



PHOENIX GROUP

Half Year Results

27 August 2010

Agenda

- Introduction
 - Ron Sandler, Chairman
- Business review
 - Jonathan Moss, Group Chief Executive
- Financial results
 - Jonathan Yates, Group Finance Director
- Summary
 - Jonathan Moss
- Q&A



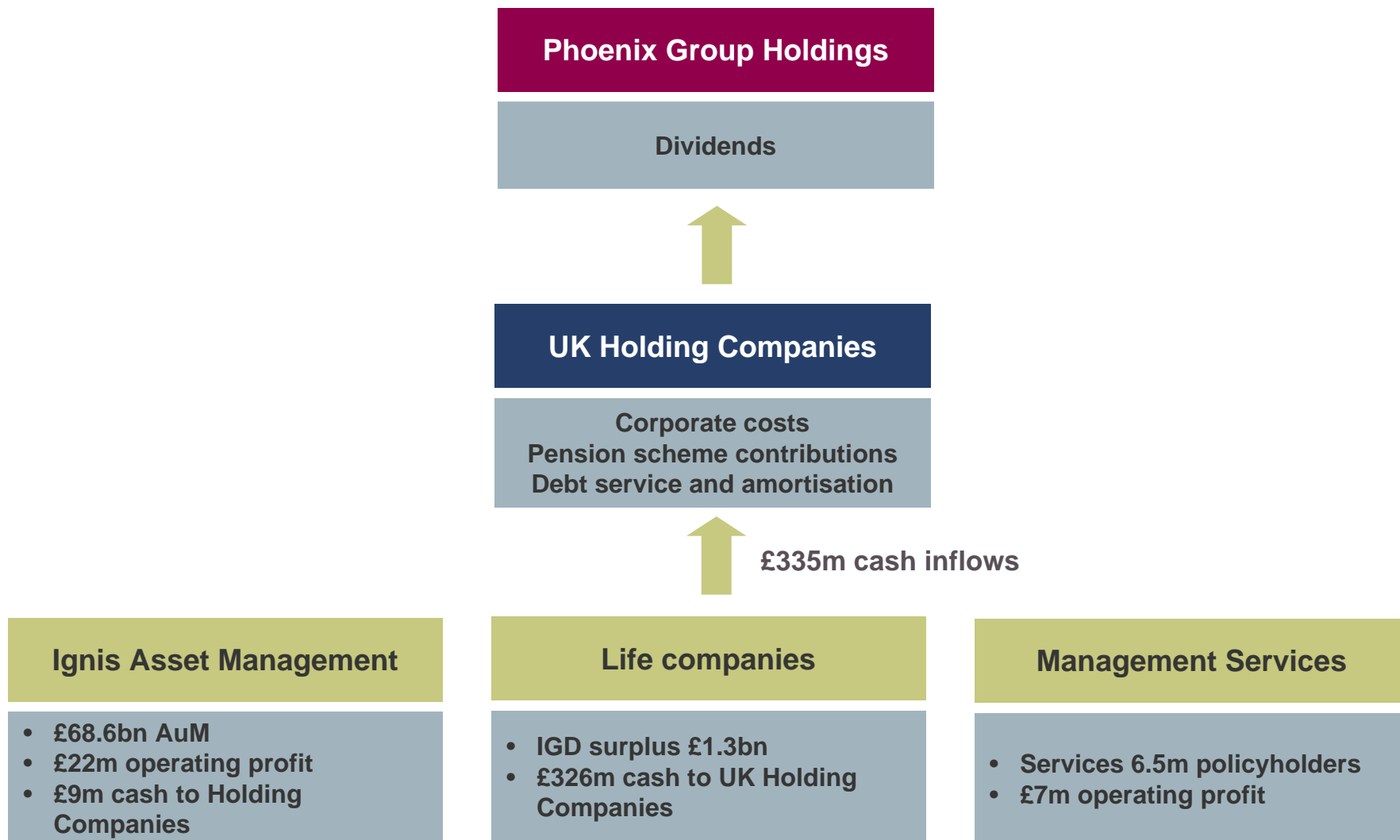
Introduction
Ron Sandler



Business review

Jonathan Moss

A simple business model



Note: All amounts reflect HY 10 results

Objective - to be the consolidator of choice

Key strategic goals

- Maximise business performance & value
- Maintain a robust & scaleable platform
- Efficient capital usage & cash release
- Optimise asset management
- Satisfied policyholders
- Lead consolidation of closed life sector

