PHOENIX GROUP

Interim Results 2014

21 August 2014

Agenda

Introduction	Clive Bannister | Group Chief Executive
Debt structure	Jim McConville | Group Finance Director
Financial review	Jim McConville | Group Finance Director
Phoenix Life overview	Andy Moss | Chief Executive, Phoenix Life
Outlook and Q&A	Clive Bannister | Group Chief Executive

Introduction

Clive Bannister

Continued strong performance for Phoenix Group

- ✓ Divestment of Ignis Asset Management for £390 million
- ✓ Gearing reduced to 35%, supporting ambition of investment grade rating
- ✓ Successful issue of £300 million senior unsecured bond
- ✓ Robust group solvency
- ✓ Refinanced senior bank debt into a single £900 million facility
- ✓ Strong IFRS operating profit
- ✓ MCEV enhanced through management actions
- ✓ Cash generation on track for FY14 target
- ✓ Continued financial and operational delivery in Phoenix Life
- ✓ 2014 interim dividend of 26.7p per share, in line with 2013 interim dividend

Divestment of Ignis and subsequent debt prepayment has been completed

MCEV increased	Gearing reduced	Strategic benefits
✓ £390 million cash consideration[1] plus £32 million of cash generation in HY14 ✓ MCEV increased by £238 million[2]	✓ £250 million of bank debt prepaid ✓ Broadly IGD neutral ✓ PLHL ICA surplus reduced by £0.1 billion	✓ Strategic alliance with Standard Life Investments as manager of policyholder and shareholder assets ✓ Synergy Sharing Agreement with Standard Life Investments enhances value from future acquisitions

The transaction was completed on 1 July 2014 supporting the delivery of our long term strategy of closed fund consolidation

Notes: (1) Subject to adjustment
(2) Pro forma position at HY14 of the divestment of Ignis completed on 1 July less impact of Ignis divestment already recognised at HY14 due to prudent assumptions

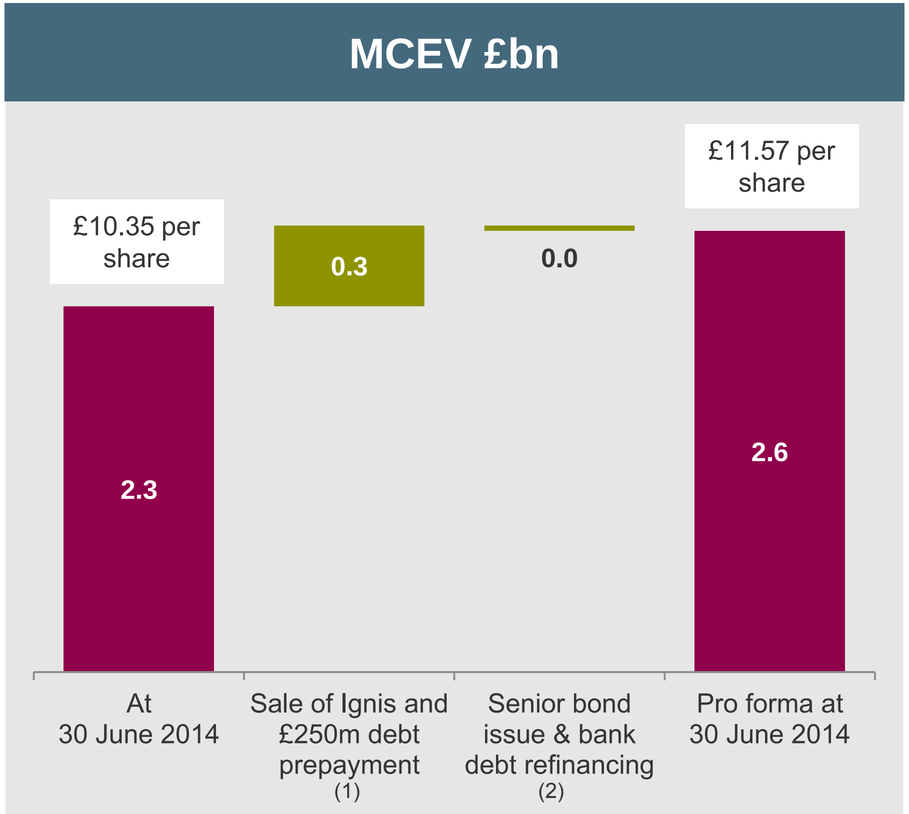
Successfully accessed the bond markets and refinanced our bank debt

