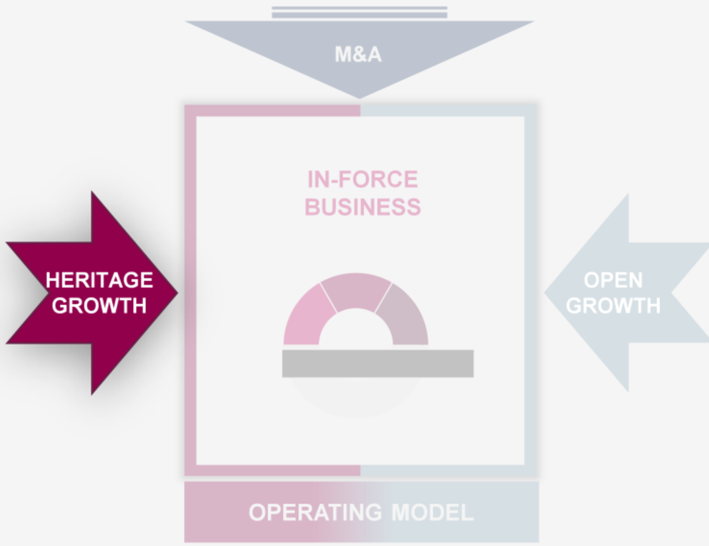
Building customer relevance supports growth across all areas of our Open business. We want to be our customers' first choice for their life savings by being relevant across all stages of the life savings cycle.

Our European operations are small, but provide optionality for future consolidation.

GROWTH OF THE HERITAGE BUSINESS

Simon True

Group Corporate Development Director and Group Chief Actuary



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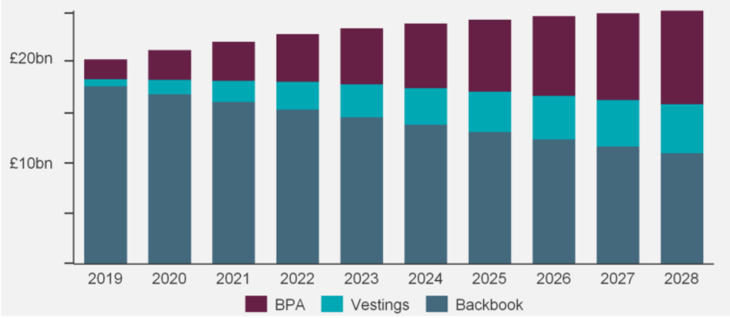
Thank you Susan

Our Heritage business will grow through new annuity business

Our annuity book will continue to grow



Assumptions

- £750 million vesting annuities per annum
- £1 billion BPA per annum

Key messages

- Annuity business is value accretive; providing long-term cash flows to support future dividends
- Growth through BPA is incremental to our cash generation targets
- £235 million of incremental long-term cash generation from BPA transacted YTD
- Cash generation guidance assumes £750 million of vesting annuities per annum

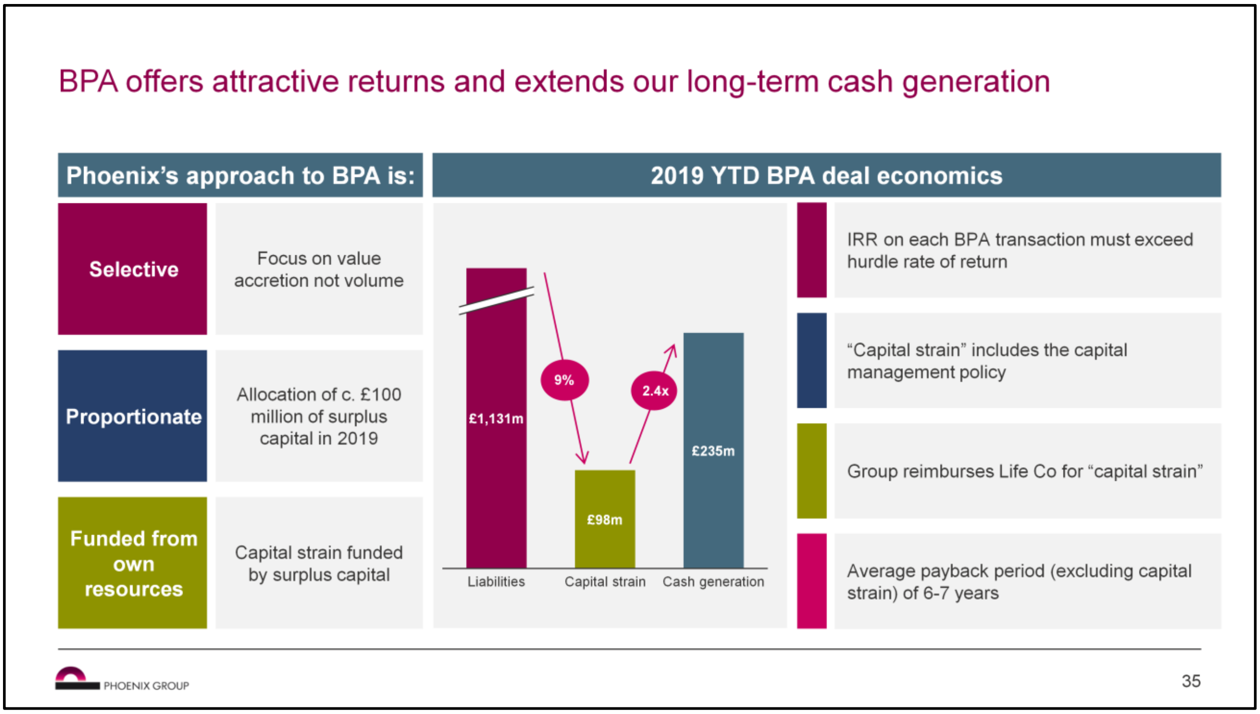
The majority of our Heritage business is in run off.

However, our annuity book is growing through both vesting annuities and Bulk Purchase Annuities ("BPA").

Annuity business is value-accretive to Phoenix, providing long-term cash flows that will help support our future dividends.

Our published cash generation targets assume an element of vesting annuities each year based on past experience but exclude future BPA deals.

As a result, BPA delivers incremental long-term cash generation.



We continue to follow a selective and proportionate approach to BPA which will be funded from surplus capital at Group.

In 2019 we have allocated around £100 million of capital to secure over £1.1 billion of BPA liabilities.

This represents less than 3% of a market which we expect to be around £40 billion in 2019.

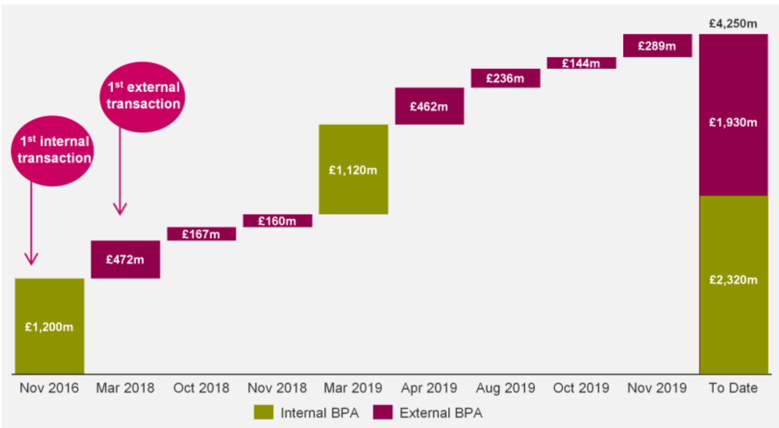
These transactions will deliver long-term cash generation of £235 million which is incremental to our £12 billion cash generation guidance.

The capital strain associated with writing BPA reflects not only the Solvency Capital Requirement but also the capital management policy that Andy described earlier.

With an average payback period of around 6-7 years, BPA clearly offers attractive returns and brings increased sustainability to Phoenix's business.

Our BPA strategy has delivered £485 million of long-term cash generation

We have capitalised on both internal and external opportunities



External BPA statistics

	Liabilities	Capital strain	Long-term cash generation
YTD 2019	£1,131m	£98m	£235m
FY 2018	£799m	£100m	£250m
	£1,930m	**£198m**	**£485m**

2019 BPA is incremental to our £12 billion cash generation guidance

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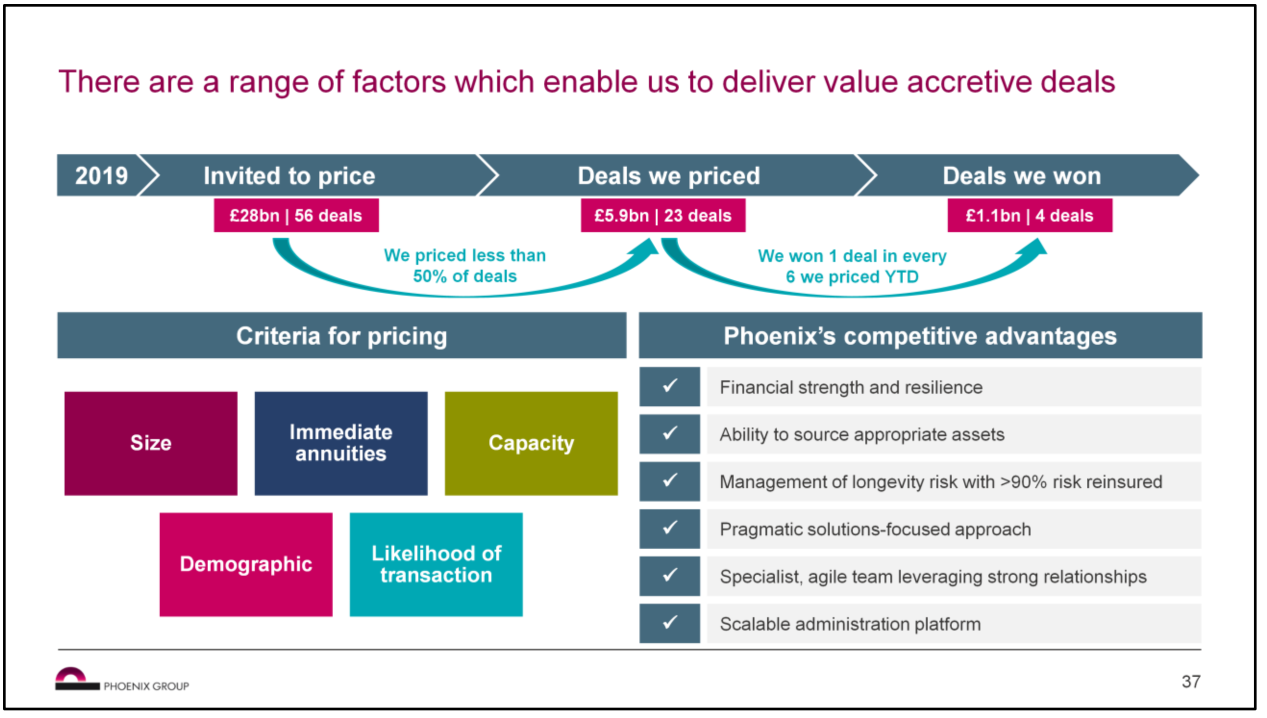
We are now an established player in the buy-in market with over £4 billion of new annuity business delivered in the last three years across a combination of internal and external buy-ins.

Over time we have been able to increase the returns we have achieved on external BPA and our £100 million of capital spend in 2019 has secured an additional £332 million of liabilities compared to the £100 million deployed in 2018.

On average, the deals completed in 2019 also have a shorter pay-back period.

In just two years, our Bulk Purchase Annuity business has delivered £485 million of incremental long-term cash generation.



Our approach to BPA continues to be driven by value not volume.

The BPA market has a healthy level of competition and we have a clear set of criteria which govern the deployment of capital.

To illustrate our discipline, year to date, we have been invited to price 56 deals, of which we have priced 23 and completed 4.

Around half of the deals we were invited to price did not meet our criteria for pricing.

Size of transaction is key - we do not take part in very large or very small transactions.

We also do not currently price for deferred annuities and will take into consideration the specific demographics of the proposed transaction. Finally, our capacity (both capital and operational) and the likelihood of transaction will determine whether we participate in a process.

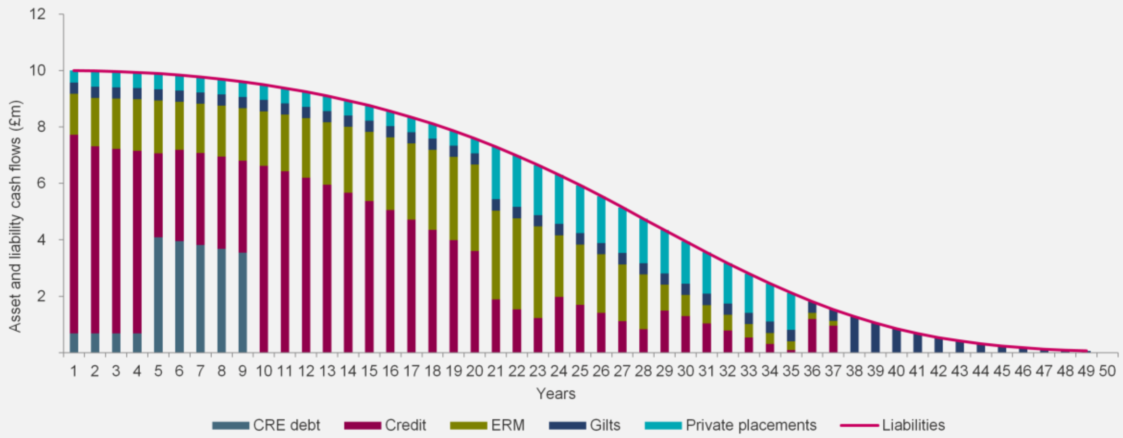
Our ability to win deals in this competitive market is driven by the financial strength and resilience of the Group, and the pragmatic, solutions-focused approach of our specialist BPA team.

However, the key determinant of success in this market is ultimately the price being offered.

This is primarily driven by our prudent approach to the management of longevity risk through reinsurance and our ability to source appropriate assets to back the liabilities being transferred.

Sourcing assets quickly which match liability duration is the key criteria for success in the BPA market

Illustrative asset and liability matching profile

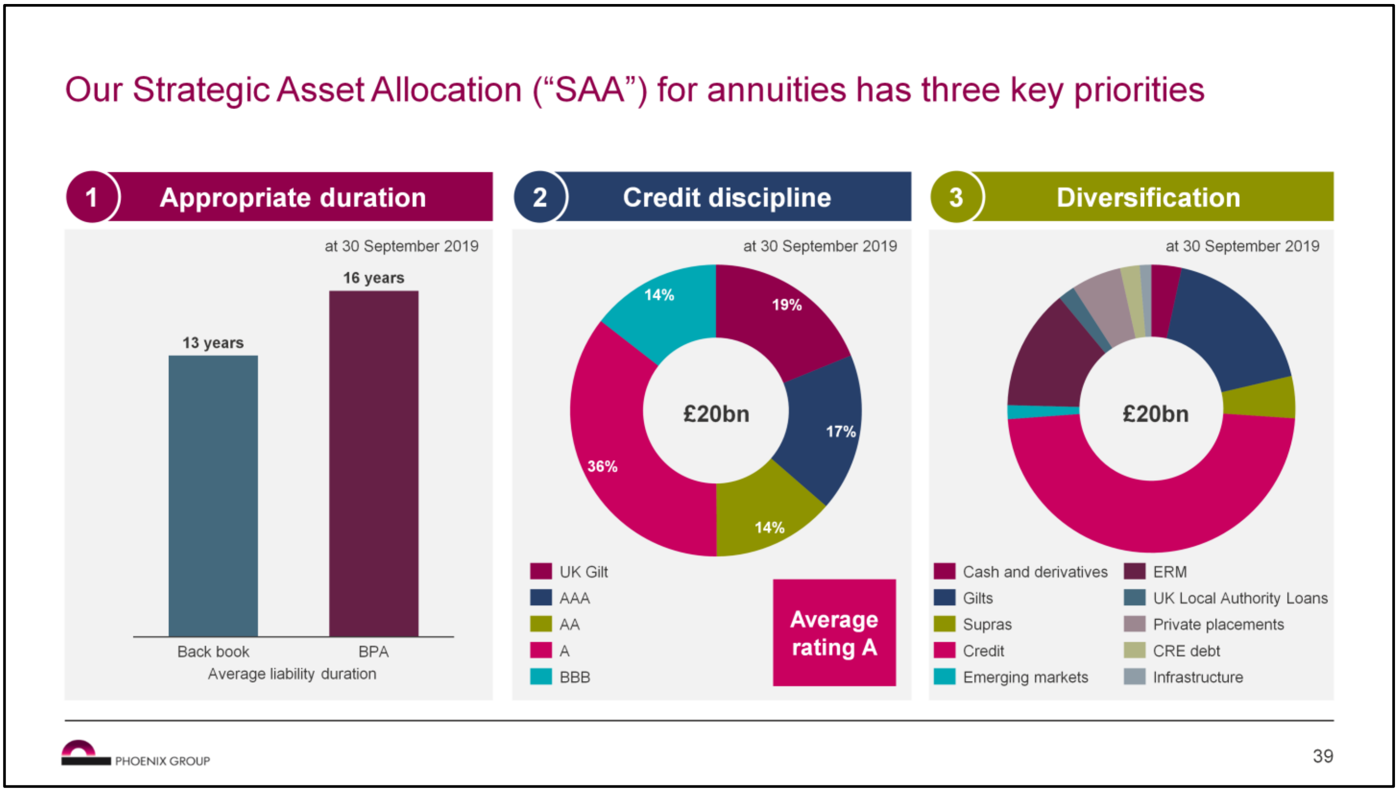


Phoenix uses a range of assets to ensure the asset and liability cash flows of each BPA transaction are closely matched.

The illustration on this slide shows how we use both liquid and illiquid assets to achieve this.

BPA pricing is based on a target asset portfolio which is bespoke for each transaction.

It is therefore imperative that this target asset portfolio can be sourced quickly and we leverage our strategic relationship with Aberdeen Standard Investments to achieve this.



As at 30 September 2019 we have an annuity book of around £20 billion which we expect to grow over time.

[As the shareholder is fully on risk for meeting annuitant liabilities it is important that we have a clear strategy for asset allocation which ensures these obligations will be met.]

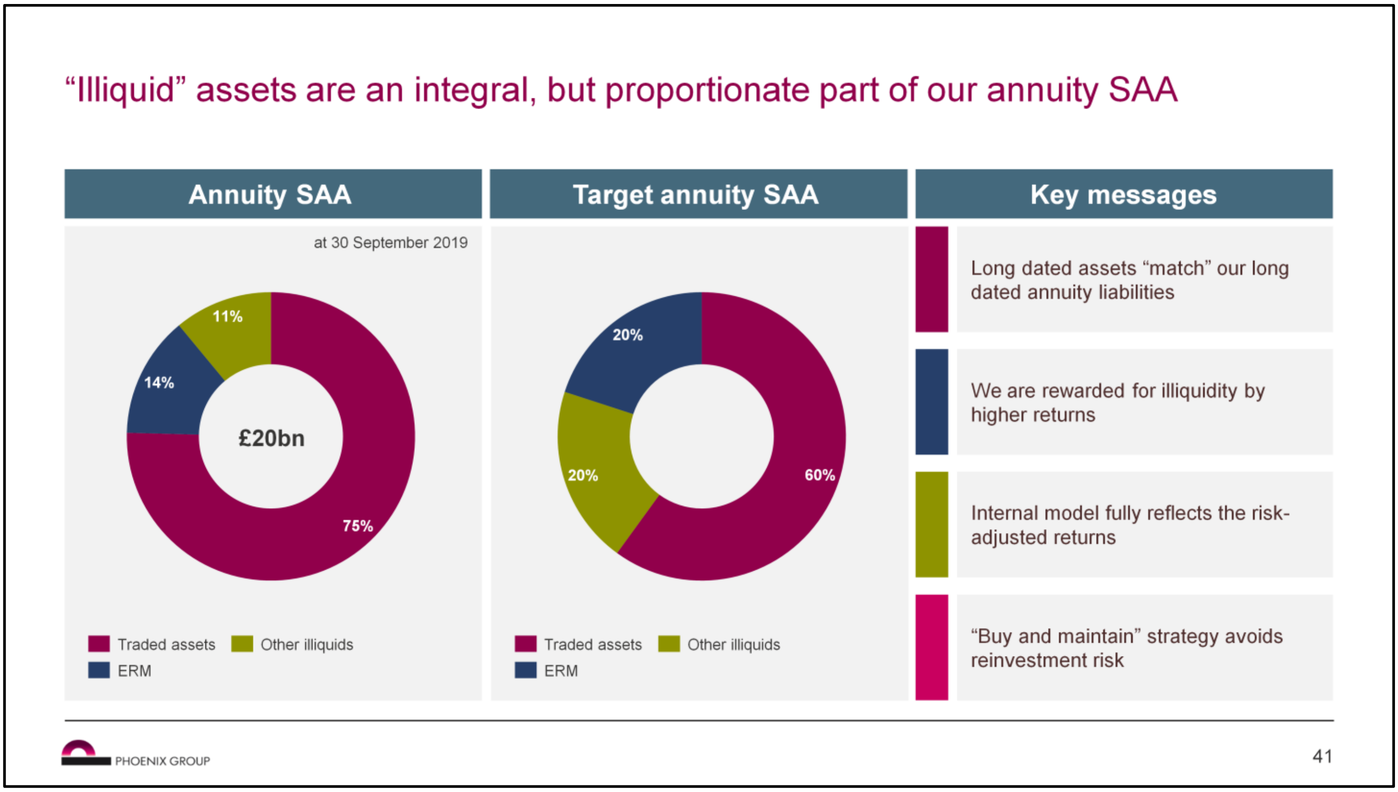
We have three key priorities for our annuity strategic asset allocation:

1. First, we closely match asset and liability duration. This duration is currently between 13 and 16 year on average across our back book and BPA respectively.
2. Second, we maintain our credit discipline. At 30 September 2019, virtually all of the assets backing our annuity liabilities were investment grade with an average rating of A.