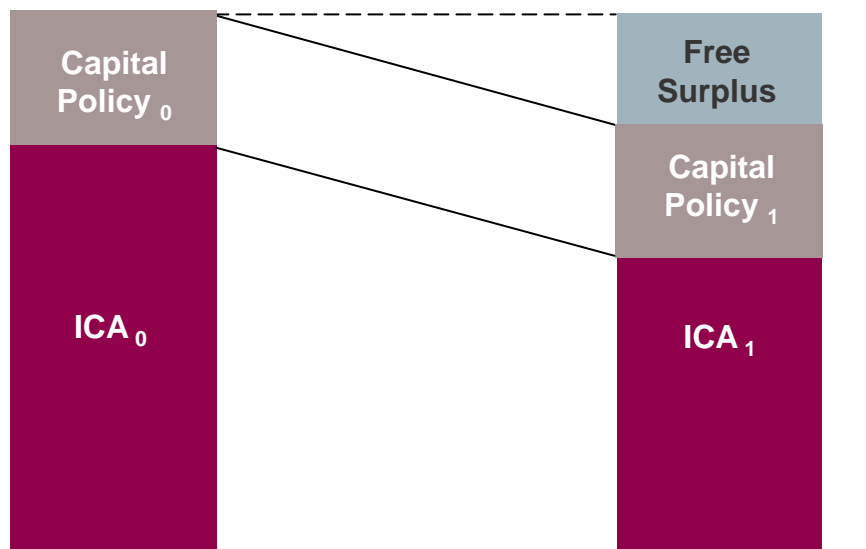
Group priorities

- Simplify and optimise capital structure
- Strong capital policies to ensure safe release of capital
- Targets to increase EV and accelerate cash inflows through management actions
- Grow Ignis AuM
- Good customer service and prompt payment of benefits
- Explore complementary M&A opportunities

Transparent reporting of performance against targets

Strong capital policies to ensure safe release of capital

Illustrative life company capital run-off



Free surplus in life companies ⁽¹⁾

HY 10	FY 09
£534m	£408m

Cash release from life companies

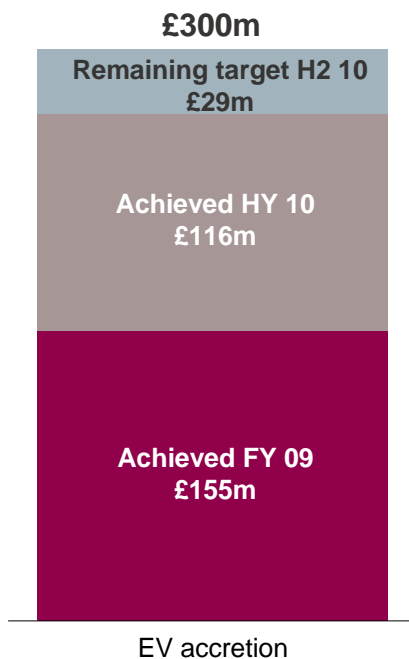
HY 10	FY 09
£326m	£660m

- Free surplus at FY 09 funded HY 10 cash release
- H2 10 cash release to be determined post 2010 capital policy review

Achievements in HY 10

- ✓ £30m of accelerated cashflows from resolving legacy tax issues
- ✓ On track to meet remaining £195m of £500m target for 2009/10 accelerated cashflows from management actions (set in July 2009)