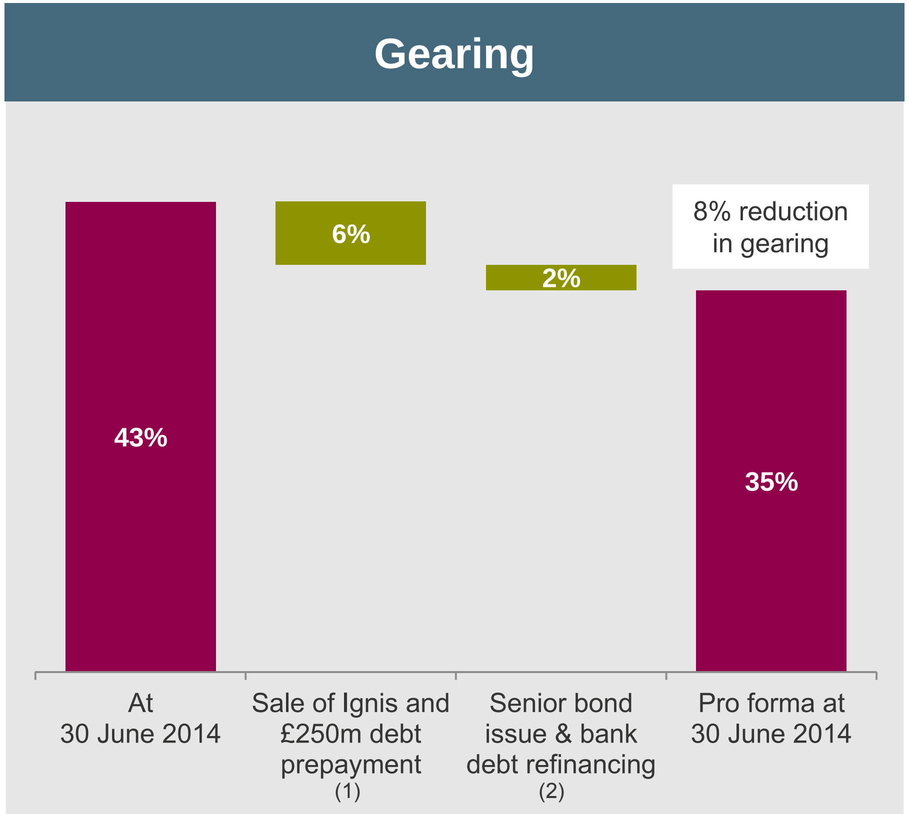
Our objectives	Resulting in
• Diversify funding • Simplify debt structure • Smooth amortisation profile • Reduce interest costs • Lower gearing to level consistent with investment grade credit rating • Remove historic banking restrictions	✓ £300 million 7 year unsecured senior bond issued ✓ Senior debt refinanced into a single £900 million facility ✓ Smoothing of maturity profile ✓ Reduced cost of debt ✓ Reduced gearing to 35%(1) ✓ Greater flexibility with regard to acquisitions

Longer term ambition to further access the bond markets and achieve an investment grade rating

Notes (1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014

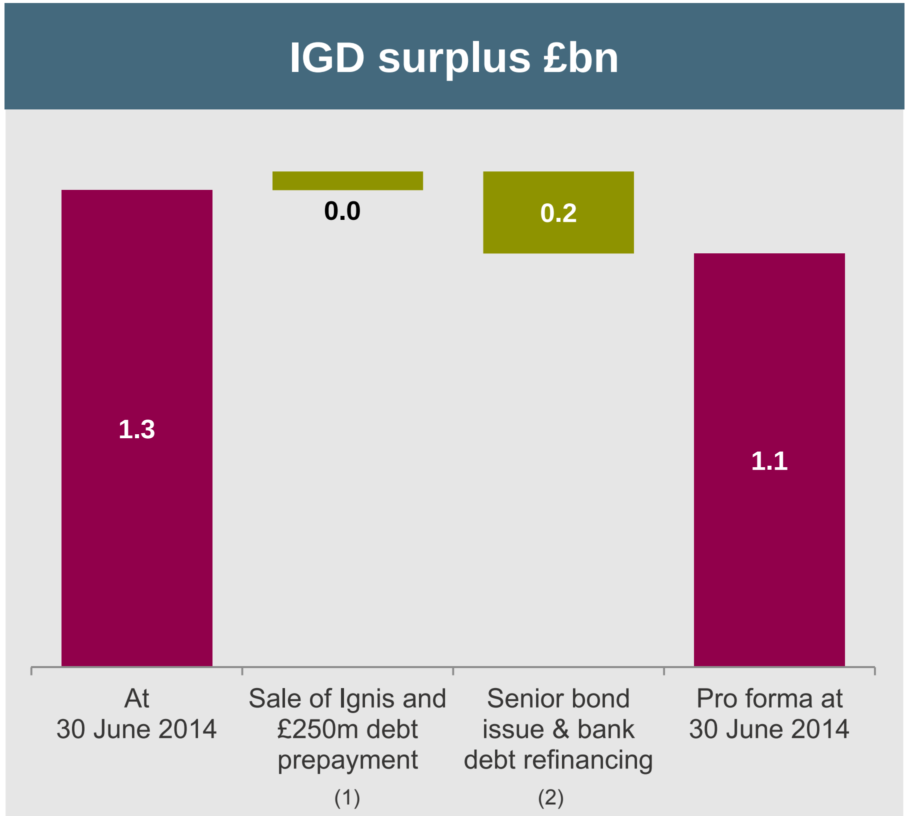
Together these transactions increased our MCEV and reduced gearing…