3. And third, we look for our annuity portfolio to be diversified across asset class, sector and geography.

We operate strong controls and governance across our asset portfolio to ensure that it continues to meet the risk appetite set by the Board in relation to capital, liquidity, counterparty exposure and credit risk limits.

Asset selection is subject to approval by a sub-committee of the Life Company Boards and regular monitoring of the portfolio against risk appetite means that the portfolio is managed in a dynamic manner.



"Illiquid" assets are an integral, but proportionate part of our strategic asset allocation for annuity liabilities.

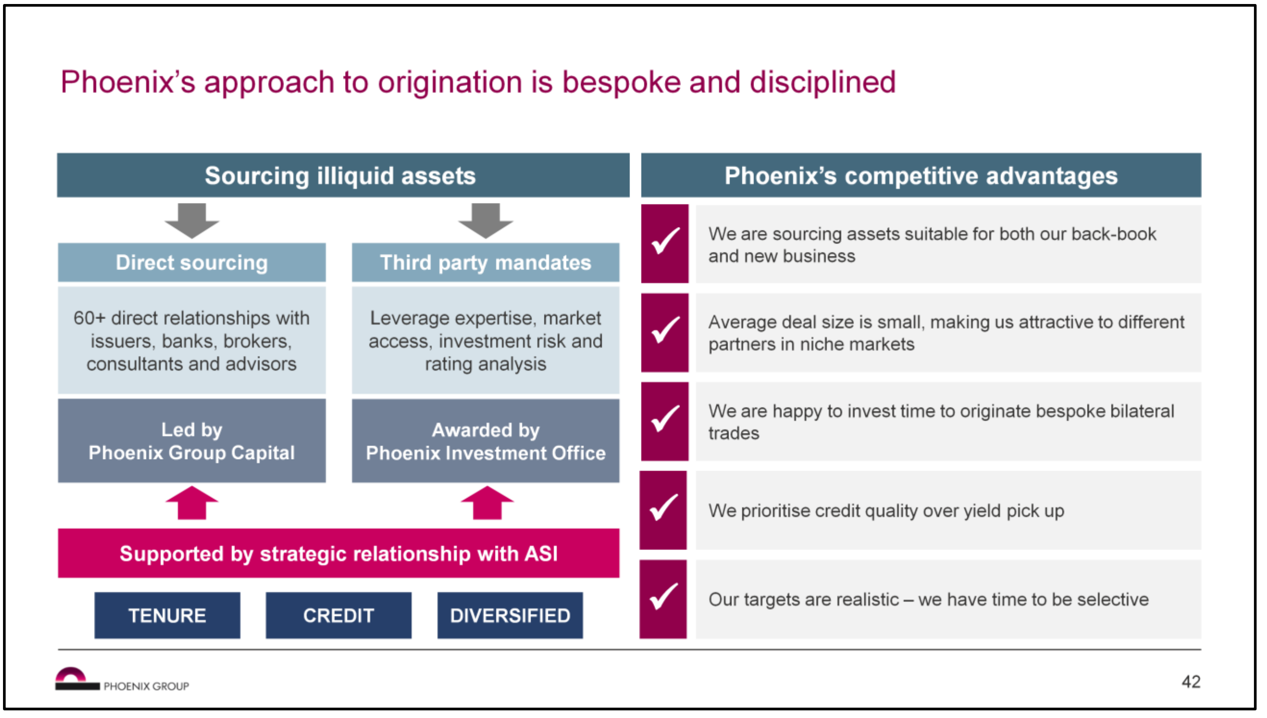
This is because the long dated nature of these assets provides a good match to the tenor of our annuity liabilities.

We are rewarded for this illiquidity by higher returns and avoid reinvestment risk by following a "buy and maintain" strategy.

As at 30 September 2019, 25% (or £5.0 billion) of the assets backing annuity liabilities were categorised as "illiquid".

We target increasing this illiquid allocation over time to 40% split 50:50 between Equity Release Mortgages and other illiquid asset classes.

We aim to originate around £1 billion of illiquid assets per annum and therefore expect it to take 4 to 5 years to reach this target. This has the added benefit of allowing us to invest across the investment cycle.

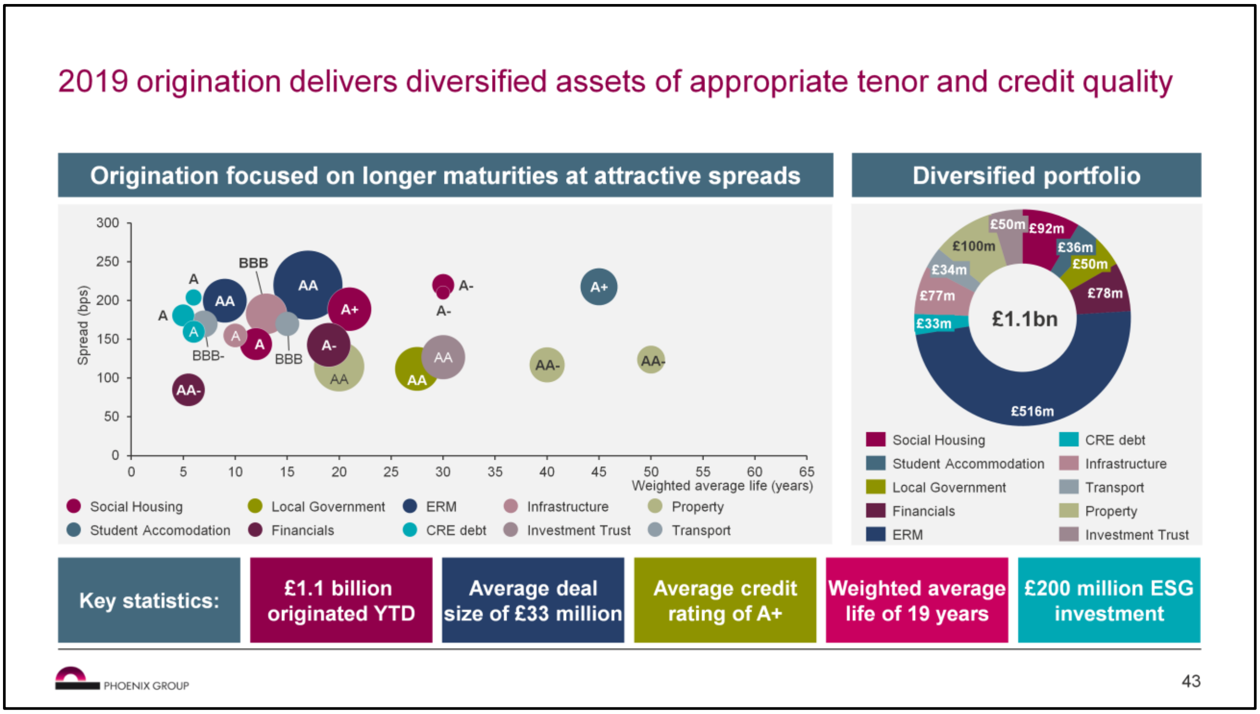


We have a bespoke and disciplined approach to origination which utilises both our in-house direct sourcing team and third party managers.

Because we are sourcing assets for both our back-book of annuities and new business, we have a wide range of flexibility over the yields and duration of the assets we are targeting.

In our quest for a diversified asset portfolio, we tend to focus on a relatively smaller average deal size compared with our peers. This makes us attractive to partners in certain niche markets and we are happy to invest the time to originate bespoke bilateral trades.

Finally, and most importantly, we prioritise credit quality over yield pick up in our origination.



In 2019 we have originated £1.1 billion of illiquid assets year to date across a broad range of asset classes and a spread of durations. This origination has delivered a Solvency II benefit of £116 million.

The average credit rating of the assets originated was A+ and the average deal size was £33 million.

Our 2019 origination has demonstrably delivered against our three principles of sourcing assets of appropriate duration, maintaining credit discipline and achieving a diversified portfolio.

We use an independent and robust process to determine the credit rating of our illiquid assets

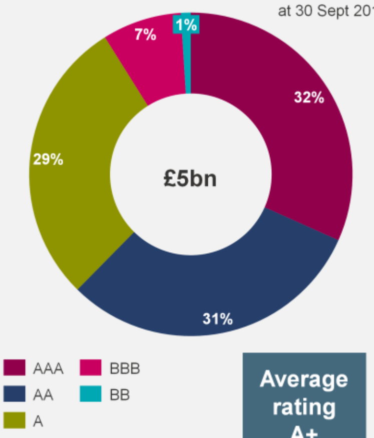
Internal Credit Rating ("ICR") process for non-ERM illiquids

Annual Cycle	3rd party asset manager	Phoenix
Internal Credit Rating framework	Draft and approve asset manager framework	Approve framework of asset manager and set / approve Phoenix ICR framework
Individual asset rating assigned	Assign credit rating in line with framework on origination	Approval of rating by ICR Committee with Investment Management Committee oversight
Monitoring and reporting	Quarterly review of credit rating and asset risk Watchlist for assets at risk of default and / or downgrade	Monthly 'watchlist' reporting of assets at risk of default and / or downgrade reviewed by investment and risk committees

External Audit provides oversight of framework and asset valuation

Illiquid asset credit quality

at 30 Sept 2019



Average rating A+

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We have a comprehensive and independent credit rating process which we apply to our portfolio of non-ERM illiquid assets.

Our 3rd party asset managers play a key role in this process, at origination, by assigning ratings to each individual asset which is then validated by Phoenix's Internal Credit Rating Committee.

Our asset management partners also undertake a quarterly review of the individual credit ratings. Phoenix's management committees then review the "watchlist" of any assets at risk of default and downgrade on a monthly basis.

Further oversight of the process is provided by Phoenix's external auditors who review the Internal Credit Rating framework and asset valuations as an integral part of their regular audit processes.

The average <u>A+</u> credit rating across our £5.0 billion illiquid portfolio is evidence of the robustness of our framework.

Our £5 billion illiquid asset portfolio is well diversified

Equity Release Mortgages £2.7 billion

- Broad regional spread and average LTV of 33%
- Average AA credit rating

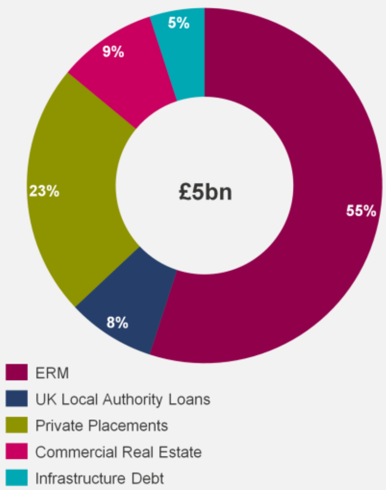
Private Placements £1.1 billion

- Diverse portfolio of investment grade corporate loans and bonds
- 72% of exposures are secured on assets

Commercial Real Estate £0.5 billion

- Structured with robust covenant protection
- c. 75% of portfolio LTV ≤ 50%

at 30 September 2019



UK Local Authority Loans £0.4 billion

- Unsecured but with implicit support of UK Government
- Average AA credit rating
- Loans across 24 different local authorities with exposures ranging from £0.5 million - £85 million

Infrastructure Debt £0.3 billion

- Secured on cash flows from long-term contracts with highly rated counterparties
- 70% of portfolio backed by UK Government (directly or indirectly)

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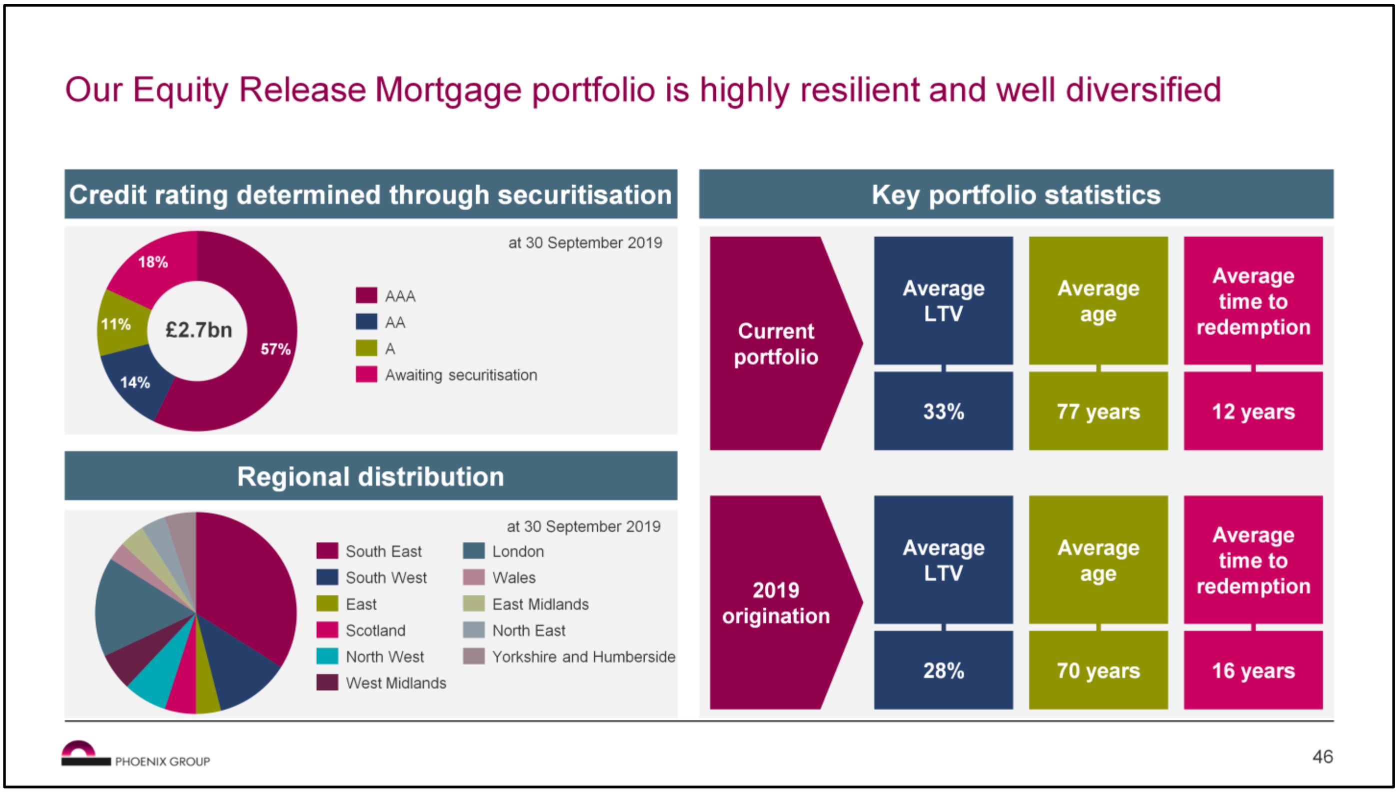
Our £5 billion portfolio of illiquid assets is well diversified across 5 main asset categories.

The two smallest of these categories are local authority loans and Infrastructure Debt which represent 8% and 5% of the portfolio respectively.

Our portfolio of local authority loans is well diversified, spreading across 24 different local authorities. Our largest exposure here is £85 million to the Birmingham City Council and the portfolio has an average credit rating of AA.

Our infrastructure portfolio represents loans secured on the cash flows of long-term contracts of highly rated counterparties. 70% of our portfolio is backed either directly or indirectly by the UK Government. Our largest exposure is a £72 million private finance initiative with Semperian. Rated BBB+, this transaction is backed by 92 fully operating UK PFI assets and one in Ireland, with 86.5% of revenues from UK Government availability contracts.

Moving into our largest illiquid assets…



ERM continues to be our most significant illiquid asset class.

Our portfolio has been built through a combination of back book acquisitions and new business origination through funding arrangements of two established ERM partners.

We have a well diversified book with a broad regional spread.

The average credit rating of our portfolio of equity release mortgages is AA. This rating is determined internally based on assumptions that are an integral part of our internal model methodology.

The average loan to value of the book is 33 percent and the current average borrower age is 77 years.

For the business originated in 2019, we have seen an average loan to value at origination of <u>28</u> percent and an average age at origination of <u>70</u> years.

The PRA continues to review the regulatory capital treatment of this asset class. Supervisory Statement 3/17 (as modified by Policy Statement 19/19) requires us to test the Matching Adjustment benefit within Own Funds against the PRA's Effective Value Test benchmark from 31 December 2019. We expect to meet this test for all of our ERM portfolio.

We have strong security over our £2 billion portfolio of other illiquid assets

Commercial Real Estate £0.5 billion

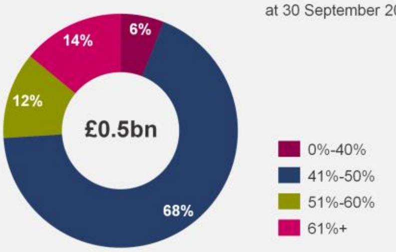
- First-ranking security over the underlying property, transaction bank accounts and other borrower assets
- Structured with robust covenant protection, typically a combination of loan-to-value and interest coverage ratio covenants

Private Placements £1.1 billion

- 72% secured on a variety of assets
- Diversified portfolio across 33 exposures (counterparties)
- Average loan size of £34 million
- Average credit rating of A

Current LTV levels of CRE portfolio

at 30 September 2019



5 largest Private Placements

1	£140m	Rated A	Secured on portfolio of healthcare facilities
2	£109m	Rated A	Social housing provider (secured)
3	£97m	Rated A	Secured on a portfolio of city centre student accommodation across the Midlands
4	£83m	Rated A	Secured loan to a major UK utility company
5	£71m	Rated AA	Unsecured loan to support sustainable development for a central London local authority

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All loans in our £0.5 billion Commercial Real Estate loan portfolio benefit from robust covenant protection and first ranking security over the underlying properties and related assets. Leverage levels are modest, with around 75% of our portfolio having a current loan-to-value below 50%.

The £1.1 billion private placement portfolio comprises a diverse range of 33 investment grade corporate loans and bonds with an average loan size of £34 million. Over 70% of this portfolio is secured and the portfolio has an average credit rating of A.