Targets to increase EV through management actions



Achievements in HY 10

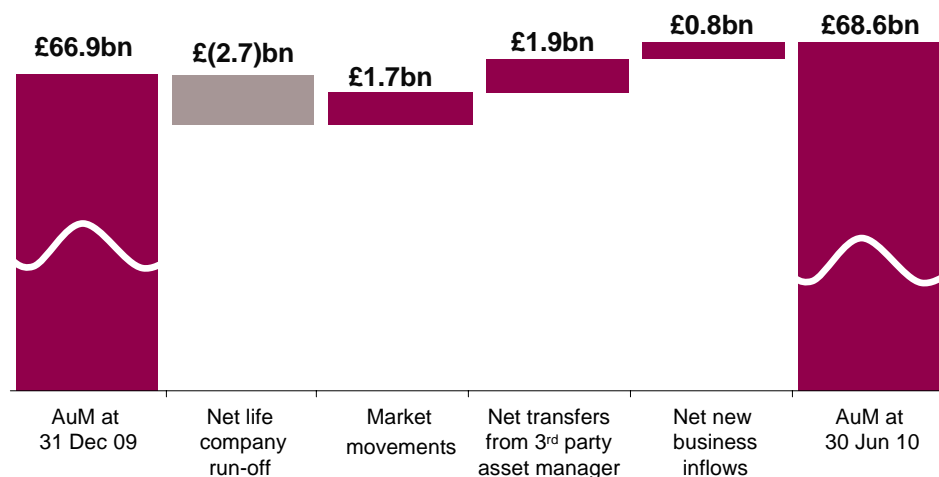
- ✓ £116m of management actions achieved primarily from tax optimisation and resolving legacy tax issues

On track to complete delivery of 2009/10 target of £300m of incremental EV

- Back book management e.g. de-risking asset portfolios
- Further resolution of legacy tax issues
- Fund restructuring synergies e.g. risk diversification and capital efficiency

Group MCEV operating profit (net of tax)	
HY 10	FY 09
£216m	£269m

AuM growth and building new business

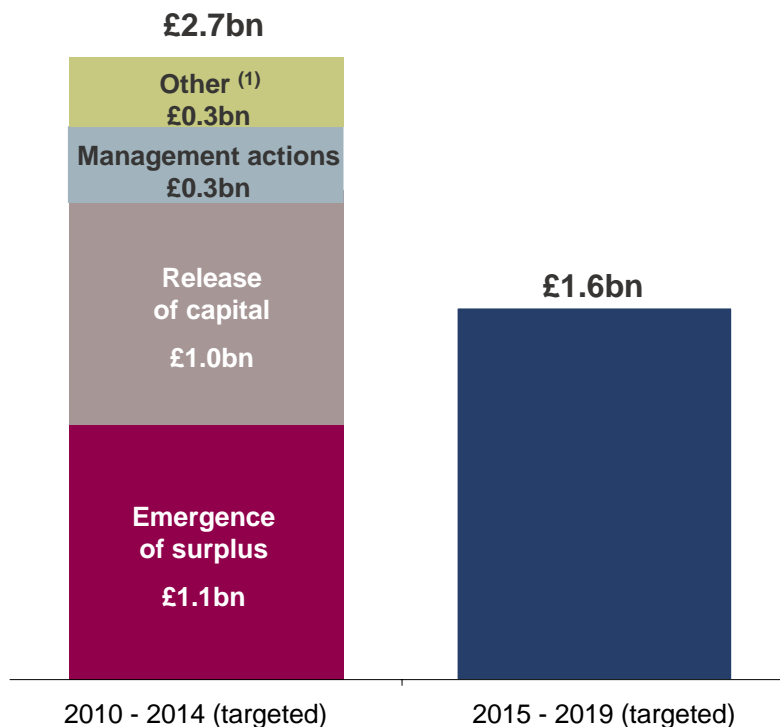


- AuM increased by £1.7bn (2.5%)
- Strong growth in new business inflows
- Life company run-off largely offset by market movements and net new business inflows
- Positive investment performance despite volatile markets with 9 of the major 13 life funds beating benchmark in HY 10

Ignis IFRS operating profit		
HY 10	HY 09	FY 09
£22m	£16m	£34m

Transparent reporting of performance against targets

Holding companies cash inflows



- Projected cash inflows highly predictable
- 5 year target of £2.7bn cash inflows
 - £335m achieved in HY 10
 - £400 to £500m target for BAU cash inflows (£305m in HY 10)
 - £225m management actions accelerating cash inflow in 2010 (£30m in HY 10)
 - On track to meet 2009/10 cash acceleration targets (set in July 2009)
- Performance to be tracked against targets
- Link provided between IFRS profit, capital and cash flow

Notes:

Cash flows are undiscounted

Only £75m of management actions included for 2011. No management actions assumed beyond 2011

(1) Includes VIF of Ignis and management services companies

Update on specific group milestones

		Achieved in HY 10	Ongoing
Phoenix Life	Fund mergers	✓ National Provident Life restructure	• PALAL and PLL restructuring
	Relocation	✓ Relocated majority of accounting, tax and strategy/planning functions to Wythall	• All remaining departments (largely actuarial) to move to Wythall by Q1 2011
	Solvency II	✓ Completed pre-application process for internal model approval by FSA	• Submit QIS 5 results by end Oct for solo entities and end Nov for groups
	Outsourcers	✓ Initial phase of outsourcer rationalisation nearing completion	• Migrate further policies onto new integrated platform
Ignis	Capability	✓ Strengthened management team	• Embed new MI focusing the investment teams on out-performance
	Fund rationalisation	✓ £7bn of assets transferred to collectives	• Transfer further £10bn in H2 10
	Build 3 rd party business	✓ £0.8bn of net new 3 rd party business	• Continue the build out of institutional and European distribution platforms
Corporate	Capital structure	✓ Reduced dilutive instruments to < 20% ✓ Restructured Tier 1 bonds	• Discussions with lenders
	Listing	✓ Premium Listing on LSE on 5 July 2010	• Expected inclusion in FTSE 250 index



Financial results

Jonathan Yates

HY financial highlights

£m unless otherwise stated	HY 10	FY 09
Holding companies cash inflows	335	716
Market Consistent Embedded Value (“MCEV”)	1,962	1,827
IGD capital surplus	1.3bn	1.2bn
Group IFRS operating profit	176	457
Ignis IFRS operating profit	22	34
Assets under Management	68.6bn	66.9bn
MCEV per share ⁽¹⁾	£11.90	£11.08
Dividend per share in respect of period	£0.21	£0.15 ⁽²⁾

Note: For comparative purposes, FY 09 information includes the Pearl businesses from 1 January 2009

(1) Based on post Premium Listing shares in issue of 164,862,855

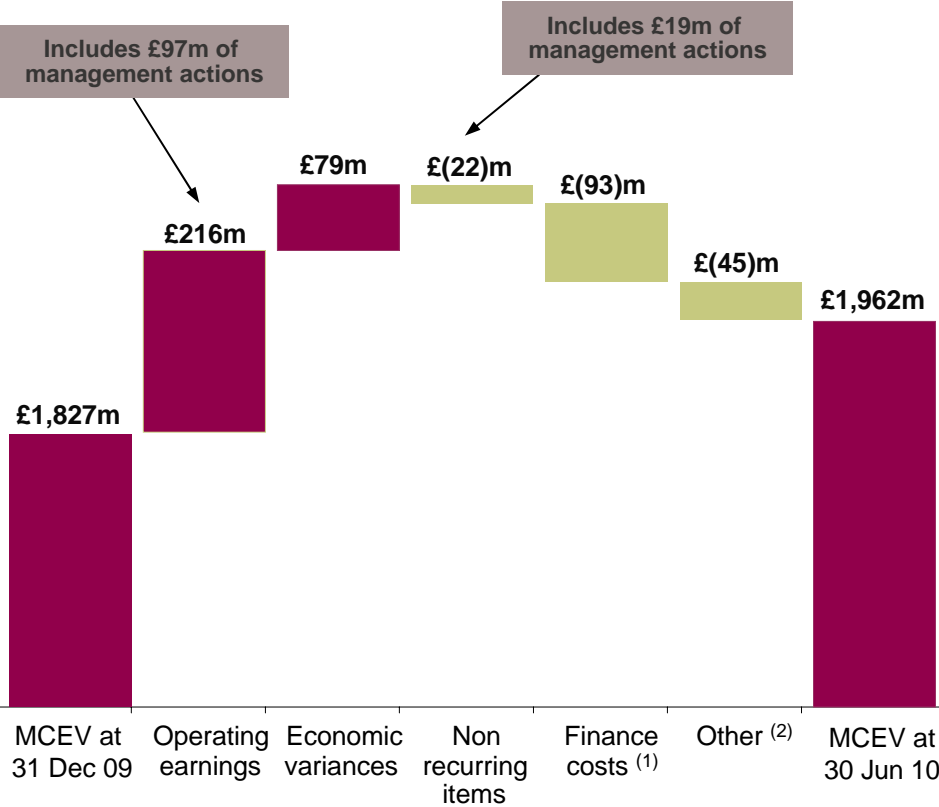
(2) FY 09 dividend paid in respect of 4 month period post Liberty acquisition (€0.17 converted to £ at 15 April 2010)