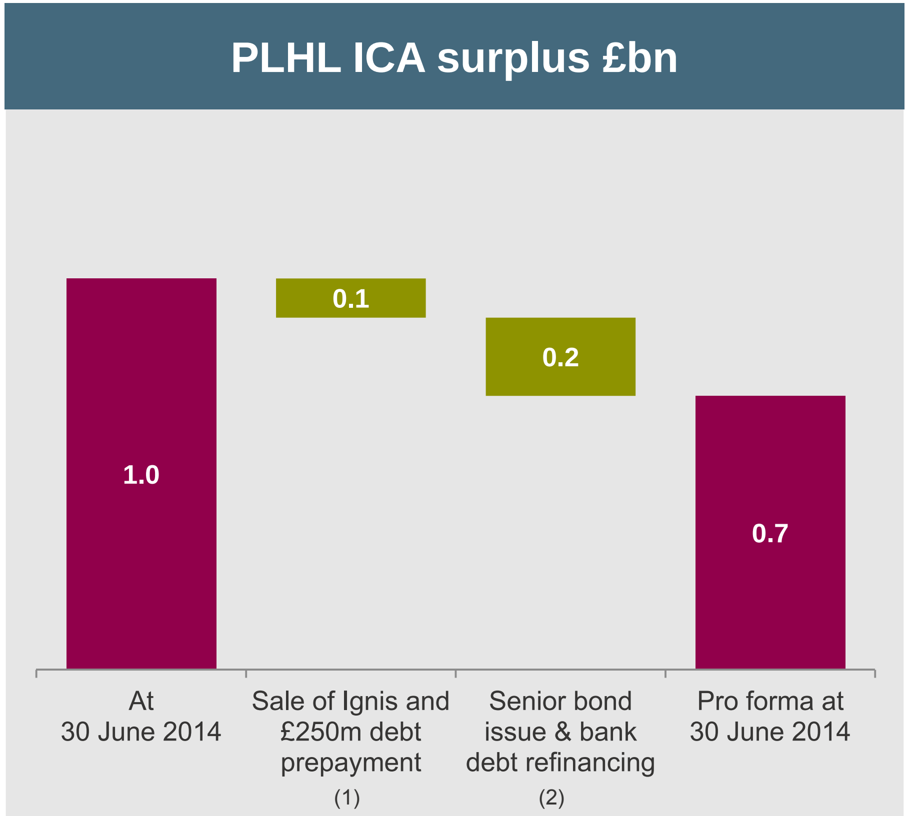




Notes:
(1) Pro forma position at HY14 adjusted for the proceeds of the divestment of Ignis completed on 1 July (proceeds of £390m and subsequent debt prepayment of £250m)
(2) Pro forma position at HY14 adjusted for (1) above plus the £300m 5.75% 7 year senior unsecured bond issue on 7 July and the £900m unsecured bank refinancing and associated £206m debt prepayment on 23 July
(3) Shares in issue as at 31 July 2014 of 224,935,759