Investing in assets brings a positive social impact

City growth & regeneration	Social housing	Equity release	Clean energy	Infrastructure
c. £100 million funding to progress investment in public services, transport and urban infrastructure	c. £100 million investment to help fund the development of more social and affordable homes	c. £1.1 billion ERM origination, helping over 12,000 households unlock equity in their homes	c. £135 million investment across solar, wind, hydro electric and smart meter technologies	c. £150 million investment in new rail rolling stock to improve the journeys of both commuters and leisure travellers





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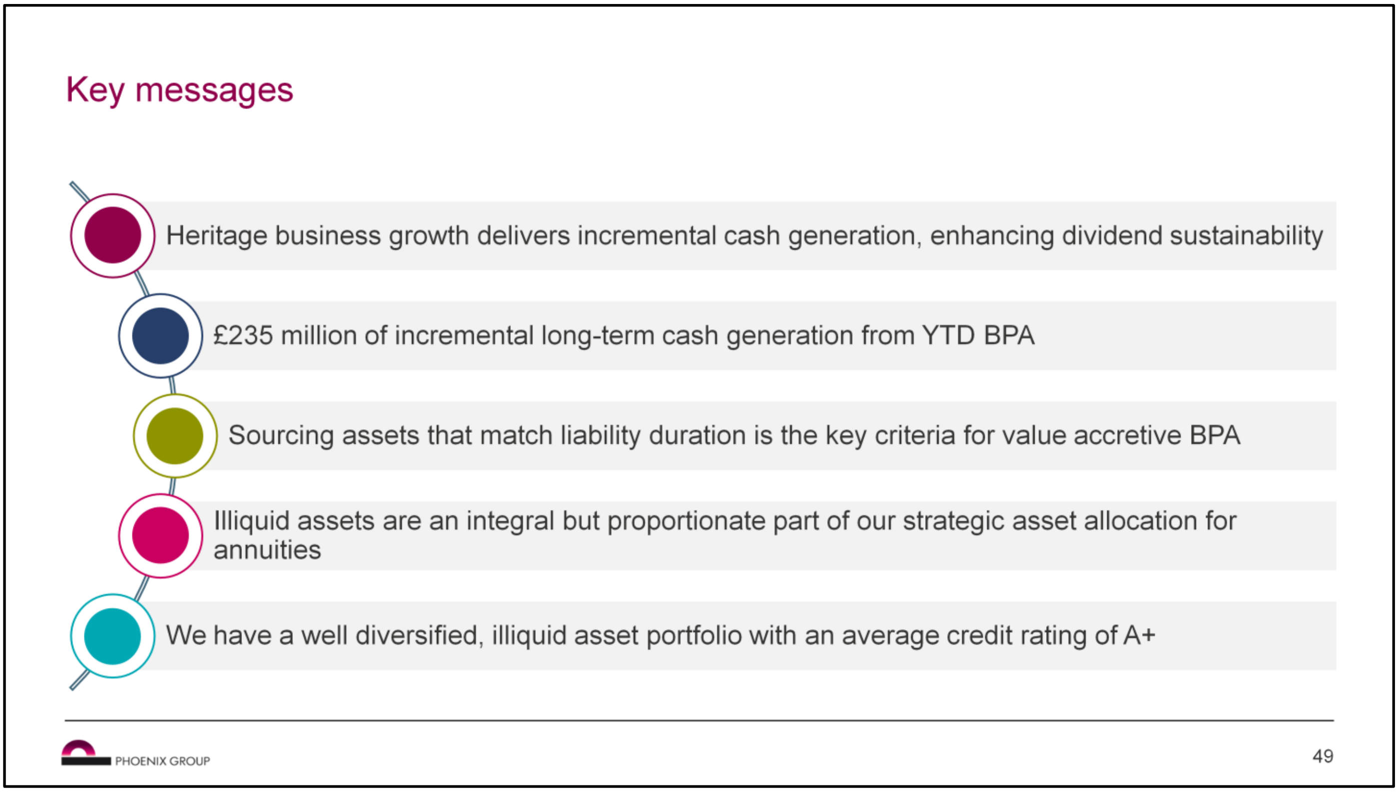
Phoenix is increasingly focused on investing in assets that have a positive impact on society.

Within our illiquid asset portfolio we have provided funding to support city growth, regeneration and social housing. We have also funded investments across water, solar, wind power and smart meter technology.

Finally, we have helped over 12,000 households unlock equity in their homes through our Equity Release Mortgage funding partnerships.

We are committed to taking forward a responsible investment agenda.



Before handing over to Tony, I will leave you with my 5 key messages.

1. We are growing our Heritage business through vesting annuities and BPA.

2. Our approach to BPA is selective and proportionate. YTD we have added £235 million of incremental long-term cash generation from the transactions completed. This is in addition to our £12 billion cash generation guidance.

3. Sourcing assets that match liability duration is a key criteria for value accretive BPA.

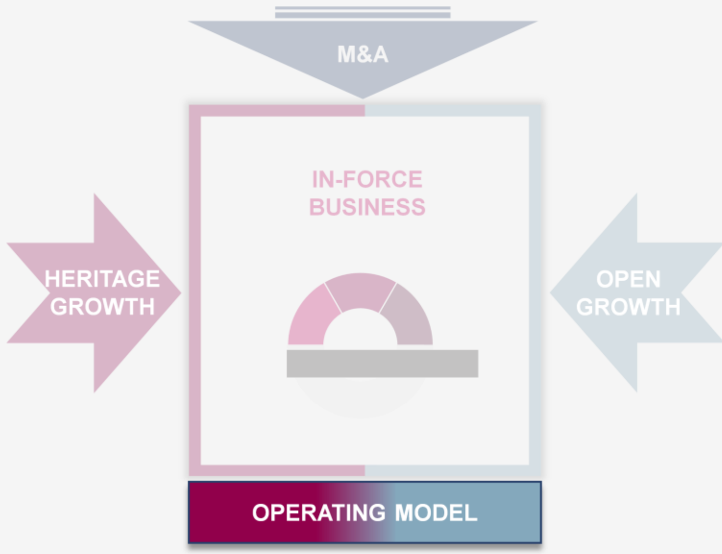
4. Illiquid assets are an integral, but proportionate part of our strategy for annuity backing assets due to their long-term nature.

5. We have a disciplined approach to illiquid asset sourcing which has built a £5.0 billion portfolio that is well diversified and has a strong credit rating.

TRANSFORMATION OF THE OPERATING MODEL

Tony Kassimiotis

Group Chief Operating Officer



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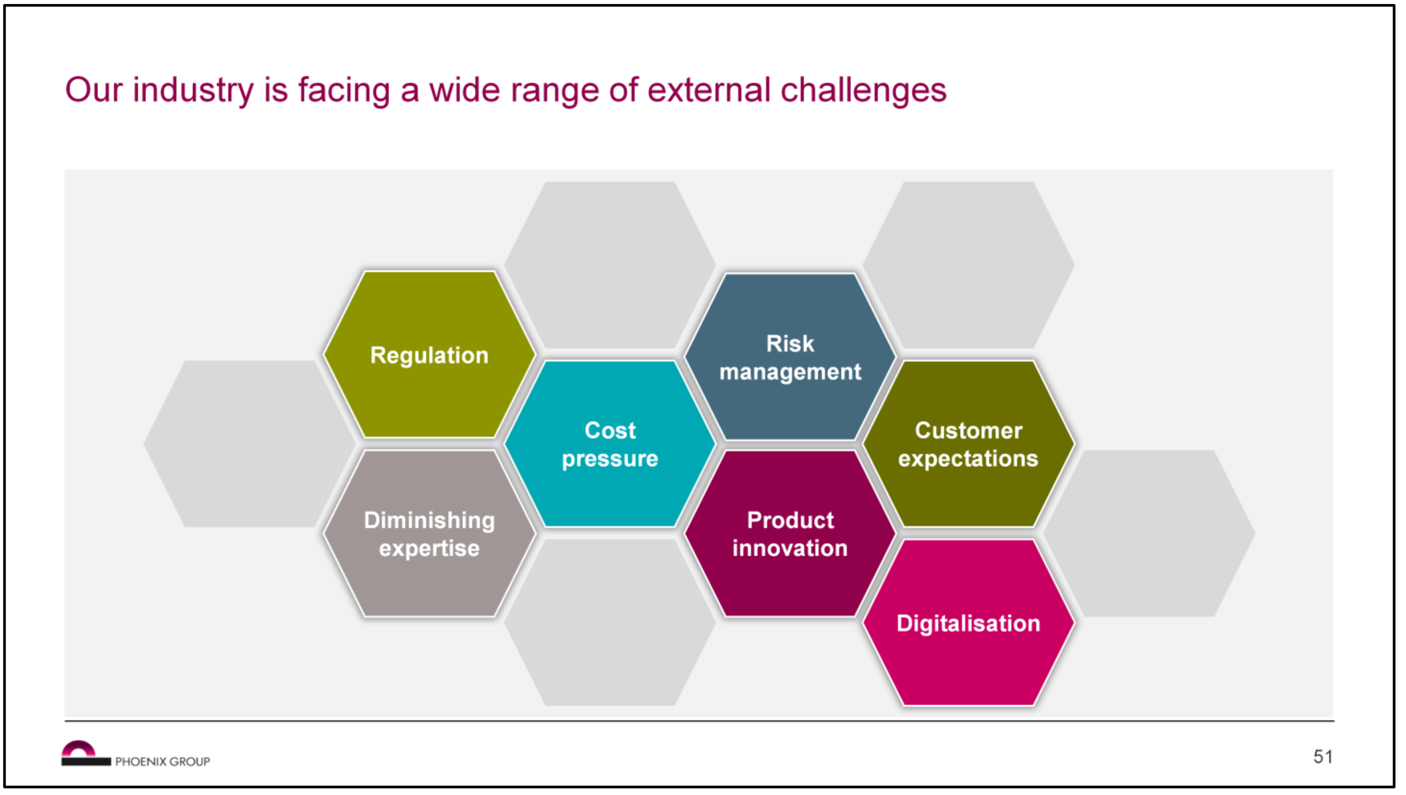
Thank you Simon



The insurance industry is facing a wide range of external challenges which provide a compelling rationale for transformation.

Changing customer expectations, increasing regulation, diminishing expertise and on-going product innovation are exerting cost pressure and a need for the industry to embrace digitalisation and manage risk effectively.

A fundamental shift in the industry operating model is therefore required to ensure we are able to deliver value to customers and shareholders into the future.

At Phoenix this has been at the forefront of our operating model design, which I will cover later.

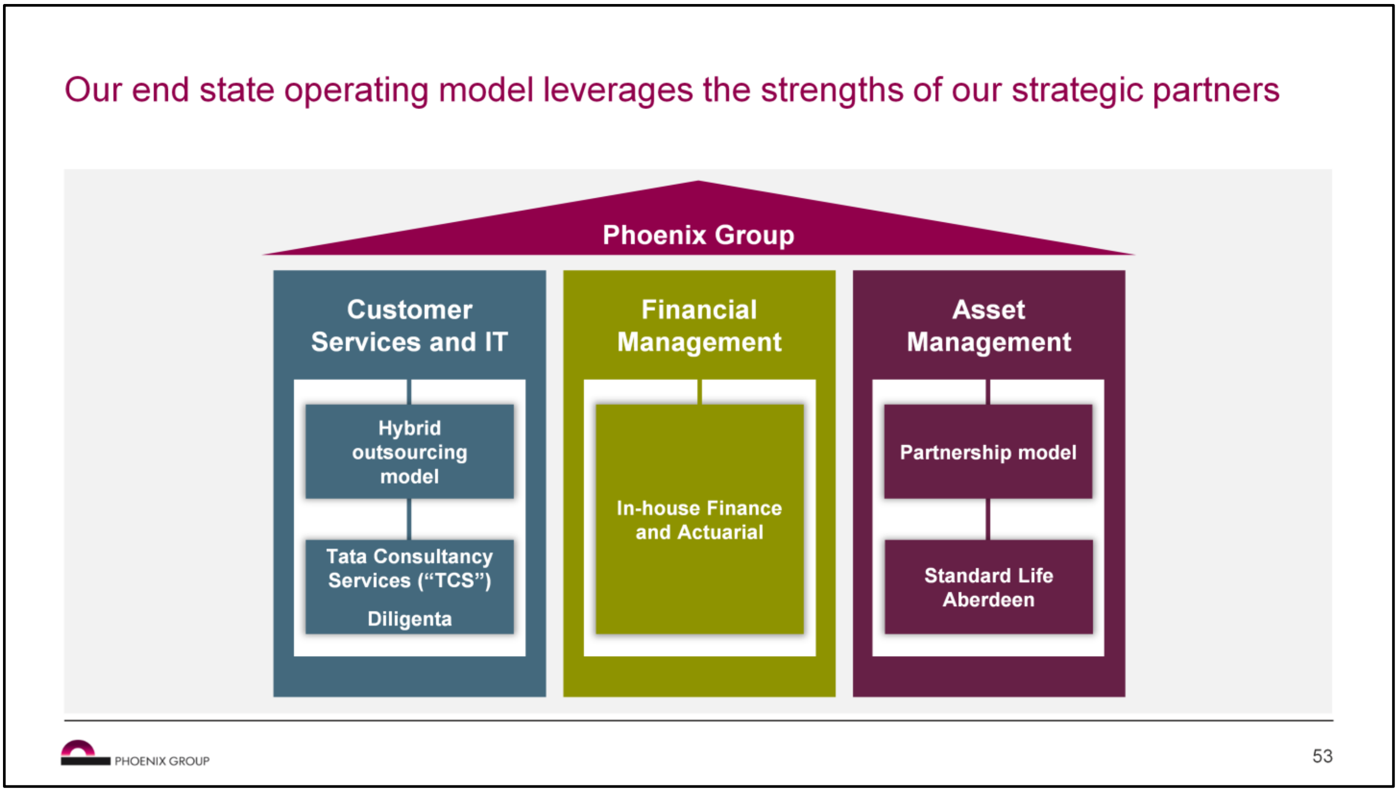
Phoenix is also bringing together two distinct operating models

"Phoenix" model		End state operating model	"Standard Life Assurance" model	
Heritage business	✓		Heritage business	✓
Open business	✗		Open business	✓
M&A ready	✓		M&A ready	✗
Outsourcers	✓		Outsourcers	✗
Digital	✓		Digital	✓

Against this backdrop, Phoenix is also ensuring it brings together the two different operating models of our legacy businesses.

Jim has talked to you before about the objectives of our transition programme. We are working to harness the "best of both" and build an end state operating model which supports our future aspirations of growth across both our Heritage and Open businesses.

Together, the sum of the parts will be greater.



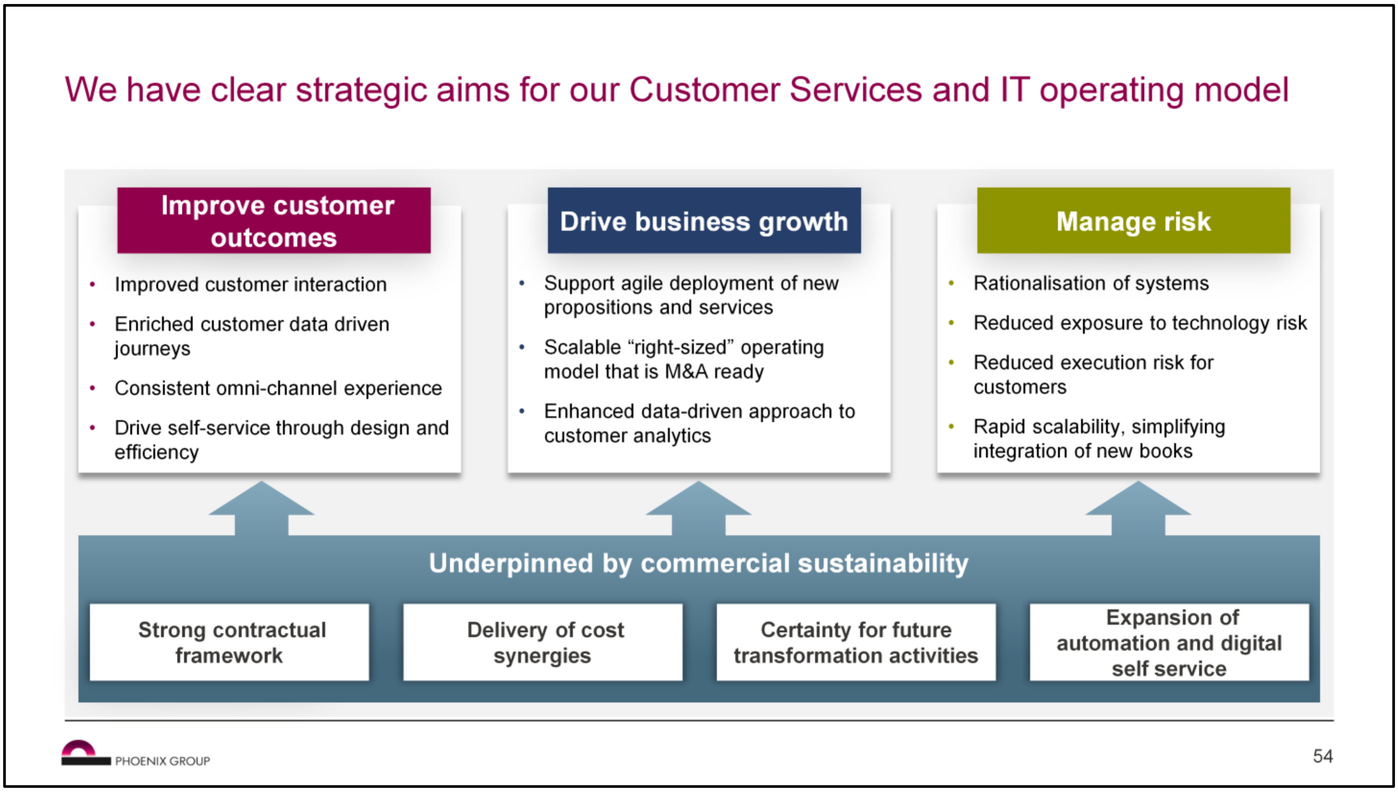
Phoenix's end state operating model will leverage the strengths of our strategic partners whilst retaining in-house the key skills which differentiate us.

Our operating model has three key pillars which are supported by a number of group functions including Risk, Legal, Human Resources and Internal Audit. Two of these pillars operate partnership models with preferred strategic partners.

We operate a partnership model for asset management awarding Investment Management mandates to asset managers based on capability and performance. Standard Life Aberdeen are our preferred strategic partner and provide investment management services for around 2/3rds of our assets under administration.

Financial management is retained in-house where our financial and actuarial teams take responsibility for bringing resilience to our solvency balance sheet and delivering management actions.

In Customer Services and IT we will have a hybrid outsourcing model with Tata Consultancy Services (which I will refer to as "TCS") and Diligenta as our preferred strategic partners. Phase 3 of our transition programme will deliver this end state model which I will explain in more detail today.



Our end state operating model for Customer Service and IT has been designed to meet a set of clear strategic aims.