Strong holding companies cash inflows

£m	HY 10	FY 09
Opening cash	202	86
Cash receipts		
Cash inflows from life companies	326	660
Cash inflows from management services	-	35
Cash inflows from Ignis	9	21
Total cash receipts	335	716
Uses of cash		
Recurring cash outflows		
Operating expenses and pension contributions	18	60
Debt service and Tier 1 coupon	98	102
External dividend	20	-
Total Recurring cash outflows	136	162
Total Non Recurring cash outflows	59	438
Total uses of cash	195	600
Closing cash	342	202

- On track to deliver recurring cash inflows from operating subsidiaries at top end of £400m to £500m annual target
- Total cash receipts of £335m include £30m of cash accelerated through management actions
- £49m of debt interest and £22m debt prepayment made in HY 10
- Non recurring cash outflows include IT, business transformation costs and listing costs

Impressive growth in MCEV despite market uncertainty



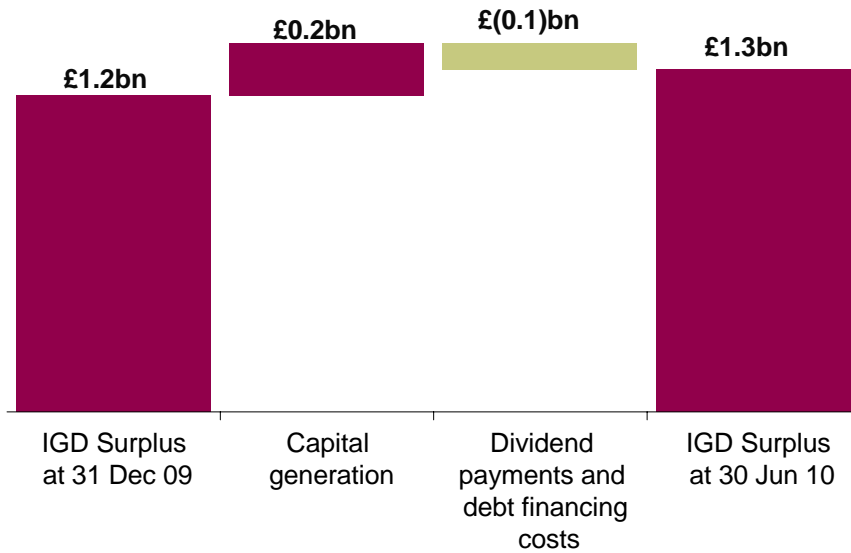
- Impressive growth in Group MCEV
- £116m of management actions generated during HY 10

Note: All amounts are presented net of tax

(1) Finance costs include £20m external dividend, £33m Tier 1 bond 2010 coupon and debt interest

(2) Other relates to £45m of actuarial losses on defined benefit pension schemes

Robust IGD surplus



- IGD surplus represents coverage of 135%
- 25% of Impala sub-group (currently not included due to holding company structure) would contribute an additional £0.2bn to the IGD surplus

IGD relatively insensitive

	£bn	Margin
IGD surplus at 30 Jun 10	1.3	135%
20% fall in equity markets	1.3	144%
15% fall in property values	1.3	136%
75 bps decrease in yields	1.3	133%
75 bps increase in yields	1.3	135%
Credit spread widening ⁽¹⁾	1.2	134%
Combined stress (25% equity fall, 20% property fall, yields up 75bps and credit spreads widening ⁽¹⁾)	1.1	145%

(1) 10 year term: AAA - 48bps, AA - 77bps, A - 108bps, BBB - 162bps

Strong IFRS operating profit

£m	HY 10	FY 09
Phoenix Life	182	469
Ignis Asset Management	22	34
Corporate Costs	(28)	(46)
Operating profit before tax	176	457