… whilst retaining robust capital positions





Notes:
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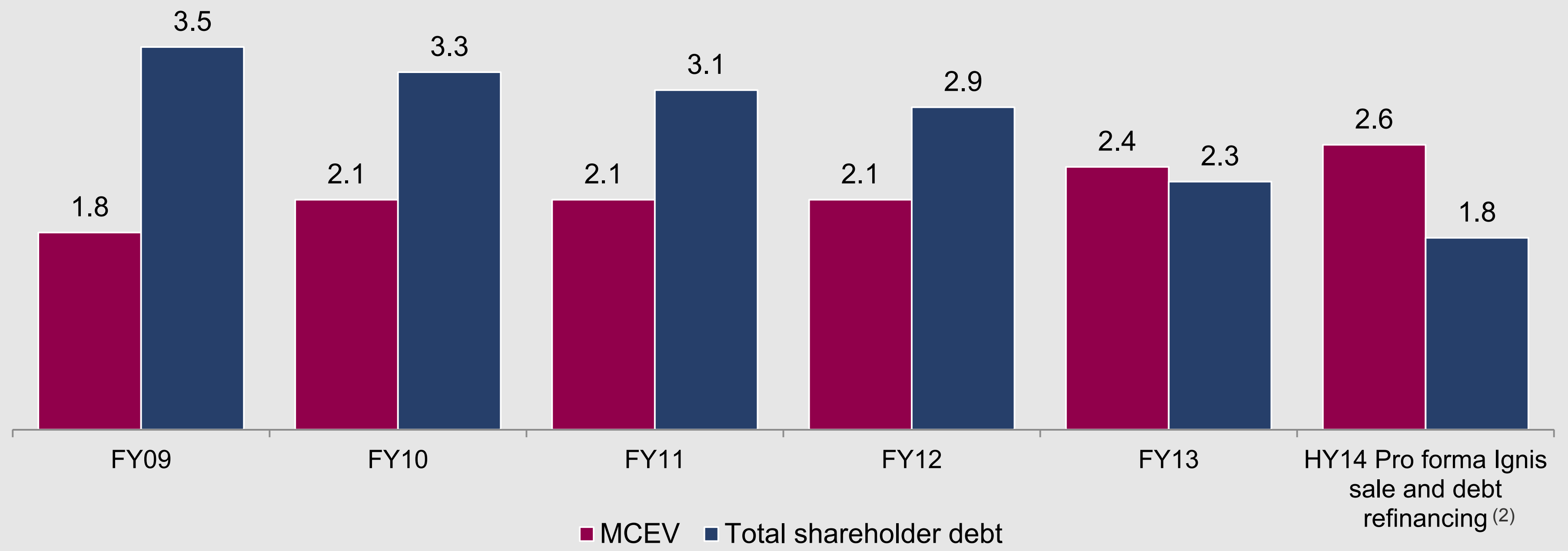
The balance sheet of Phoenix has been transformed

MCEV vs Total Shareholder Debt (£bn)[1]



Gearing (%)

FY09	FY10	FY11	FY12	FY13	HY14 Pro forma Ignis sale and debt refinancing (2)
63%	58%	57%	55%	44%	35%

Notes (1) IFRS carrying value of total shareholder borrowings and IFRS carrying value of Tier 1 bonds. Total debt values here and in gearing calculation are different because gearing calculation includes Tier 1 bonds at 50% of the IFRS carrying value to reflect their hybrid nature, and other shareholder debt at its IFRS carrying value. The HY pro forma total shareholder debt includes the new senior bond and new bank facility at face value.

(2) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014

Significant progress towards financial targets

	Delivery	Target	
Cash generation	£332m	£500m to £550m in 2014[1]	✓ Achieved over half the FY target during the first 6 months of 2014 ✓ On track to meet long term cash generation target of £2.8 billion between 2014-19
MCEV enhancement	£153m to date	£300m 2014 - 2016	✓ £153m of incremental value delivered through management actions in HY14 towards £300m cumulative target
Gearing[2]	35%	40% by end 2016	✓ Gearing reduced to 43% at HY14, reducing further to 35% post Ignis divestment and single silo facility[3]

Notes:
(1) Excludes proceeds from the Ignis divestment. Target of £2.8bn of cash generation over 2014 to 2019 includes proceeds from the Ignis divestment
(2) Gross shareholder debt as a percentage of Gross MCEV
(3) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014

Debt structure

Jim McConville

Comprehensive refinancing of Phoenix's debt structure

	Reduce debt	Diversify funding	Extend maturity	Lower margin
Ignis divestment	✓	-	-	-
Bond issue	-	✓	✓	✓
Senior debt refinancing	✓	-	✓	✓

Strengthening of Phoenix's balance sheet to help pursue growth strategy

Re-established relationship with debt capital markets following successful bond issue