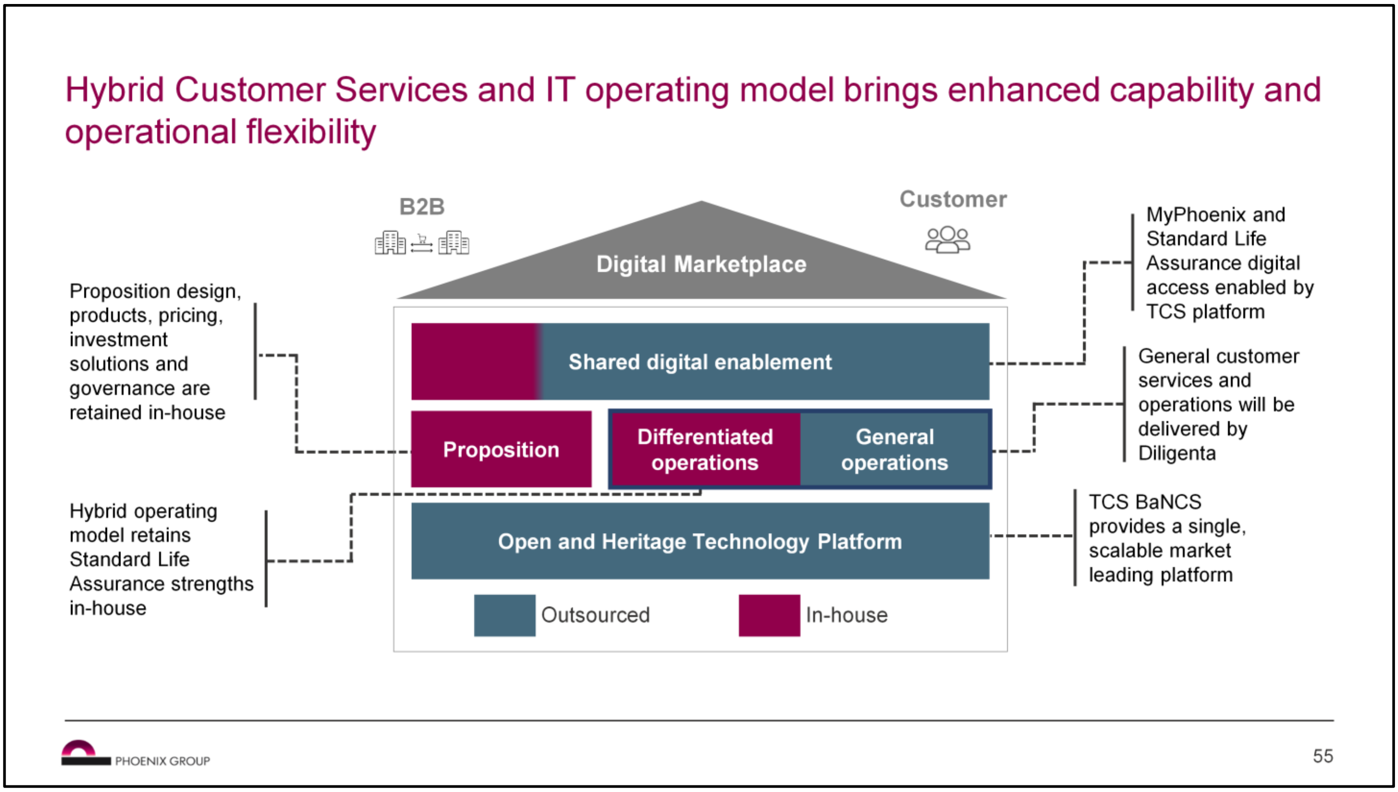
Improving customer outcomes and providing a fast and efficient service is central to the strategy of our in-force business and to the growth of our Open and Heritage businesses.

We need a model which is M&A ready and one which enables the agile deployment of new propositions and services, with accelerated speed to market.

It is also imperative that we manage our risk well. We aim to achieve this by rationalising our existing systems and reducing execution risk for customers.

All these aims will be underpinned by commercial sustainability.

Our operating model will deliver cost efficiencies which will enable us to meet our synergy targets. It will also provide certainty for delivery and future transformation activities through an already established strong contractual framework.



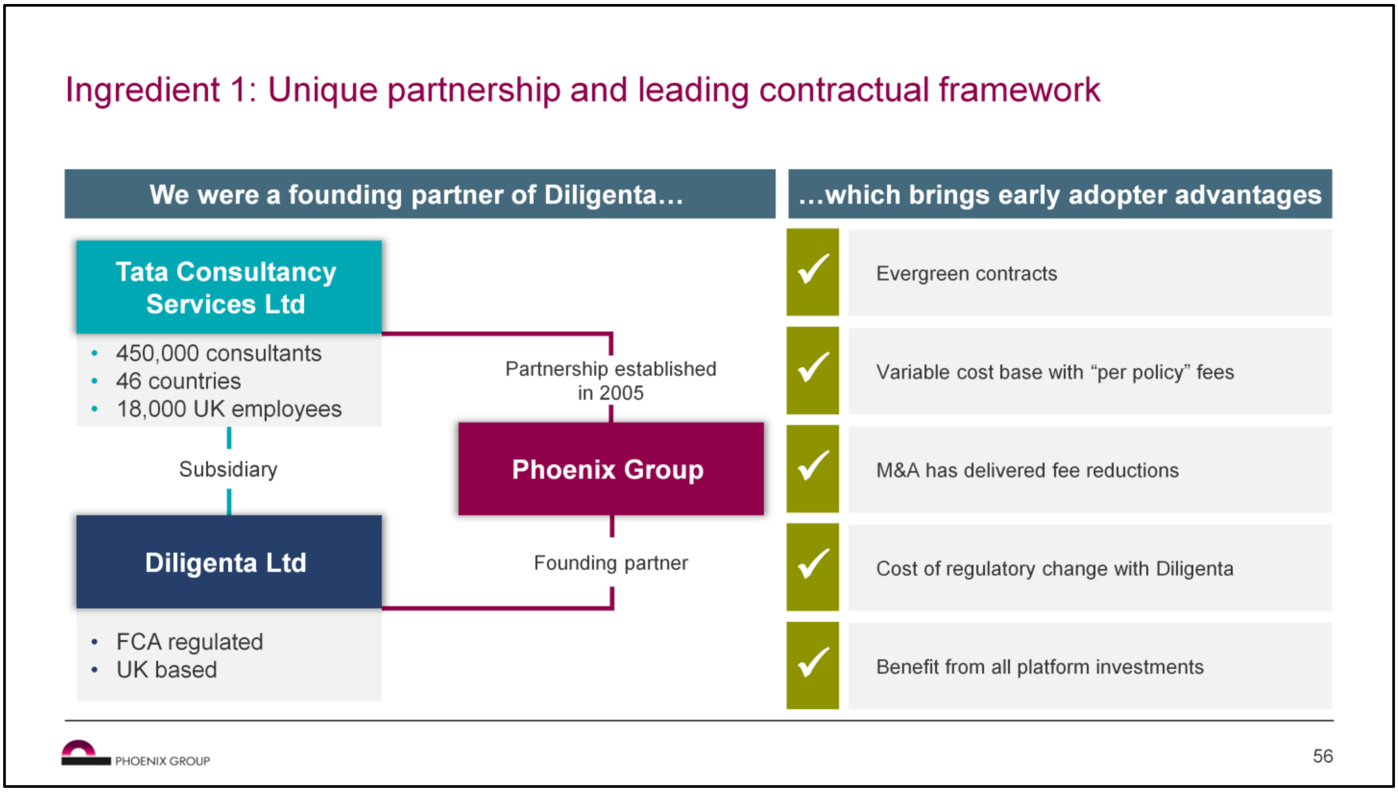
This picture provides a simplified overview of the three core components of our Hybrid Customer Service and IT operating model.

We will migrate all of our Heritage and Open policies onto TCS's BaNCS platform. This platform is already in place for significant parts of our Phoenix Life Heritage business. This will provide a single, scalable platform that is already market leading for Heritage product administration and will be developed by TCS and Phoenix to service Open products too.

General customer services operations will be provided by Diligenta. Customer and product proposition will remain in-house at Phoenix, as will the differentiated customer services operations that deliver the USP's of the Standard Life brand, such as our Exec Sponsor Scheme for Workplace clients.

Access to the digital market place will be enabled by the TCS open architecture platform, and this will support the ongoing development of our digital proposition.

This model brings enhanced capabilities and operational flexibility and provides Phoenix with significant competitive advantages.



Our ability to deliver this hybrid operating model is dependent on 4 key ingredients which we believe are unique to Phoenix.

The first is our partnership with TCS.

TCS is an IT services, consulting and business solutions organisation that has been partnering with many of the world's largest businesses in their transformation journeys for the last fifty years.

With over 450,000 of the worlds IT specialists working in 46 countries, it provides IT digital and business services for 200 leading UK organisations including 40 from the FTSE 100.

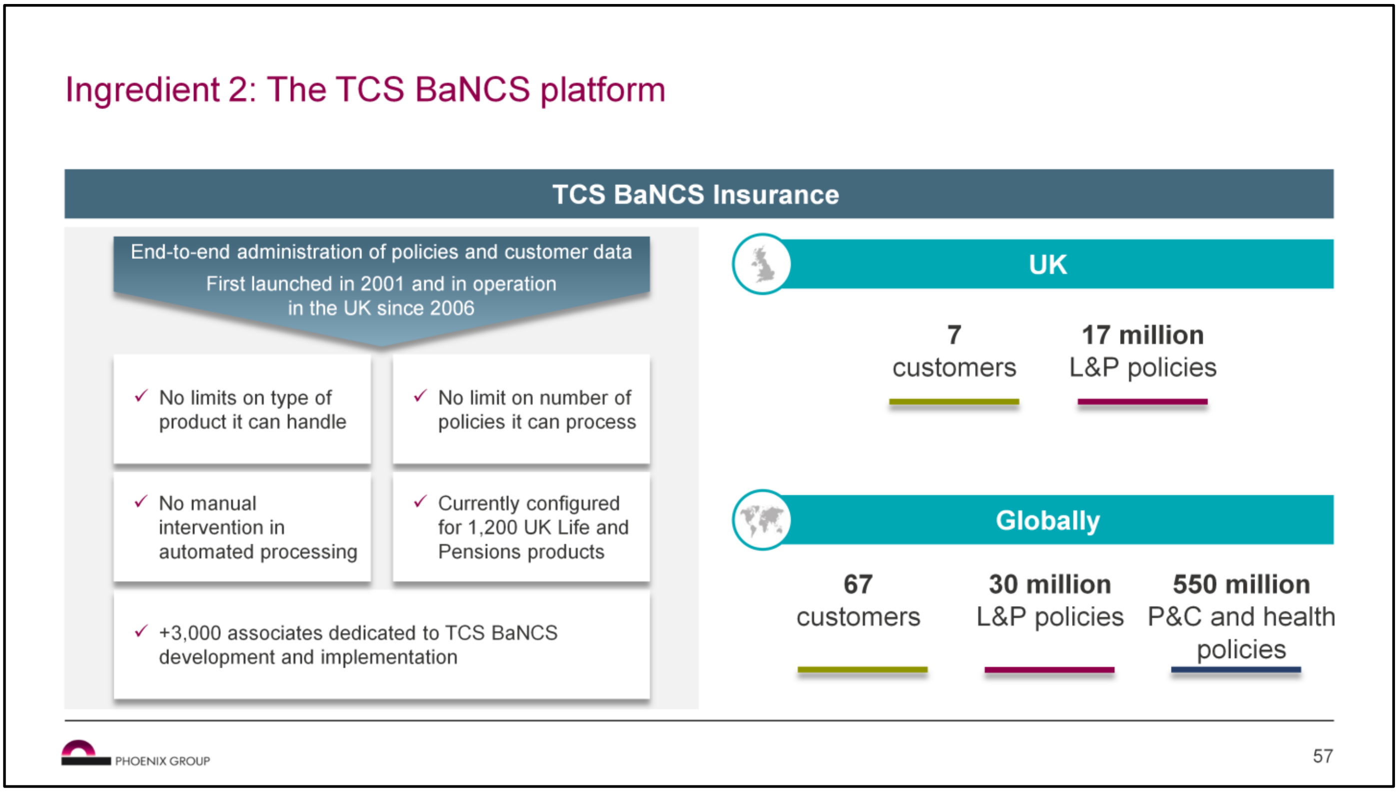
In 2006, Phoenix was a founding partner of Diligenta – a UK based, FCA regulated wholly owned subsidiary of TCS. Diligenta specialises in the provision of end to end transformation

Platform based business process services for the Life and Pensions industry.

This unique partnership provides Phoenix with a number of early adopter advantages. Our contractual framework with Diligenta is evergreen and converts a previously fixed cost base into a variable cost per policy. Through M&A we have delivered additional scale to Diligenta which has enabled us to benefit from reductions in our per policy costs.

Integration of the AXA business was a good example of these benefits crystallising where we saw a 20% reduction in administration costs on moving this Heritage business to Diligenta.

We cannot transform our business to meet the challenges facing our industry alone. We have chosen a world leader in TCS to support us, enabling us to move faster, at lower cost and with greater execution certainty.



The second ingredient is the TCS BaNCS platform.

Launched in 2001, Phoenix were the first UK insurance company to use the TCS BaNCS platform back in 2006.

In fact, we were instrumental in its introduction into the UK market place.

The platform provides end to end administration of policies and customer data. Transaction processing is completely automated with no manual intervention required from the end users after the transaction is authorised or approved. This provides fast, efficient and low risk policy administration.

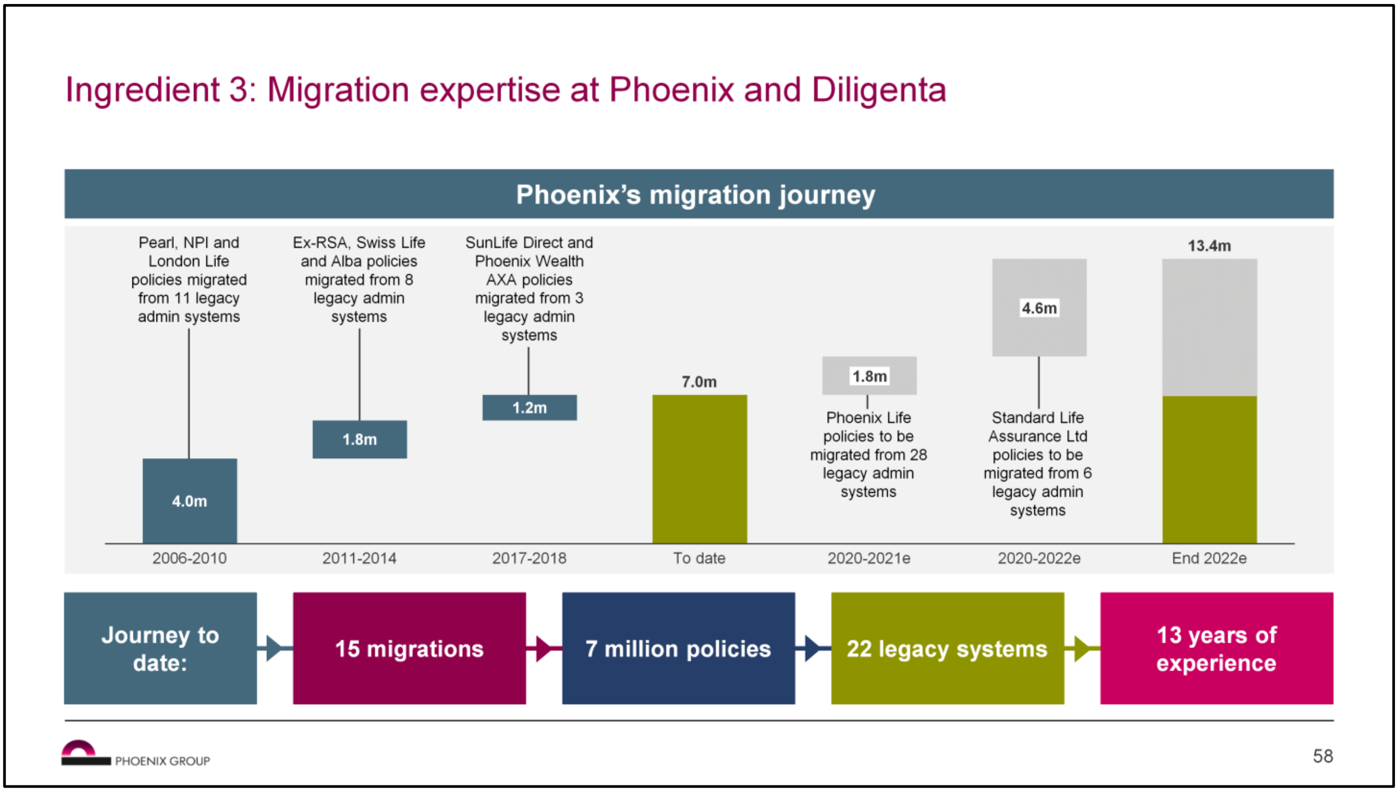
30 million life, pensions and annuity policies and 550 million property & casualty and health policies are administered on TCS BaNCs globally. In the UK it services 7 life and pension

organisations including Aviva, M&G Prudential and Scottish Widows. Following the planned migrations, Phoenix will be the largest customer in the UK.

The platform is also scalable both horizontally and vertically and there is therefore no upper limit to the number or type of policies that it can administer.

Finally, the TCS BaNCS unit has more than 3,000 associates fully dedicated to BaNCS product development and implementation. This level of support will enable the adaptation of the platform for Open business and ensure that the platform retains its market leading position.

The TCS BaNCS platform offers Phoenix the unique opportunity to have all Heritage and Open business on a single platform. This will deliver flexibility and scale to our operating model.

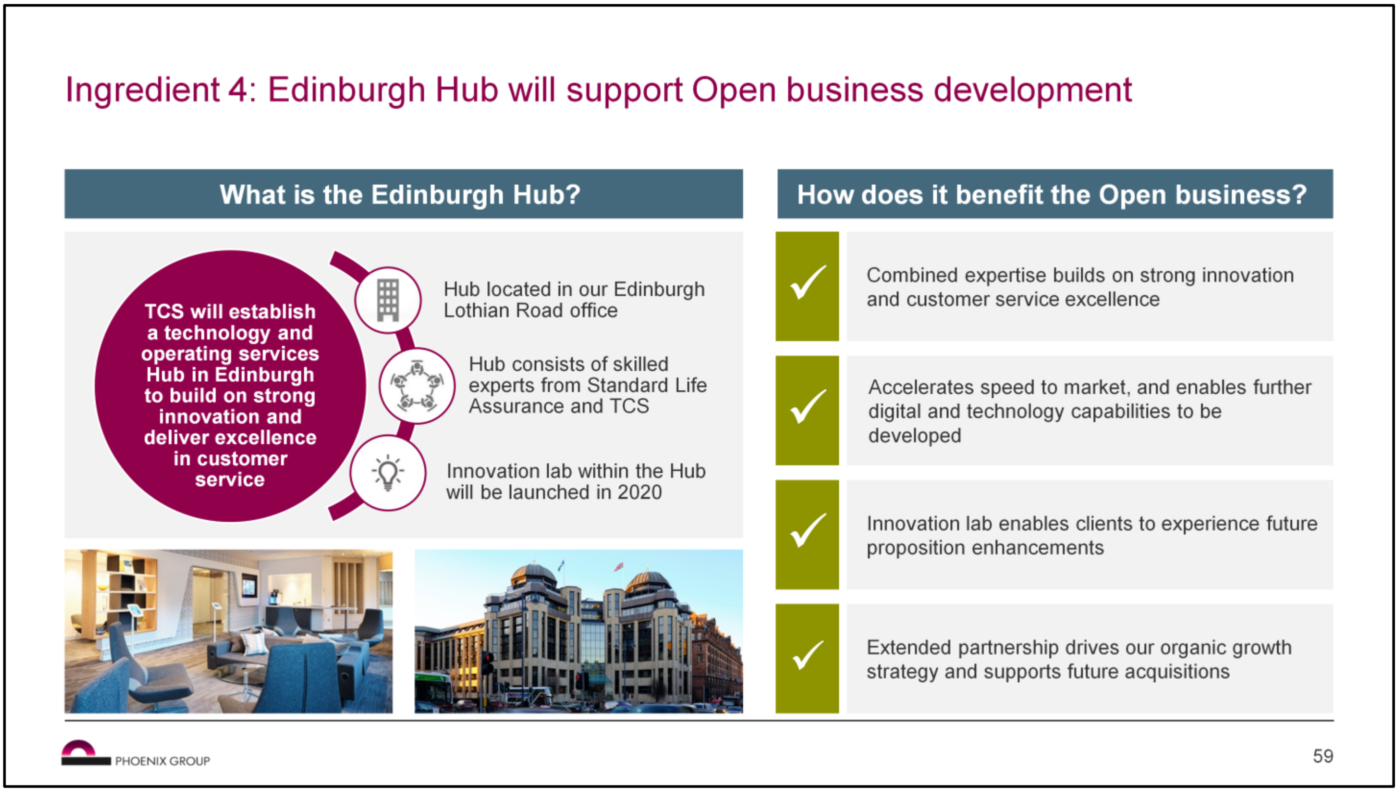


The third ingredient is the expertise and know how that Phoenix and Diligenta have built together across over a decade of successful migrations.

Since 2006, we have migrated 7 million policies from 22 legacy systems across 15 separate migrations. All have been delivered within budget and with minimal disruption to customers.

We are currently working on the migration of a further 1.8 million Phoenix Life policies which we expect to complete by the end of 2021. The migration of all Standard Life Assurance Limited policies will follow by the end of 2022.

