PHOENIX GROUP

Phoenix Group Holdings plc: Trading Update 28 November 2019

Phoenix Group announces a strong trading update, exceeding 2019 cash generation target ahead of Capital Markets Day

Phoenix Group, Europe's largest life and pensions consolidator[1], is today hosting a Capital Markets Day for investors and analysts, which will include presentations by Phoenix's management team.

The purpose of the event is to provide greater insight into how Phoenix manages its in-force business for Cash and Resilience. In addition, management will outline the range of options for Growth across its Open and Heritage businesses to bring increasing sustainability to long-term cash generation.

Alongside this, Phoenix today announces a strong trading update with 2019 cash generation ahead of target.

Trading update

- £707 million of cash generation[2] in 2019 (2018: £664 million), exceeding the upper end of the 2019 cash generation target range of £600 million - £700 million[3].
- Solvency II surplus of £3.0 billion[4] as at 30 September 2019, unchanged from 30 June 2019[5] and Shareholder Capital Coverage Ratio of 156% as at 30 September 2019[6] (160% as at 30 June 2019).
- £440 million of incremental long-term cash generation from new business comprising:
  - £205 million in the 9 months ended 30 September 2019 of new Open business (9 months ended 2018 pro forma[7]: £220 million).
  - £235 million from £1.1 billion of Bulk Purchase Annuity liabilities contracted year to date (FY 2018: £250 million incremental long-term cash generation from £0.8 billion contracted liabilities).
- £1.1 billion of illiquid assets sourced year to date with an average credit rating of A+, delivering a £116 million Solvency II benefit. This takes the allocation of illiquid assets backing annuity liabilities to 25%.
- Phoenix Group last week confirmed an enlarged partnership with leading technology and service provider Tata Consultancy Services to support delivery of its Hybrid Customer Services and IT operating model, the final phase of its transition programme.
- Phoenix remains on track to deliver the £1.2 billion total synergy target for the Standard Life Assurance businesses transition which is progressing to plan.
- Phoenix continues to meet or exceed all customer service metrics.

Commenting on the results, Group CEO, Clive Bannister said:

"This trading update further reinforces Phoenix's conviction in its business model and its capacity to generate Cash, deliver Resilience and exploit multiple avenues of Growth to deliver long-term sustainable cash generation, not just today but in the years ahead. We continue to place customers at the heart of what we do and are committed to delivering a high level of customer service and to improving customer outcomes.

I look forward to meeting with investors and analysts at our Capital Markets Day where we will provide a more detailed insight into our business".

Presentation

We will be hosting our Capital Markets Day for analysts and investors today at 11.00am (GMT) at:

Four Seasons Ten Trinity Square, London, EC3N 4AJ

A copy of the presentation will be available at www.thephoenixgroup.com

A replay of the presentation will also be available through the website.

Enquiries

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Notes

1. Phoenix Group is the largest life and pensions consolidator in Europe with 10 million policies and £245 billion of assets under administration as at 30 June 2019.
2. Cash generation is a measure of cash and cash equivalents, remitted by the Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items. The cash generation figure of £707 million represents full year 2019 cash generation.
3. 2019 cash generation target is net of the £250 million cost of capitalising Standard Life International Designated Activity Company for Brexit.
4. The Solvency II capital position is an estimated position and reflects a regulatory approved recalculation of transitionals as at 30 September 2019 and a £0.1 billion benefit to Solvency II surplus from a release of longevity reserves.
5. 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.
6. The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL Pension Scheme.
7. The pro forma assumes that the acquisition of the Standard Life Assurance businesses took place on 1 January 2018.
8. This announcement 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.
9. Statements containing the words: 'believes', 'intends', 'will', 'may', 'should', 'expects', 'plans', 'aims', 'seeks', 'targets', 'continues' 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.

10. 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.
11. 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 announcement. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this announcement or any other forward-looking statements or data it may make or publish. Nothing in this announcement should be construed as a profit forecast or estimate.
12. References to Solvency II relate to the relevant calculation for Phoenix Group Holdings plc.