- Strong IFRS operating profit in HY 10
- FY 09 Phoenix Life results benefited from favourable non-economic experience variances and longevity assumption changes in H2 09
- Corporate costs include corporate operating expenses and IFRS pension charges

Reconciling operating profit to profit after tax

£m	HY 10
Operating profit before adjusting items	176
Investment return variances and economic assumption changes on long term business	128
Variance on owners' funds	28
Amortisation of acquired in-force business and other intangibles	(73)
Non-recurring items	(19)
Finance costs attributable to owners	(60)
Profit before tax attributable to owners	180
Tax attributable to owners	27
Profit for the period attributable to owners ⁽¹⁾	207

- Favourable long term business investment return variances of £128m driven by short equity positions, improvements in property, reduced credit spreads and strong hedge fund returns
- £28m of owners' fund variances due to positive returns on interest rate swaps, private equity and hedge funds
- Non-recurring items partly offset by the reversal of 2009 charge in respect of the PALAL guaranteed annuity option compromise scheme

(1) Includes £28m attributable to non-controlling interests

Clear link from Phoenix Life profit and capital to cash

£m	HY 10
Opening Phoenix Life free surplus	408
Cash distributed to holding companies	(326)
Phoenix Life IFRS operating profit ⁽¹⁾	175
Phoenix Life IFRS investment variances and non-recurring items	160
Movements in capital requirement & capital policy	160
Valuation differences ⁽²⁾	(43)
Closing Phoenix Life free surplus	534

- Free surplus at FY 09 funded HY 10 cash release
- H2 10 cash release to be determined post 2010 capital policy review

(1) Excluding management services operating profit of £7m at HY 10

(2) Minor differences between IFRS valuation of assets and liabilities and valuation for capital purposes

Phoenix Life - IFRS operating profit drivers

£m unless otherwise stated		HY 10			FY 09		
Fund type	How profits are generated	IFRS op profit	Average assets ⁽¹⁾	Net Margin ⁽²⁾	IFRS op profit	Average assets ⁽¹⁾	Net Margin
With profit	Our share of bonuses paid to policyholders of with profit business	27	30.0bn	18bps	49	29.6bn	17bps
With profit (internal capital support)	Return on with profit funds which are supported with capital from shareholder funds	-	12.4bn	n/m	20	14.5bn	n/m
Unit linked ⁽³⁾	Margin earned on unit linked business	45	12.0bn	75bps	79	12.5bn	63bps
Annuities ⁽³⁾	Spread earned on annuities	38	10.6bn	72bps	186	10.0bn	185bps ⁽⁴⁾
Protection and other non-profit ⁽³⁾	Investment return and release of margins	44	1.5bn	n/m	66	1.5bn	n/m
Shareholder funds	Return earned on shareholder fund assets	21	1.7bn	247bps	55	1.7bn	318bps ⁽⁵⁾
Management services	Return generated from administering policies	7	n/a		14	n/a	
Total Phoenix Life IFRS operating profit		182			469		

Note: "n/m" represents not meaningful

(1) Based on FSA return Form 13

(2) Annualised

(3) Split of non-profit operating profit and assets is illustrative

(4) FY 09 margin benefited from favourable non-economic experience variances and longevity assumption changes

(5) FY 09 margin benefited from higher returns on cash balances

Ignis - IFRS operating profit drivers

£m unless otherwise stated	HY 10			FY 09		
	IFRS results	Closing AuM	Margin ⁽¹⁾	IFRS results	Closing AuM	Margin ⁽¹⁾
Retail	8	2.0bn	74bps	14	2.0bn	74bps
Institutional and international	7	4.6bn	31bps	15	4.8bn	31bps
Life funds	48	62.0bn	15bps	81	60.1bn	14bps
Other income	1			1		
Total revenue/AuM	64	68.6bn		111	66.9bn	
Staff costs	(27)			(49)		
Other operating expenses	(15)			(28)		
Total Ignis IFRS operating profit	22			34		
Operating profit margin	34%			31%		