This level of migration experience is unparalleled in the industry and gives us confidence that the risk associated with delivering our end state operating model is low. It also evidences our ability to deliver transactions where “extractions” or “lift-outs” of all types of books of business are required.



The fourth and final ingredient is the establishment of a TCS technology and operational services hub in Edinburgh.

This Hub will consist of a skilled team of experts from Standard Life Assurance and TCS to build on strong innovation and deliver excellence in customer service.

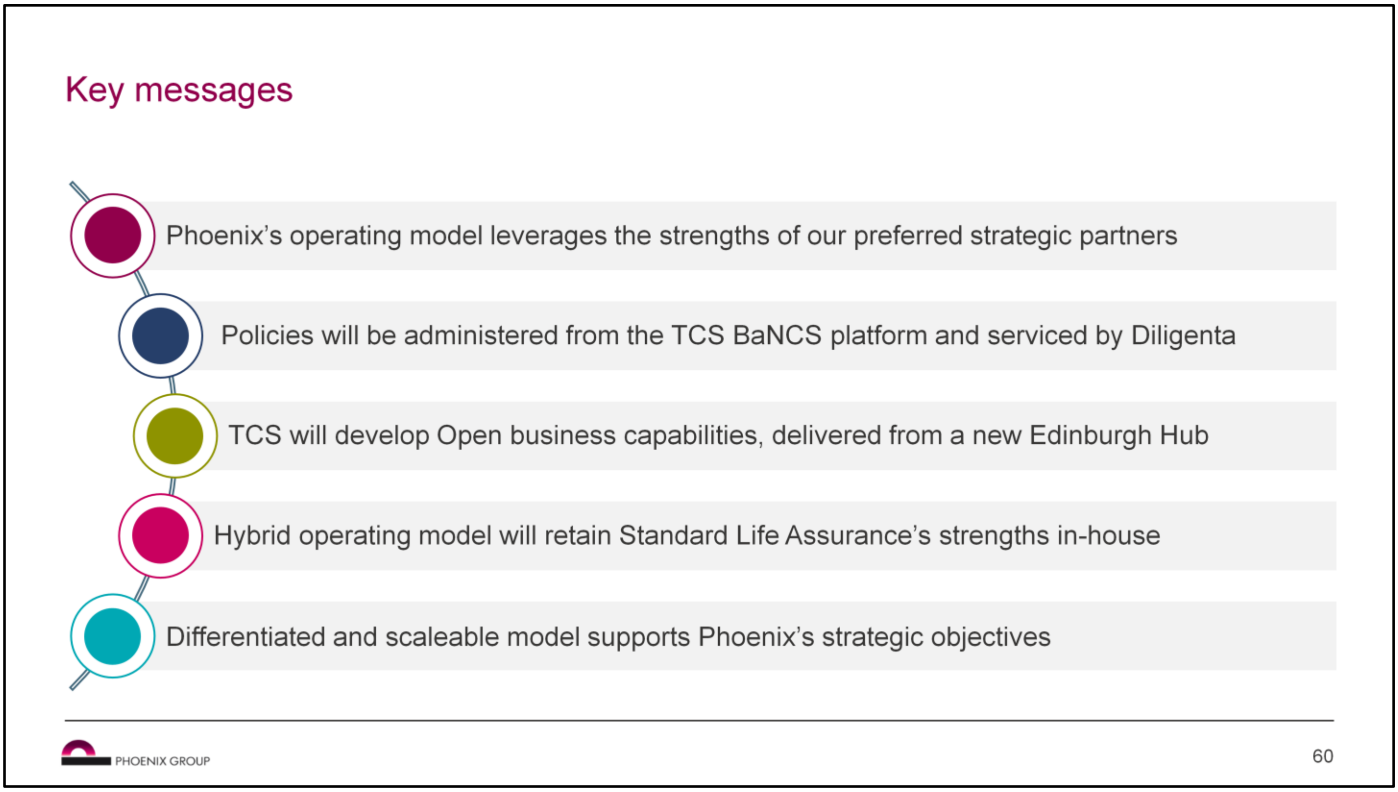
The Hub will enable further digital and technology capabilities to be developed and accelerate the speed with which we can bring propositional developments to market.

Located within our Edinburgh Hub, the new innovation lab will enable workplace clients and their advisers to collaborate and help shape our future offering.

The Hub will be unique to Phoenix and is only possible because of the strength and enduring nature of our partnership with

TCS.

We are extremely excited about the creation of the Edinburgh Hub, along with the innovation lab, as it will give Phoenix a leading edge in the workplace market, underlying our commitment to growing our Open business and bringing sustainability to our long-term cash generation.



To summarise.

Phoenix's operating model leverages the strengths of its preferred strategic partners, and has clear advantages.

We will have a Hybrid Customer Service and IT operating model that partners in-house expertise with the market leading skills of Diligenta and TCS, and maintains our high standards of customer service.

Policies will be administered from the TCS BaNCS platform and serviced by Diligenta. TCS will support the needs of our Open business by establishing an Edinburgh Hub, consisting of skilled experts from Standard Life Assurance and TCS, along with the creation of a new innovation lab. This will bring speed and digital capabilities to our administration services.

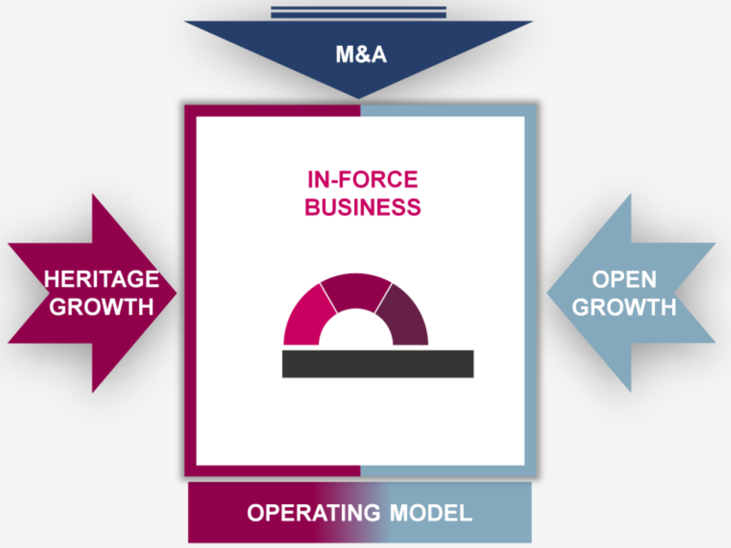
The model is efficient, enabling us to deliver our cost synergy targets and providing a variable cost base which passes fixed cost risk to Diligenta.

This differentiated and scalable model will support our strategic objectives of being Europe's Leading Life consolidator.

SUSTAINABLE LONG-TERM CASH GENERATION

Rakesh Thakrar

Deputy Group Finance Director

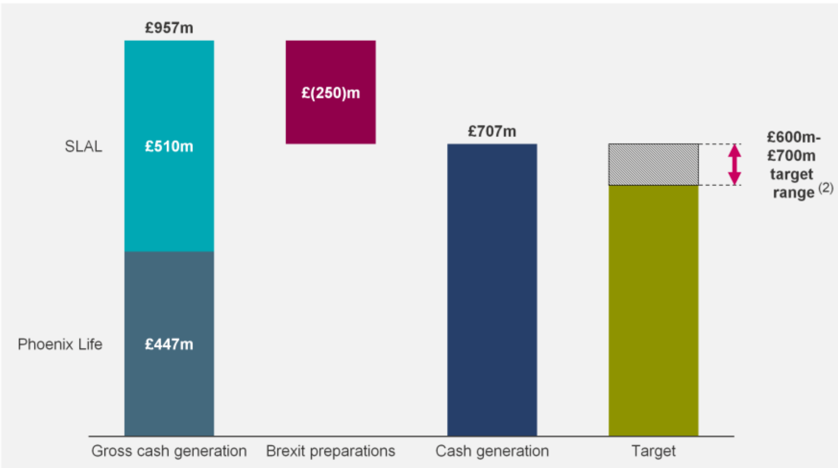


PHOENIX GROUP 61

Thank you Tony

Phoenix delivers £707 million cash generation in 2019, exceeding the upper end of the target range

2019 cash generation



Key messages

- Cash generation exceeds upper end of target range
- Gross cash generation provides dividend cover of 2.8x
- £250 million Brexit preparations will emerge as future cash generation
- First remittance from SLAL following delivery of synergies and harmonisation of capital policy

See Appendix III for footnotes

PHOENIX GROUP

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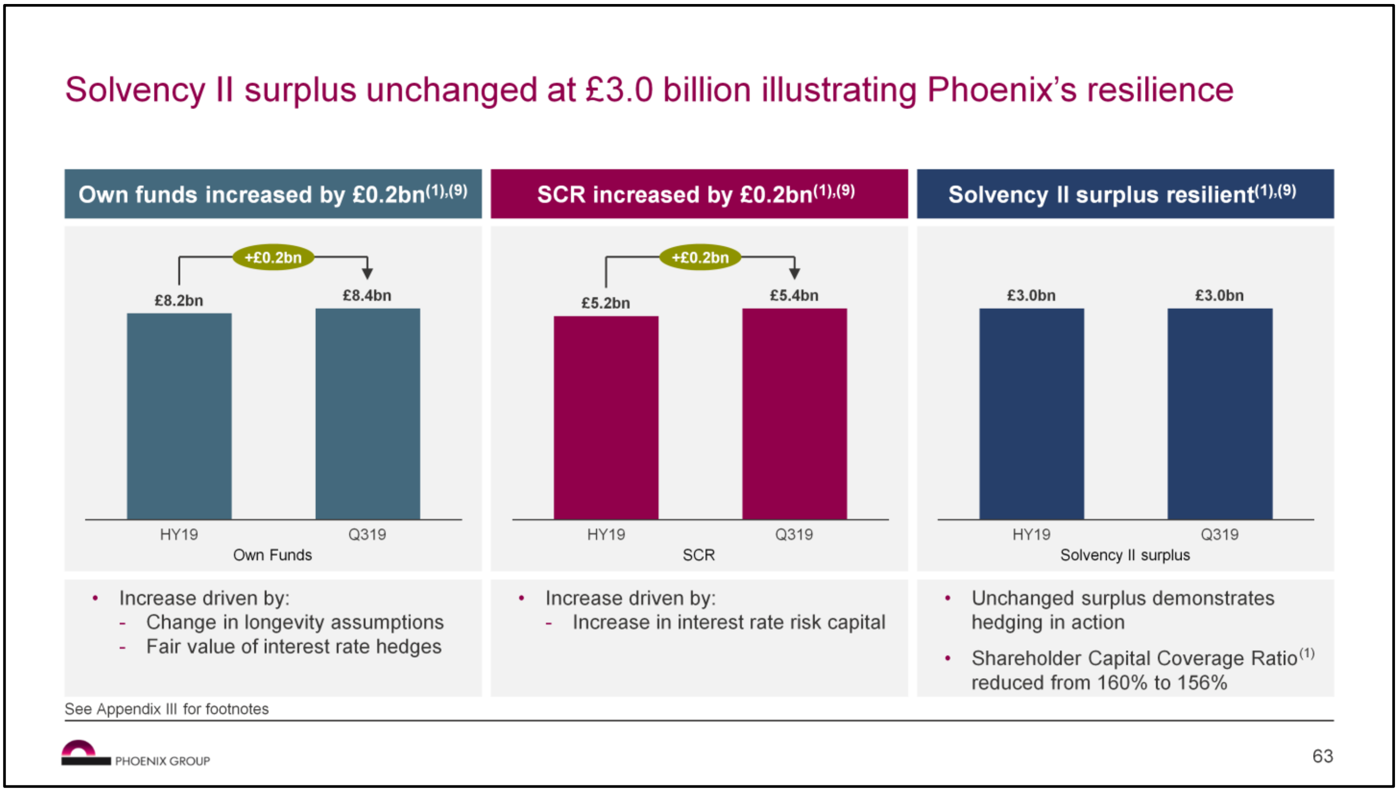
We have a record of either meeting or exceeding our cash generation targets that extends for over a decade.

I am delighted to announce that we have now completed our 2019 cash generation with a further £420m delivered in the second half of 2019. This takes full year cash generation to £707 million, ahead of the £600 to £700 million target we set for the year.

And we remain on track to deliver our £3.8 billion 5 year cash generation target for 2019 to 2023.

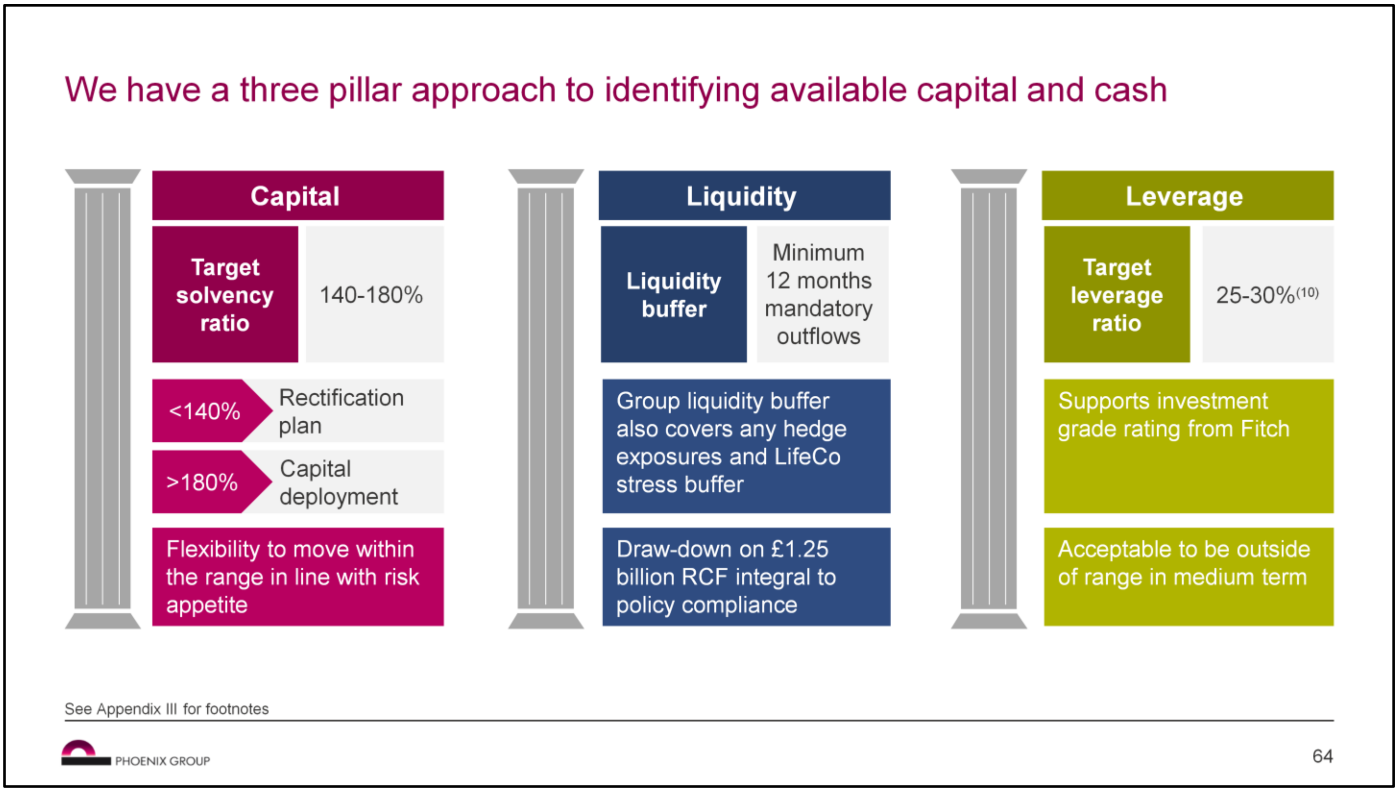


As Andy explained earlier, our hedging policy is designed to protect solvency surplus. This means that changes in own funds driven by each risk should be largely offset by changes in SCR and vice versa.

This is exactly what we observed during Q3 when our Solvency II surplus remain unchanged at £3.0 billion despite interest rates falling by around 50bps in the period.

Integral to this unchanged surplus position was an increase in own funds of £0.2bn. This was primarily driven from a release in our best estimate longevity reserves as we moved to CMI 2018 and an increase in the fair value of our interest rate hedges as rates fell. We also saw a £0.2 billion increase in the SCR reflecting the increase in interest rate risk from falling rates.

Whilst our hedging strategy has therefore delivered our intended objective to bringing resilience to the solvency II surplus, we have seen a small reduction in our Shareholder Capital Coverage Ratio from the underlying change in own funds and SCR. At 156%, this ratio continues to be comfortably within our target range of 140 to 180 per cent.



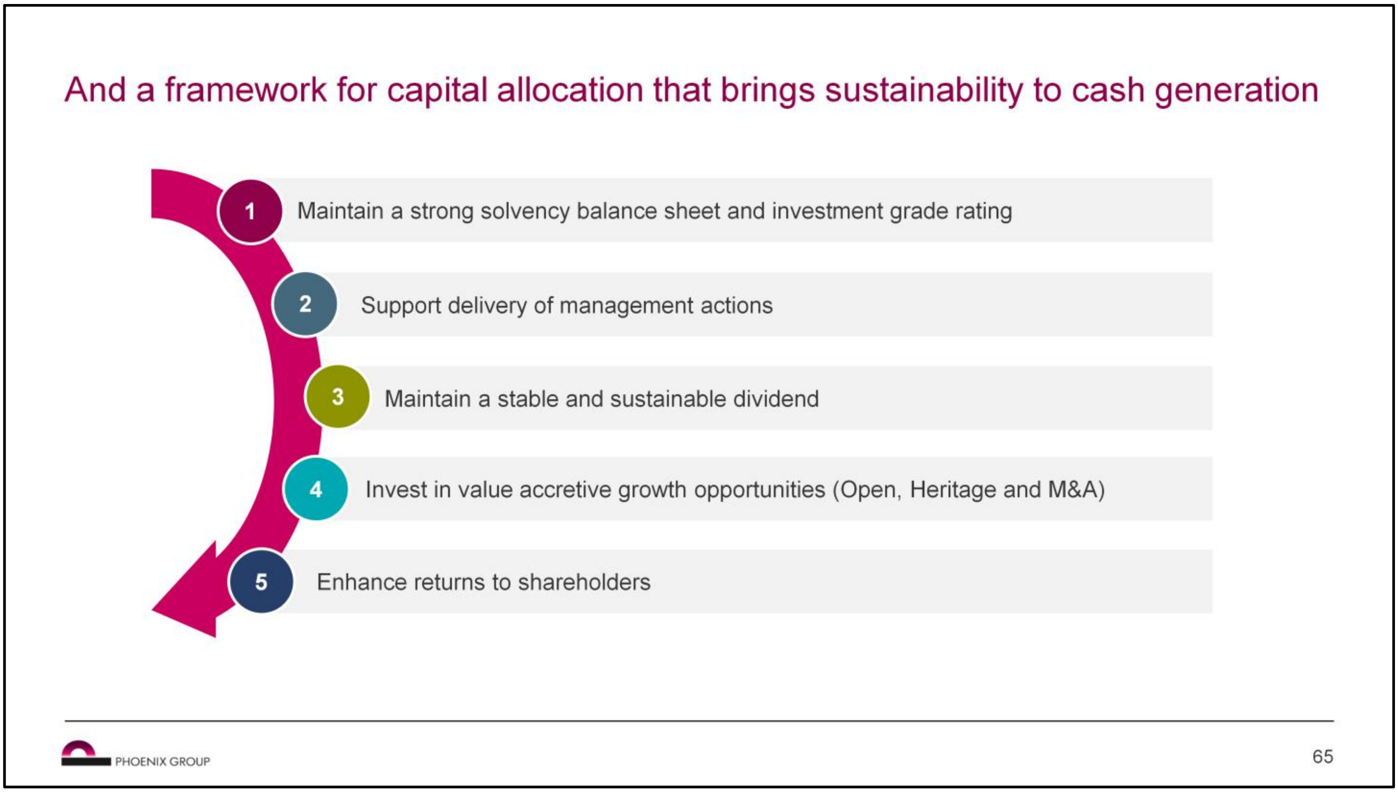
We have a three pillar approach to identifying available capital and cash.

The first of these pillars is Solvency II capital where we have a target shareholder capital coverage ratio of 140 to 180 percent.

The bottom of this target range is set to be in excess of the Group's capital management policy and we would invoke rectification plans were we to fall below this level. At a ratio of 180% we would seek to return capital to shareholders in the absence of any alternative growth options.

Liquidity is the second pillar. At Group our policy is to maintain a minimum liquidity buffer of 12 months of mandatory outflows including expenses and additional amounts for hedge exposures at Group together with a Life company stress buffer. Our ability to draw down on the £1.25 billion revolving credit facility is integral to internal policy compliance .

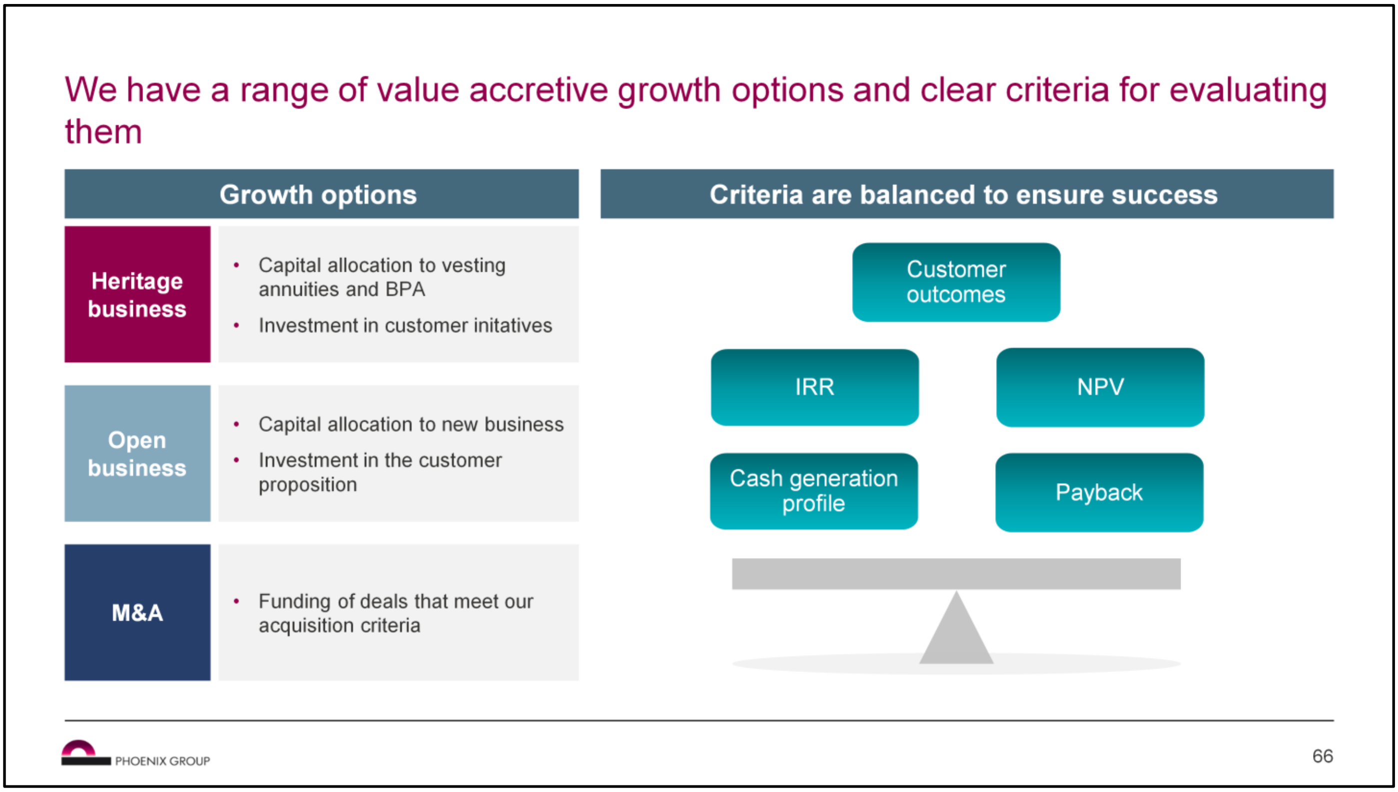
Our third and final pillar is leverage where we seek to maintain our Fitch investment grade rating by keeping leverage within a 25-30% target range over the long-term, but are comfortable to be above this level for a short period if required.



The objective of our capital allocation framework is to bring sustainability to cash generation.

Our first priority is to maintain a strong solvency balance sheet and a Fitch A+ investment grade rating. As Andy explained, a resilient solvency balance sheet strengthened by the delivery of management actions enables us to meet our cash generation targets and ensure we are able to maintain our stable and sustainable dividend policy.

Once our dividend is secure, we will allocate surplus capital to value accretive growth opportunities and finally, enhance returns to shareholders.



Susan and Simon have talked today about our strategies for growth across our Open and Heritage businesses and as Europe's leading life consolidator, we expect to complete further M&A.

Our open business is capital light, but requires ongoing investment in proposition to ensure that our products remain relevant. Annuities require a greater allocation of capital but are a source of future management actions. M&A is lumpy and unpredictable but we have a strong track record of buying at a discount and adding value through cost and capital synergies.

Because these options are so different, we use a range of criteria to evaluate their benefit to the Group and ensure that we remain within the targets we have set for solvency, liquidity and leverage. These criteria include Internal Rate of Return and Net Present Value, cash generation and payback period.

Cash generation targets reflect in-force business and exclude growth

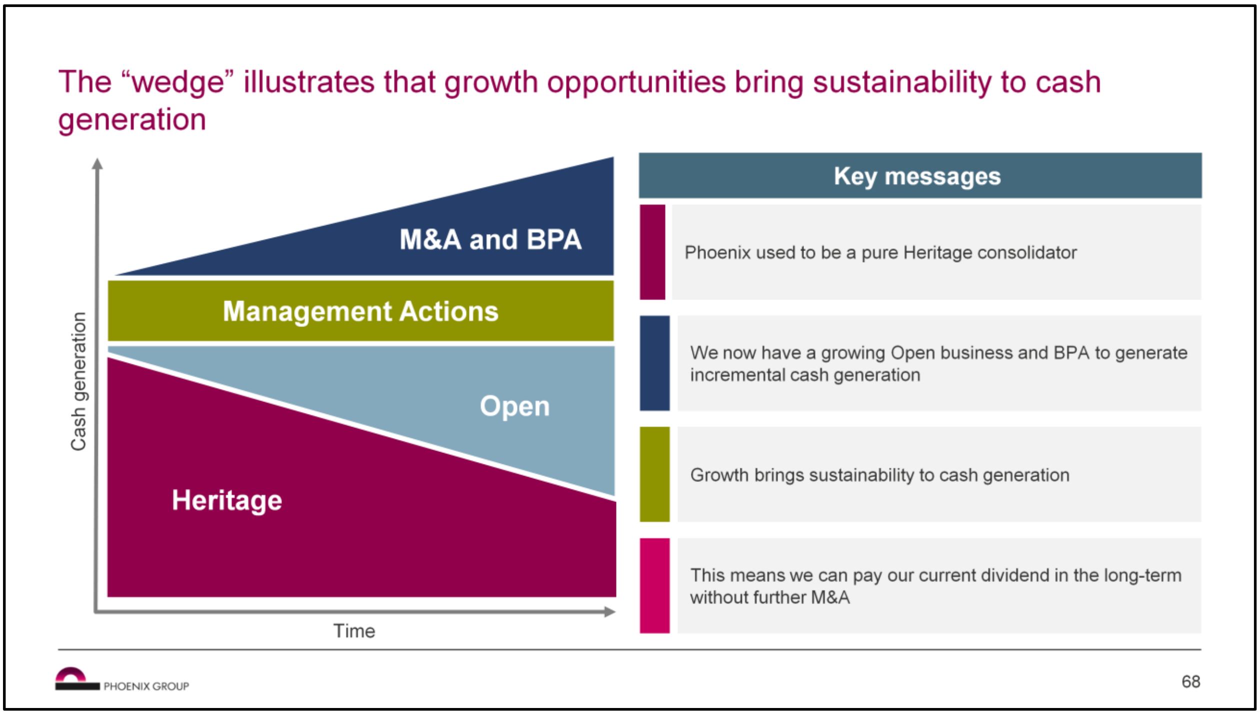
2019 targets		Targets include	Growth opportunities
1 year target: **£600 million–£700 million**[2]	**Heritage business**	• £145 billion of in-force business • £750 million of vesting annuities per annum	• C. £100 million of surplus capital to be allocated to BPA per annum
5 year target: **£3.8 billion**	**Open business**	• £105 billion of in-force business • Acquisition and proposition costs of new business	• Capital light business requires de-minimus capital funding
Long-term guidance: **£12 billion**	**M&A**	• Nil	• £1 billion funding capacity in 2019 available without returning to equity

See Appendix III for footnotes

Andy began todays presentation with a slide that sets out our cash generation targets. These targets reflect the cash we expect to emerge over the life of the policies that we had in-force at 31 December 2018. They assume a level of vesting annuities consistent with past experience and include both acquisition and proposition development costs on our open business.

But they exclude the cash that will come from the growth of our Heritage and Open businesses or through future M&A.

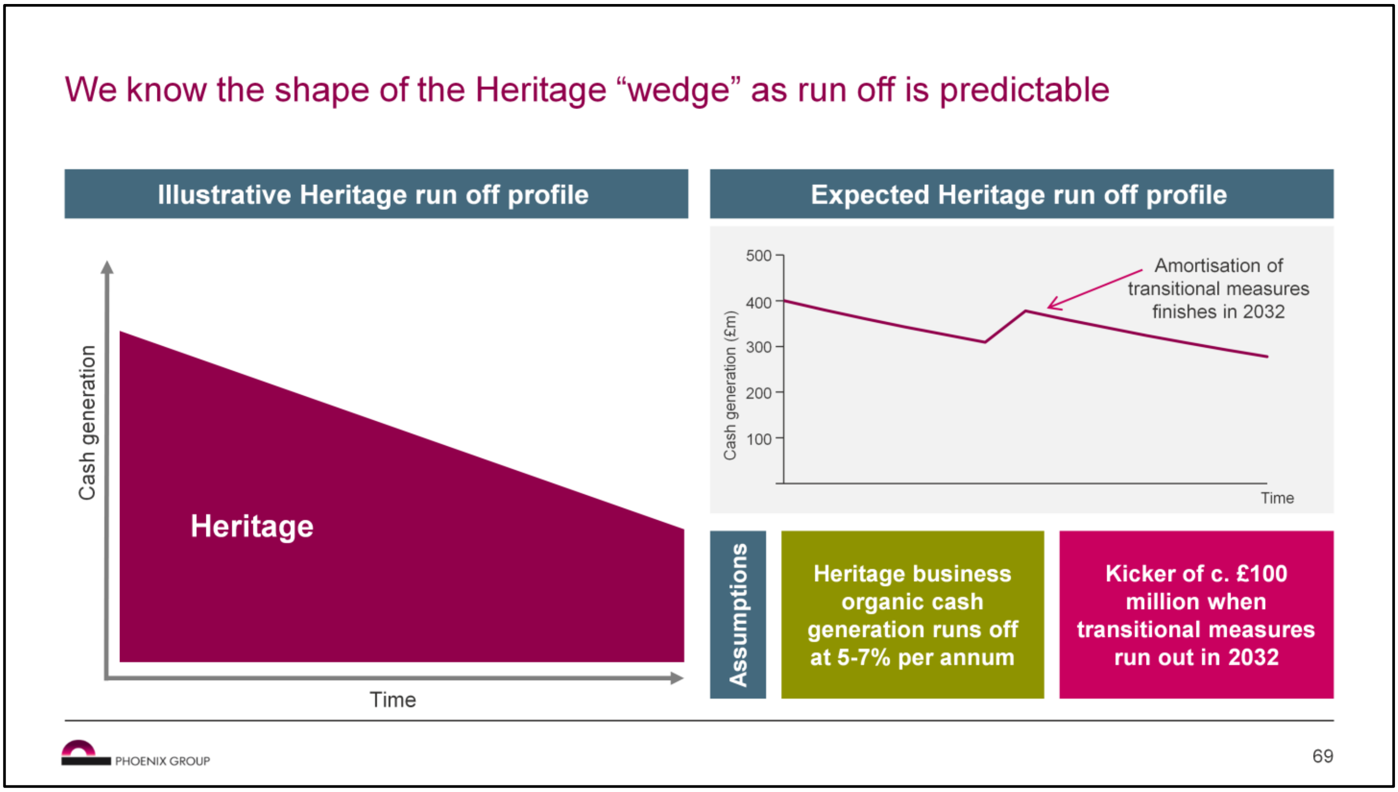
This reflects the prudent nature of Phoenix but we wanted to spend some time today looking at the potential upside that this growth will deliver to investors.



At our capital markets day last year, we set out an illustration which we have subsequently christened "the wedge".

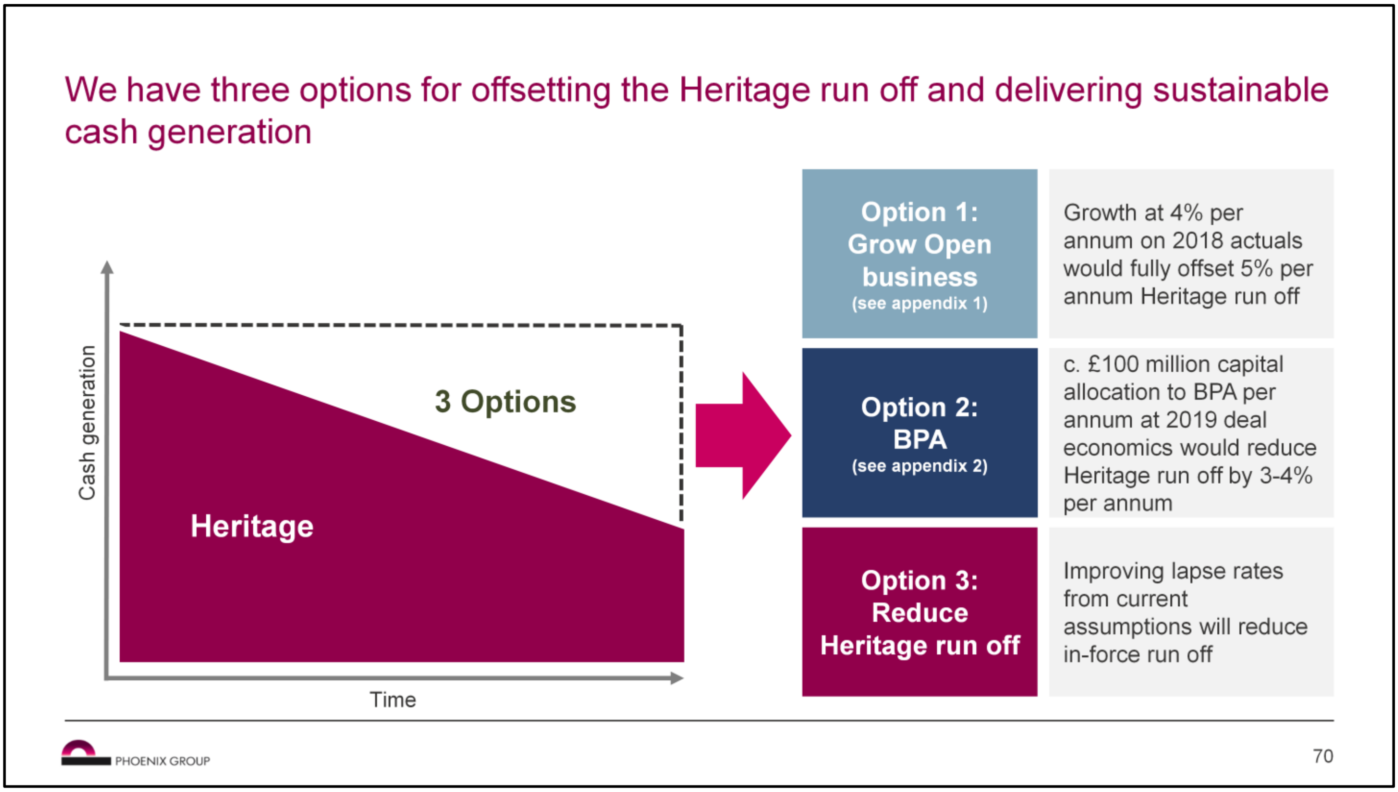
The purpose of the wedge was to show that we had evolved from being a pure Heritage consolidator whose cash generation would run off over time until we did the next M&A deal, into a group that has other growth opportunities capable of bringing more sustainability to long-term cash generation.

Sustainable cash generation will enable us to pay our current dividend into the long-term without the need for further M&A.



The run off of our Heritage business is predictable and we therefore have more certainty of the shape of the Heritage "wedge" in our illustration.

We typically see our in-force Heritage business run off at 5-7% per annum although it is worth noting that we will get a kicker of around £100 million per annum when Solvency II transitionals run out in 2032.



Absent M&A, we now have three growth options available to offset the run off of our Heritage business and bring sustainability to cash generation.

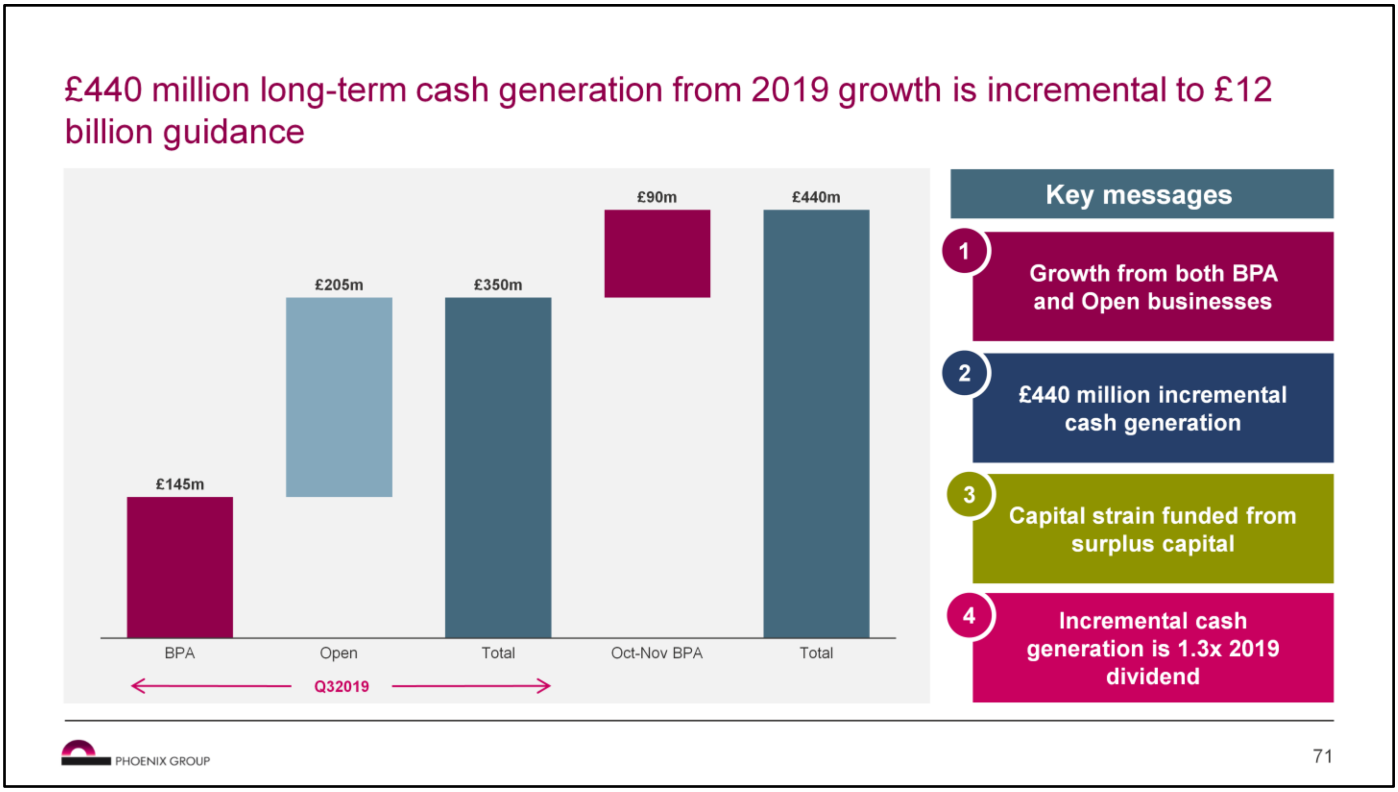
In March we shared with you the maths that showed that if our Open business were to grow at 4% per annum from 2018 levels, if would offset in full the run off of our Heritage business at 5% per annum.