(1) Margin calculation annualised and based on average AuM over period



Summary

Jonathan Moss

Clear group agenda for shareholder value

- Establish group within London market and FTSE 250 index
- Simplification and restructuring of banking arrangements
- Increase capital efficiency and cashflow acceleration
- Increase value through management actions in Phoenix Life and driving performance in Ignis
- Pursue value adding M&A in due course

Well positioned for the future

- Simple link from profit and capital to cash
- Strong performance in uncertain markets
- Clear strategy and focus on delivery
- Significant progress towards our strategic goals



The specialist closed life consolidator

Q&A



PHOENIX GROUP

Appendices

- I Cash flow sensitivity analysis
- II MCEV sensitivity analysis
- III Shareholder fund asset mix at 30 June 2010
- IV Analysis of shareholder fund debt securities
- V Ignis new business flows
- VI Current capitalisation
- VII Summary of bank facilities

Appendix I - Cash flow sensitivity analysis

	£bn
Base case 5 year projections	2.7
20% fall in equity markets	2.5
15% fall in property values	2.6
75 bps increase in yields	2.7
Credit spreads widening ⁽¹⁾	2.4
Combined stress (25% equity fall, 20% property fall, yields up 75 bps and credit spreads widening ⁽¹⁾)	2.0

Note: One off shocks would be expected to lead to a deferral of cash emergence rather than a permanent diminution

(1) 10 year term: AAA - 48bps, AA - 77bps, A - 108bps, BBB - 162bps

Appendix II - MCEV sensitivity analysis

	£m
Base case covered business MCEV at 30 Jun 10	4,465
1% decrease in risk free rates	188
1% increase in risk free rates	(230)
10% decrease in equity/property market values	(148)
100 bps increase in credit spreads	(311)
25% increase in equity/property implied volatilities	(31)
25% increase in swaption implied volatilities	(33)
10% decrease in lapse rates and paid up rates	(19)
5% decrease in annuitant mortality	(171)
5% decrease in non-annuitant mortality	21
Required capital equal to minimum regulatory capital	67
Swap curve as reference rate, retaining appropriate liquidity premiums	(312)

Appendix III – Shareholder fund asset mix at 30 June 2010

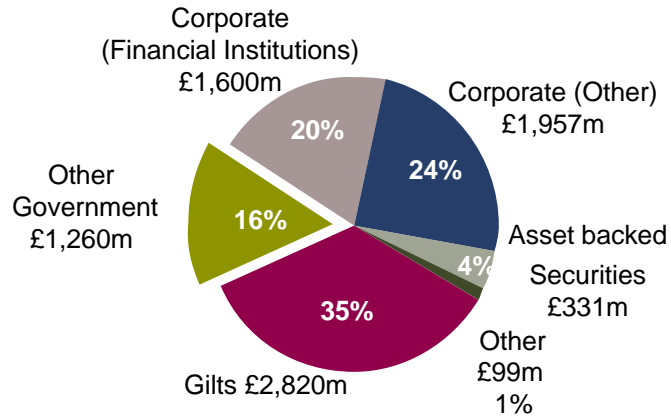
£m	HY 10	
Cash deposits	2,483	20%
Debt securities - gilts	2,820	23%
Debt securities - bonds	5,248	43%
Equity securities	286	2%
Property investments	99	1%
Loans	16	0%
Derivatives	326	3%
Other investments	916	8%
Total	12,194	100%

- Debt securities are analysed in further detail in Appendix IV

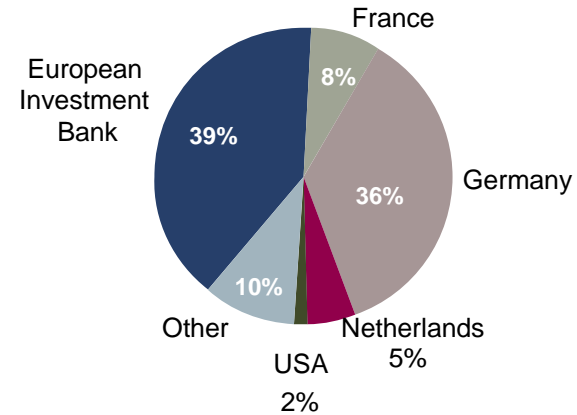
Note: Includes assets where shareholders of the life companies bear the investment risk