Our BPA business has been up and running for two years and is providing growth which is dependable. BPA now provides a second, credible way of offsetting the Heritage run-off. Allocating circa £100 million of capital per annum to BPA at the deal economics experienced in 2019 would provide a 3-4% offset to Heritage run-off.

Finally, we remain committed to continuing to improve customer outcomes across our in-force business by increasing product options and customer services. To the extent this leads to improved lapse rates from those assumed within our current run-off profile assumptions, we have the potential to reduce the run off rate of our heritage business.

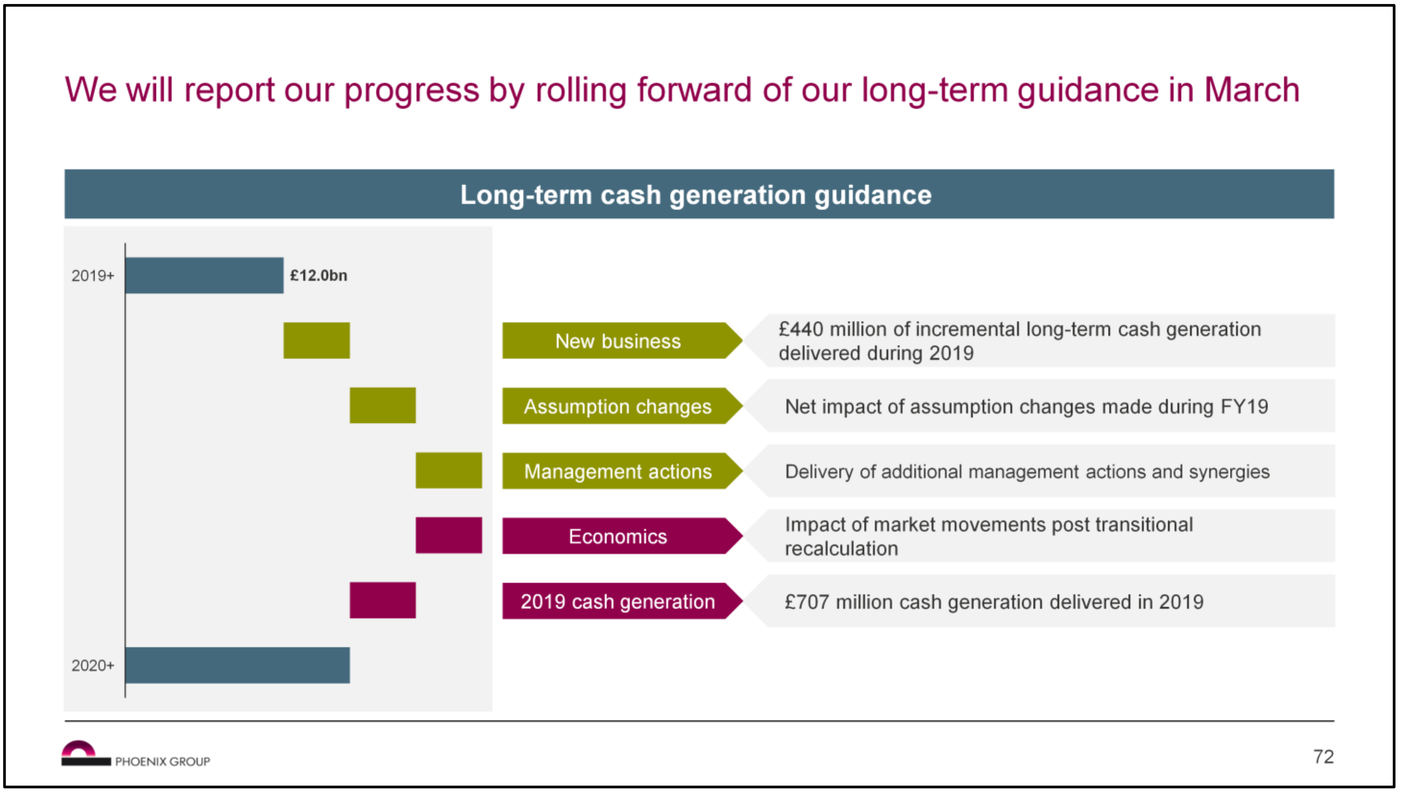
These three options are not mutually exclusive and are part of the ongoing strategy that we have explained today. Most importantly, our capital framework will ensure that cash remains sustainable throughout as we look to balance cash emergence.

And remember, M&A completed in accordance with our deal criteria will also bring enhanced shareholder value and sustainability to cash generation.



So far in 2019, we have generated £440 million of incremental long-term cash generation from growth in our Heritage and Open businesses.

So whilst we believe it will take two years to prove the wedge hypothesis - the evidence to date is encouraging.

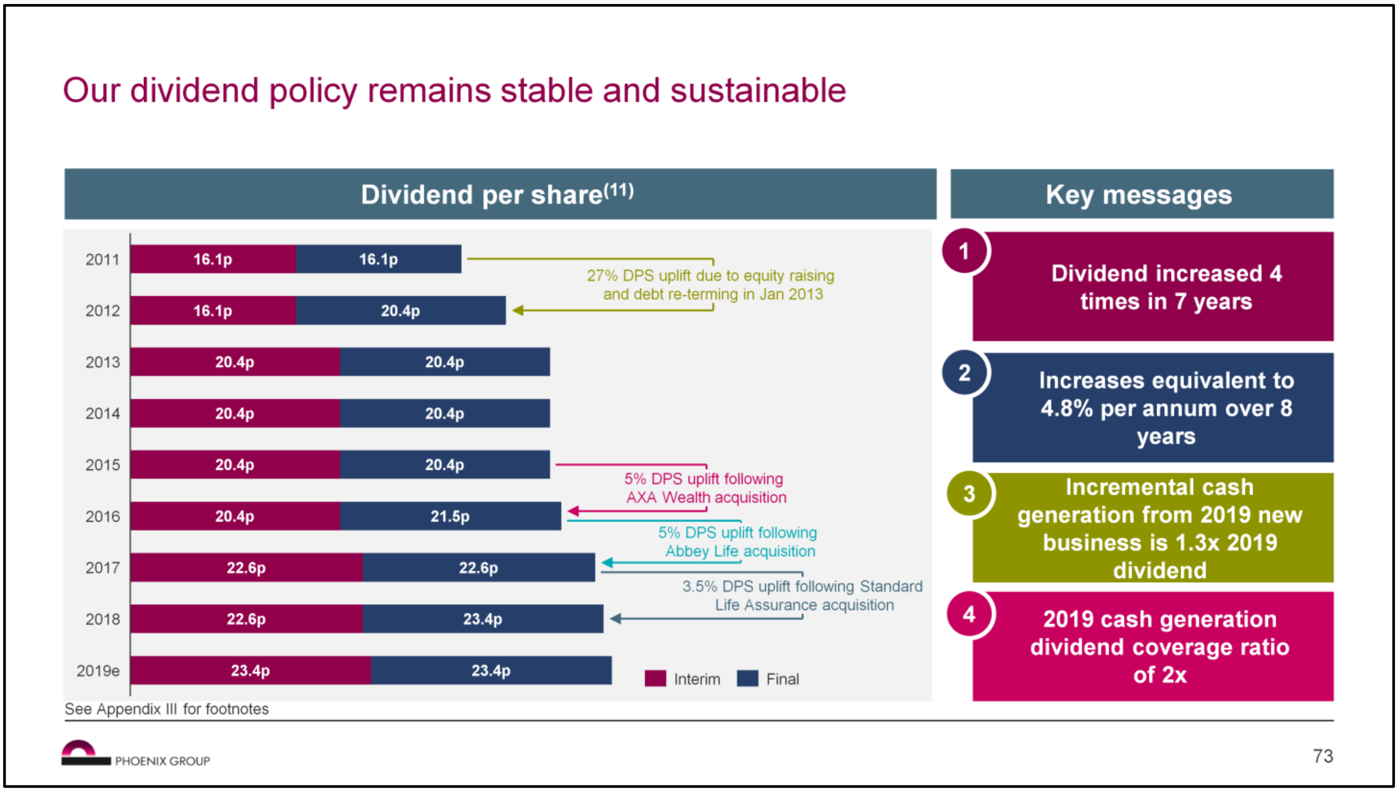


We are often asked whether we will report cash generation by segment moving forwards.

As Andy explained earlier, cash generation comprises remittances by Life companies from their free surplus. Free surplus is calculated at entity level and reflects the surplus of our total in-force book across different products and segments. It is therefore not possible for us to accurately reflect actual cash generation by segment.

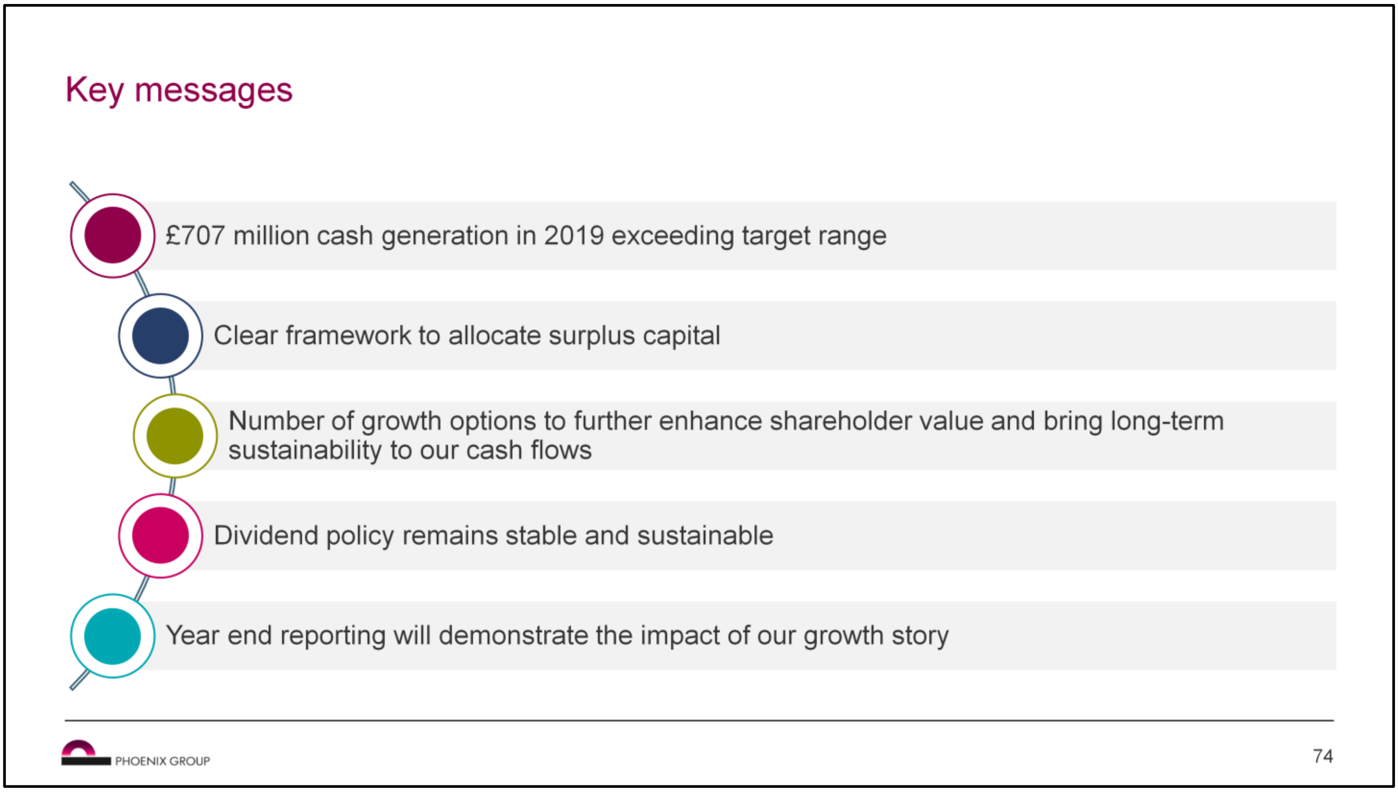
However, what we will provide to you annually is a reconciliation of how our long-term cash generation guidance has changed year on year. We provided this reconciliation in March 2019 and will do so again when we announce our full year results on 9 March next year.

Incremental cash generation from new business and additional management actions will increase our current £12 billion guidance. Offsetting these increases will be the actual 2019 cash generated in 2019 of £707 million. We will also see movements from changes in best estimate assumptions and the impact of market movements. These could be positive or negative.



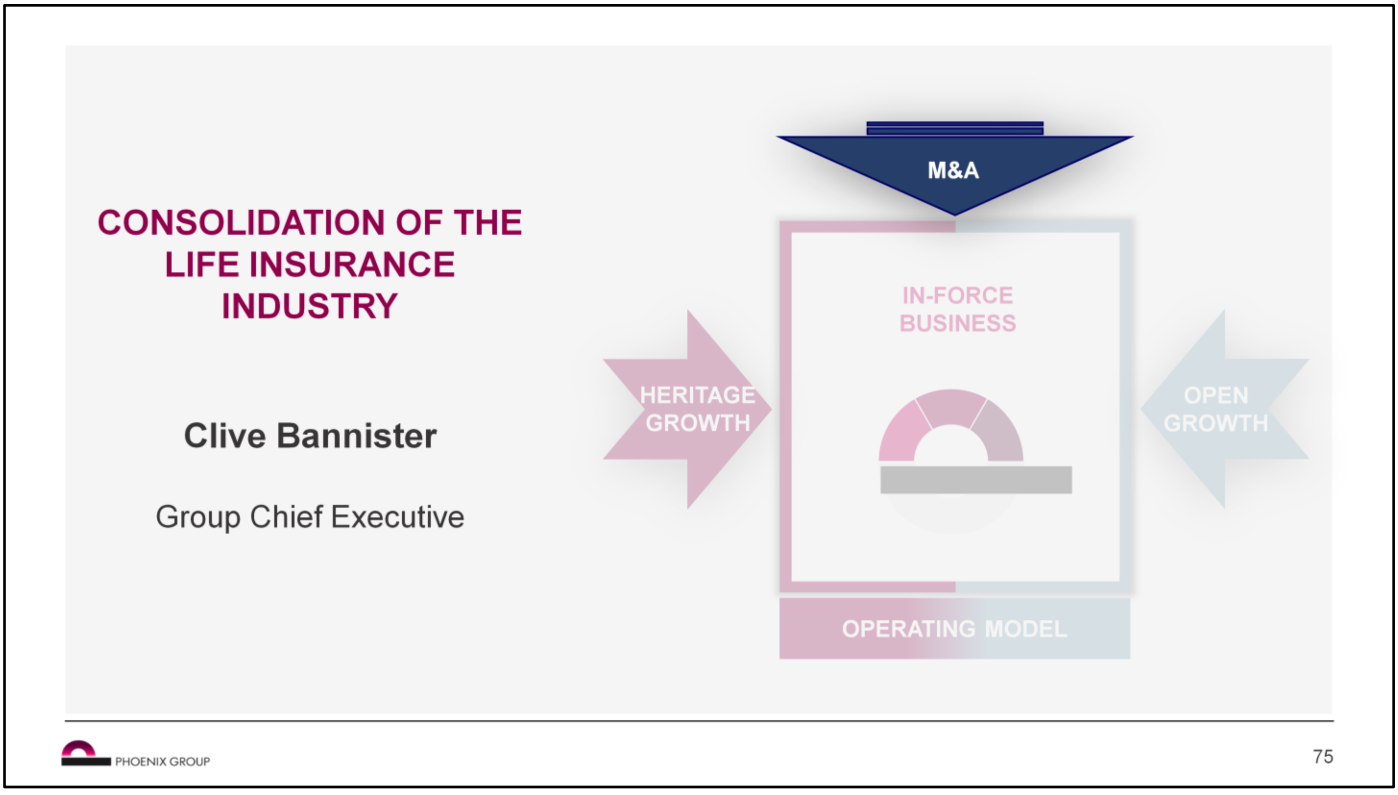
I mentioned earlier the importance we place on meeting our stable and sustainable dividend policy, prioritising this above investing in growth opportunities.

Whilst our dividend policy remains stable and sustainable we have seen growth in recent years being triggered by corporate transactions. This has resulted in four dividend increases equivalent to circa 5% per annum over the last 8 years.



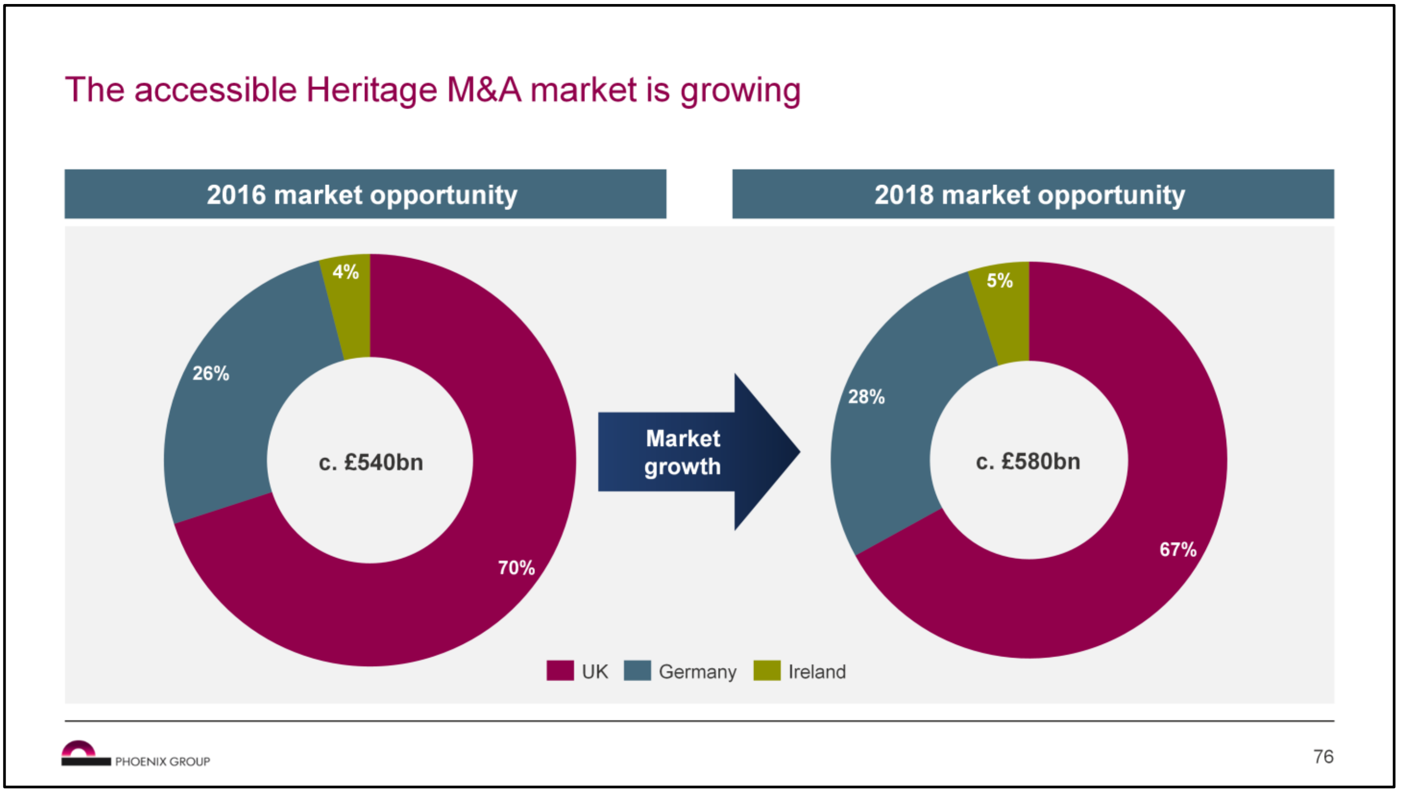
To summarise, we have a clear framework to allocate surplus capital and a number of growth opportunities to further enhance shareholder value and bring long-term sustainability to our cash flows.

It remains too early to determine whether we have proven the hypothesis set out in “the wedge” that we can offset the run off of our Heritage business cash generation without M&A, but the evidence to date is encouraging and we will update the market again at our full year results.

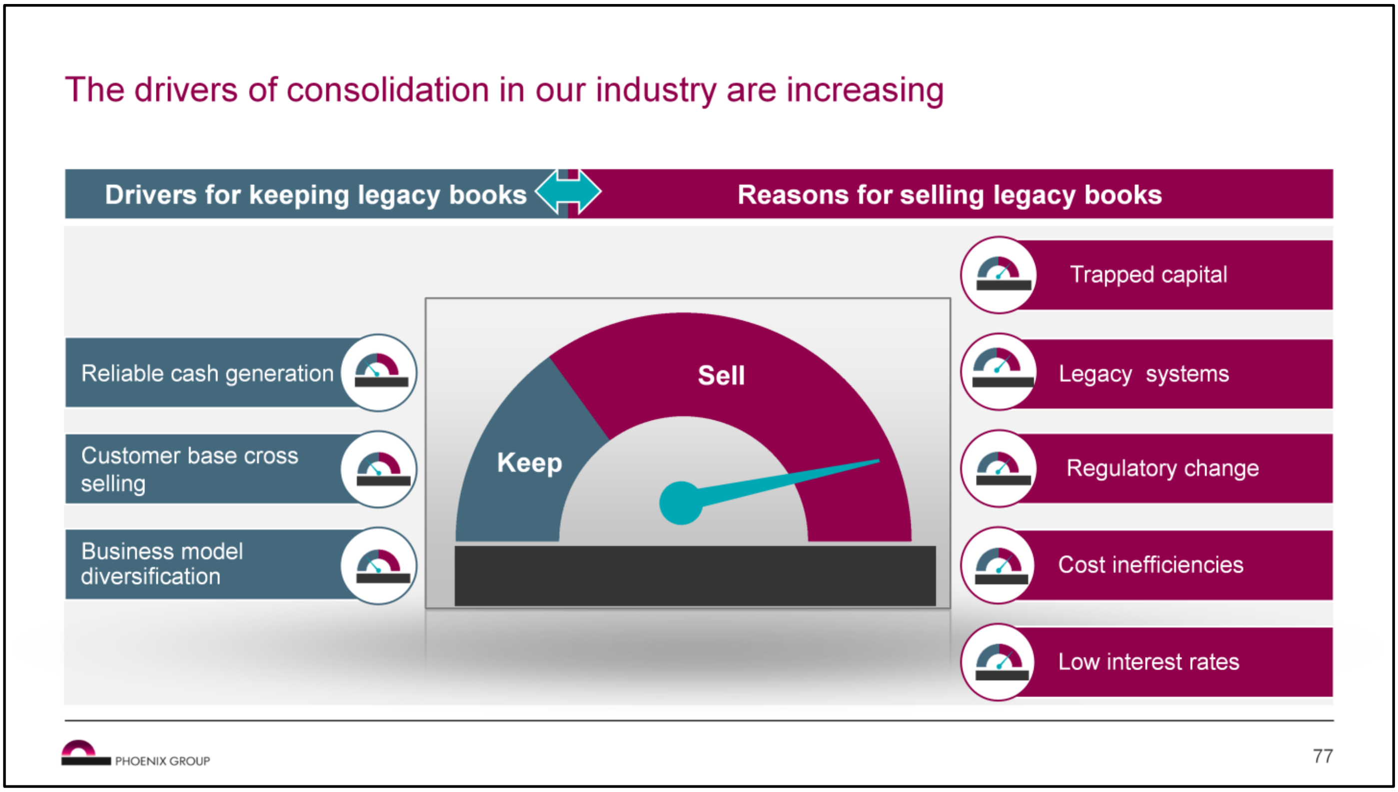


Thank you Rakesh.

It falls to me to conclude our presentations by talking about the consolidation of the life insurance industry and the potential for future M&A.



We believe that there remains a wealth of consolidation opportunities both in the UK and across Europe with an estimated market size of circa £580 billion, up from £540 billion in 2016.



The drivers of consolidation are increasing. These are forcing institutions to make binary decisions about whether to keep or sell their legacy life insurance business.

There <u>are</u> factors which support the rationale for companies to retain their Heritage businesses. They include reliable cash generation, cross selling opportunities and business model diversification to name three.

However, these arguments are looking increasingly threadbare. The logic to sell closed books is compelling.

Typically Heritage businesses are administered on old legacy systems which are expensive to maintain and challenging to digitalise.

Attempts to upsell and cross sell have not worked. And delivery of cash by incumbents without access to “Phoenix type” management actions is not easy.

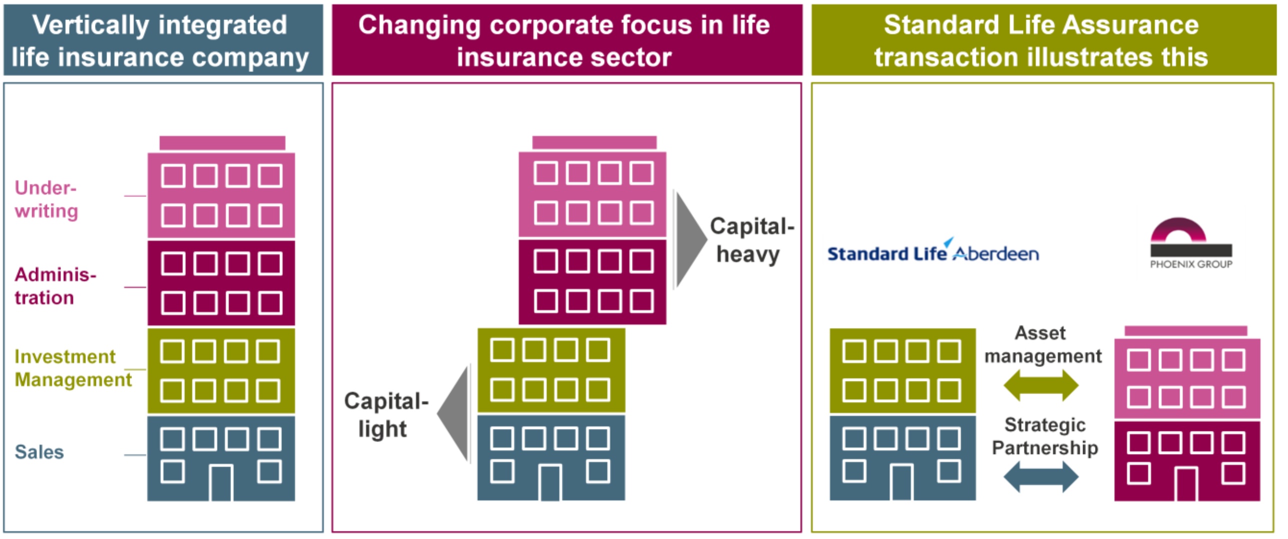
The cost of managing regulatory change – to avoid penalties and reputational damage – remains burdensome.

The tough macro-environment - in particular lower for longer interest rates - place an additional strain on the value of legacy insurance books.

This compounds the bad back book economics which leave insurers with stranded fixed costs, facing increasing per policy administration costs that make the business un-profitable.

All of these reasons can lead firms to feel that they have capital trapped in their Heritage businesses that could create better shareholder value through divestment.

The insurance industry is bifurcating

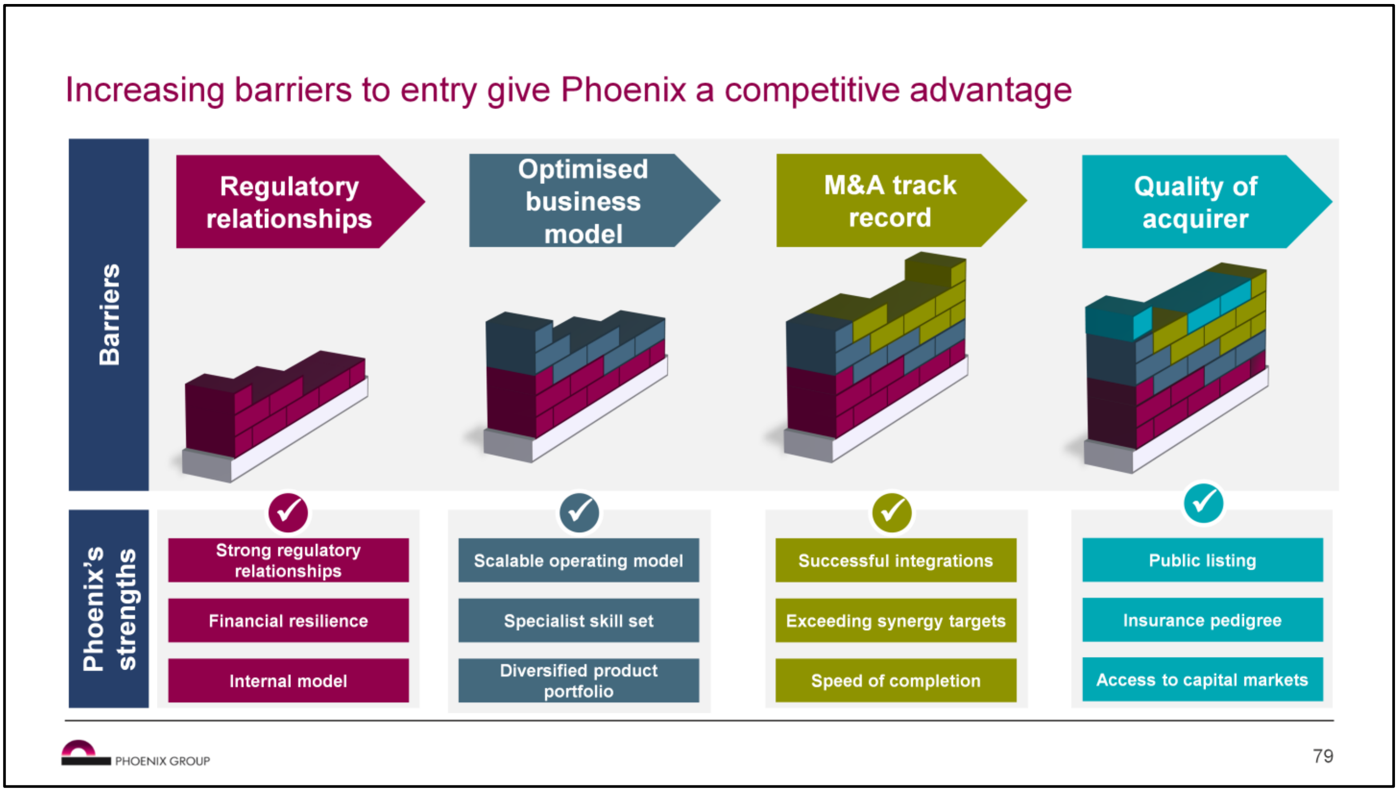


Traditionally, life insurance companies were vertically integrated, consisting of sales, investment management, administration, and underwriting departments.

Due to the drivers of change discussed and divergent dynamics between the asset management and insurance market, we have seen vertically integrated companies restructure.

Firms are choosing between being ‘capital-light’ asset managers or ‘capital-heavy’ life insurers.

It was this driver - to release trapped capital - that encouraged Standard Life Aberdeen and Quilter to dispose of their insurance businesses to Phoenix and ReAssure respectively.



The barriers to entry in the UK life consolidation market are high. This is evident in the UK and increasingly evident in Europe.

Regulatory approval is a key gating item for M&A.

Phoenix has strong relationships with its regulators, an approved internal model which provides a bespoke calibration of our risk universe and a risk management framework which delivers financial resilience.

To be value accretive, an acquirer must be able to deliver cost and capital synergies.

Phoenix has a strong track record of exceeding synergy targets, through our scalable operating model and by leveraging the specialist skills of Phoenix colleagues.

Scale is so often the enemy of efficiency, but scale and a diversified product portfolio bring benefits in the consolidation business.

Vendors when entering into Part 7's, need to have confidence in the quality of the acquirer to know that a deal will get done, and stay done.

As a FTSE100 company, with good access to the capital markets, with over 100 legacy brands within our family; we believe our insurance pedigree can be in no doubt.

So this is a very difficult market to enter, and Phoenix's competitive advantages are cogent.

We have clear acquisition criteria and are ready to transact

Acquisition criteria		Gating items	
Value accretive	IRR exceeds hurdle rate of return and a discount to SII Own Funds	**Management bandwidth**	Transition programme progressing to plan and on track to deliver synergy targets
Supports the dividend	Cash profile and solvency impact support dividend commitments	**Funding**	Committed funding to finance acquisition of c. £1 billion
Maintains investment grade rating	Fitch leverage remains within 25% - 30% target range	**Regulation**	Track record of remedying past conduct issues

The consolidation market is growing, and Phoenix is the market leader.

But we are disciplined and remain faithful to the acquisition criteria that have guided us to date.

Deals must be value accretive, support our stable and sustainable dividend policy and maintain our investment grade rating.

And we are “open to business”.

Tony has outlined our plans for the third and final stage of the Standard Life Assurance transition programme. Execution is progressing to plan and we are on track to deliver our synergy targets.

Funding is not an issue. We can finance an acquisition of up to £1 billion without returning to equity markets and we have a £1.25 billion revolving credit facility in place to provide funding flexibility.

We are therefore confident of completing further, value accretive M&A in the future.

Phoenix – Cash, Resilience and Growth

CASH	**£12 billion** of future cash generation from in-force business
RESILIENCE	**£3.0 billion** [(1)] Solvency II surplus
GROWTH	Heritage M&A BPA Open

Phoenix is en-route to becoming Europe's Leading Life Consolidator

See Appendix III for footnotes

To close, Phoenix is a remarkable company.

The story is just beginning.

We have, and will continue to deliver Cash, Resilience and Growth.

We are en-route to becoming Europe's Leading Life Consolidator.

Q&A

Thank you for your time today.

The formal presentation is now over and we will move on to Q&A.

Please wait for the microphone to be brought to you and give us your name and the institution for whom you work.

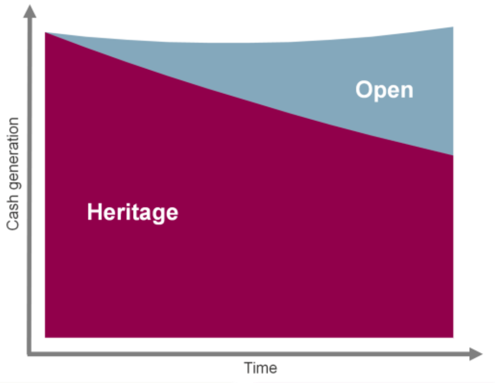
PHOENIX GROUP

Appendices

Appendix I: Option 1 - Grow the Open business

Cash generation[1] £m		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Heritage run off		**400**	**380**	**361**	**343**	**326**	**310**	**294**	**279**	**265**	**252**	**239**
Cash from Open new business	2018		14	14	14	14	14	14	14	14	14	14
	2019			15	15	15	15	15	15	15	15	15
	2020				15	15	15	15	15	15	15	15
	2021					16	16	16	16	16	16	16
	2022						16	16	16	16	16	16
	2023							17	17	17	17	17
	2024								18	18	18	18
	2025									18	18	18
	2026										19	19
	2027											20
Open growth		**0**	**14**	**29**	**44**	**60**	**76**	**93**	**111**	**129**	**148**	**168**
Total		**400**	**394**	**390**	**387**	**386**	**386**	**387**	**390**	**394**	**400**	**407**

Heritage run off offset by Open growth



Key assumptions used in this hypothesis:

Heritage run off rate: 5%

Open growth rate: 4% from 2018 actuals

In-force Open business cash generation offsets acquisition costs

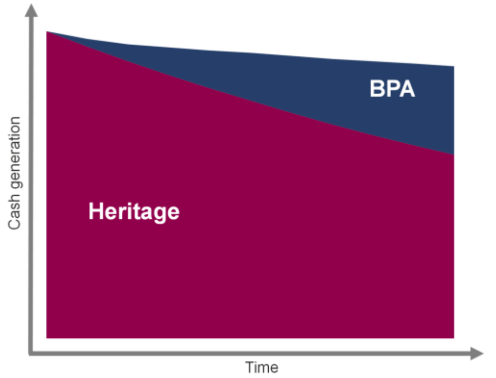
75% new business cash generation emerges over first 15 years

(1) Model is illustrative only and excludes cash generation on in-force UK Open and European businesses and management actions

Appendix II: Option 2 - BPA

	Cash generation[1] £m	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Heritage run off	**400**	**380**	**361**	**343**	**326**	**310**	**294**	**279**	**265**	**252**	**239**
Cash from BPA	2018		10	12	14	13	13	12	11	11	10	9
	2019			10	12	14	13	13	12	11	11	10
	2020				10	12	14	13	13	12	11	11
	2021					10	12	14	13	13	12	11
	2022						10	12	14	13	13	12
	2023							10	12	14	13	13
	2024								10	12	14	13
	2025									10	12	14
	2026										10	12
	2027											10
	BPA growth		10	22	36	49	62	74	85	96	106	115
	Total	**400**	**390**	**383**	**379**	**375**	**372**	**368**	**364**	**361**	**358**	**354**

BPA reduces Heritage run off by 3-4%



Key assumptions used in this hypothesis:

- **Heritage run off rate: 5%**
- **£240m of incremental cash generation from BPA per annum**
- **70% of cash generation emerges over first 15 years**
- **Capital strain funded by Group**

(1) Model is illustrative only

Appendix III: Footnotes

(1) The Solvency II capital position is an estimated position and reflects a regulatory approved recalculation of transitionals as at 30 September 2019. The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL Pension Scheme.
(2) 2019 cash generation is net of the £250 million cost of capitalising Standard Life International for Brexit.
(3) Split of SCR on a Regulatory Capital basis.
(4) Scenario assumes stress occurs on 1 July 2019. Assumes recalculation of transitionals (subject to PRA approval).
(5) All sensitivities as of 30 June 2019. Source: Company disclosure.
(6) "New business contribution" is the increase in Solvency II own funds arising from new business written in the period excluding risk margin and contract boundary restrictions and stated net of taxation.
(7) Source: Broadridge Defined Contribution and Retirement Income Report 2018 – Q4 2017 figures.
(8) Source: ABI statistics issued in October 2019 for 12-month period to 30 June 2019 based on new Phoenix Life policy sales trading as SunLife.
(9) The 30 June 2019 Solvency II capital position is an estimated position and assumes a dynamic recalculation of transitionals. Had a dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £0.2 billion and 5% respectively.
(10) Target ratio based on Fitch leverage. Fitch leverage calculation = debt (senior debt + RCF + T2 bonds + T3 bonds)/debt + equity (Shareholder equity + Unallocated surplus + RT1).
(11) Dividends rebased to take into account the bonus element of rights issues.

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- This presentation in relation to Phoenix Group Holdings plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements and other financial and/or statistical data about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives
- Statements containing the words: 'believes', 'intends', 'will', 'expects', 'may', 'should', 'plans', 'aims', 'seeks', 'continues', 'targets' and 'anticipates' or other words of similar meaning are forward-looking. Such forward-looking statements and other financial and/or statistical data involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that the Group has estimated
- Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities, including, for example, new government initiatives related to the financial crisis and the effect of the European Union's "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; the political, legal and economic effects of the UK's vote to leave the European Union; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); the timing, impact and other uncertainties of future acquisitions by the Group or combinations within relevant industries; risks associated with arrangements with third parties; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate
- As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements and other financial and/or statistical data within this presentation. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this presentation or any other forward-looking statements or data it may make or publish
- Nothing in this presentation should be construed as a profit forecast or estimate
- References to Solvency II relate to the relevant calculation for Phoenix Group Holdings plc