Appendix IV - Analysis of shareholder fund debt securities

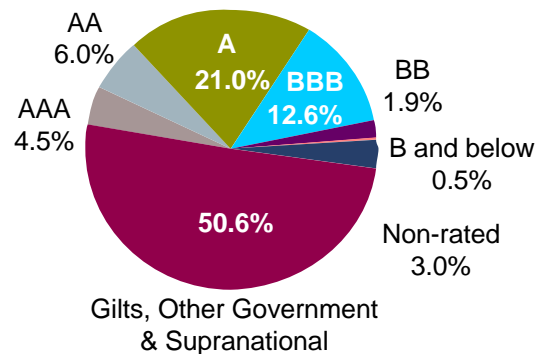
Shareholder fund debt securities - £8,068m



Analysis of other government exposure - £1,260m



Shareholder debt securities credit rating - £8,068m



- Total shareholder exposure to Portugal, Italy, Ireland and Spain of £64m, representing 5.1% of other government exposure
- No exposure to Greece

Appendix V - Ignis new business flows

£m	HY 10	HY 09	H2 09
Gross flows			
Retail	503	243	438
Institutional	221	137	89
International	190	67	93
Liquidity funds (net)	413	19	236
Total	1,327	466	856
Net flows			
Retail	153	(59)	181
Institutional	88	56	(35)
International	121	(18)	24
Liquidity funds	413	19	236
Total	775	(2)	406

Appendix VI - Current capitalisation

	Sept 09	Jan 10	Jul 10
	Acquisition of Pearl Businesses	Warrant exchanges	Premium listing on LSE
Warrants	58.8m	25.5m	25.5m
Contingent rights over shares ⁽¹⁾	36.0m	36.0m	3.6m
Total dilutive instruments ⁽²⁾	94.8m	61.5m	29.1m
Total ordinary shares in issue	126.2m	132.3m	164.9m
Dilutive instruments as % of total share capital	75.1%	46.5%	17.7%

(1) Outstanding contingent rights are only exercisable in the event of a takeover

(2) Excludes shares authorised for issue under employee incentive plans

Appendix VII - Summary of bank facilities

	£m	Margin ⁽¹⁾	Maturity	Repayment
Bank facility	425.0 ⁽²⁾	L+125bps cash	2016	£25m p.a. 2011-2015 Balance in 2016
Lender loan notes	75.0	L+100bps cash or PIK	2024	Non-amortising
Total Pearl bank debt	500.0			
Facility A	1,253.0	L+100bps cash + 100bps cash or PIK ⁽³⁾	2014	£125m p.a. from 2011 Balance in 2014
Facility B	492.5	L+125bps cash + 75bps cash or PIK ⁽⁴⁾	2015	Non-amortising
Facility C	492.5	L+175bps cash + 25bps cash or PIK ⁽⁵⁾	2016	Non-amortising
Total Impala bank debt	2,238.0			

Note: "L" represents LIBOR, "bps" represents basis points, "PIK" represents payment in kind whereby the borrower has the option to add, prior to the third anniversary of the closing date for the Impala Bank Debt facilities and for the full maturity of the Lender Loan Notes, any unpaid interest amount to the principal amount outstanding of the relevant tranche

- (1) In addition to interest rate margin figures shown, mandatory costs (if any) will be payable to compensate the lenders for the costs of compliance with the requirements of the Bank of England, the FSA and/or the European Central Bank
- (2) Senior in right of payment to the Lender Loan Notes
- (3) From and after the fourth anniversary of the closing date of the acquisition of the Pearl businesses by Pearl Group, Facility A will bear interest of L+250bps
- (4) From and after the fourth anniversary of the closing date of the acquisition of the Pearl businesses by Pearl Group, Facility B will bear interest of L+325bps
- (5) From and after the fourth anniversary of the closing date of the acquisition of the Pearl businesses by Pearl Group, Facility C will bear interest of L+375bps

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Any references to IGD Group, IGD sensitivities, or IGD relate to the relevant calculation for Phoenix Life Holdings Limited, the ultimate EEA Insurance parent undertaking as at 30 June 2010.

For comparative purposes, FY 09 information includes the Pearl businesses from 1 January 2009, although the acquisition date for accounting purposes was 28 August 2009.