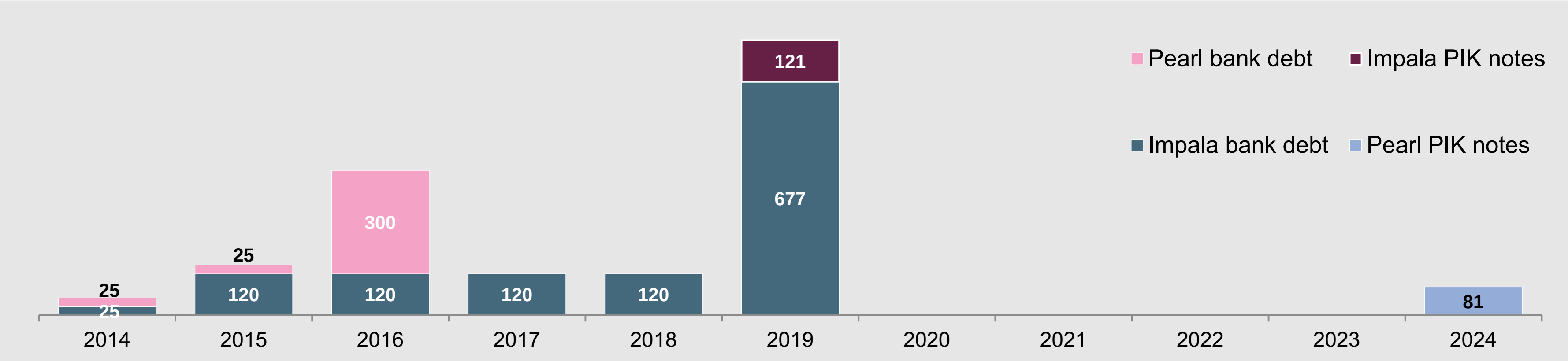
The deal	✓ On 30 June 2014, Phoenix Group priced a £300 million debut unrated 7 year senior unsecured bond at a coupon of 5.75%, issued by PGH Capital Ltd
Execution highlights	✓ Transaction was placed with over 50 investors, with 86% allocated to UK or Irish based accounts ✓ The bond attracted good quality investors, with 74% being placed with asset managers, 22% with hedge funds and 4% with private bank or wealth managers ✓ Order book oversubscribed and priced at low end of target range
Alignment to strategy	✓ Successfully re-established our relationship with the debt capital markets ✓ Diversified and extended the funding base, generating additional financial flexibility for the Group to undertake future M&A

Refinanced existing two bank debt silos into an unsecured £900m single facility

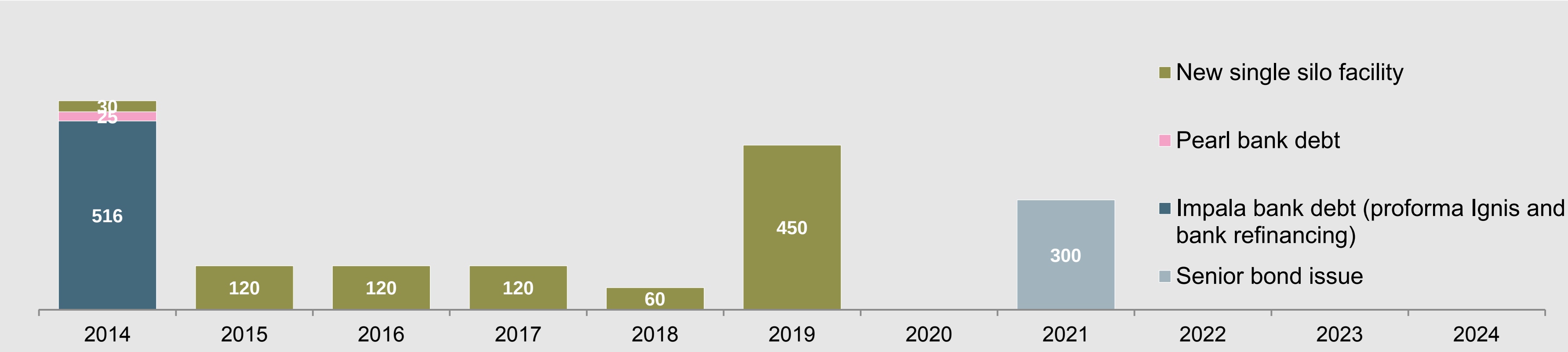
The deal	✓ On 23 July 2014, Phoenix Group entered into a new £900m senior unsecured bank facility ranking pari passu with the senior bond issue
Execution highlights	✓ Used to refinance the entirety of the Group's two bank facilities and PIK notes thereby replacing the two legacy debt silos (Pearl and Impala) with a single debt facility ✓ £206m prepayment of bank debt made in connection with the new facility ✓ Significantly reduced banking restrictions contained within the prior two debt silo facilities ✓ Lowers interest costs with ability to reduce interest margins further
Alignment to strategy	✓ In line with the Group's aim to further simplify and strengthen its balance sheet ✓ Supports the achievement of an investment grade credit rating in the future ✓ Strengthens Phoenix's financial flexibility to pursue its growth strategy of acquiring closed life funds

Debt amortisation profile smoothed and extended

Amortisation schedule as at 31 December 2013(1) (£m)



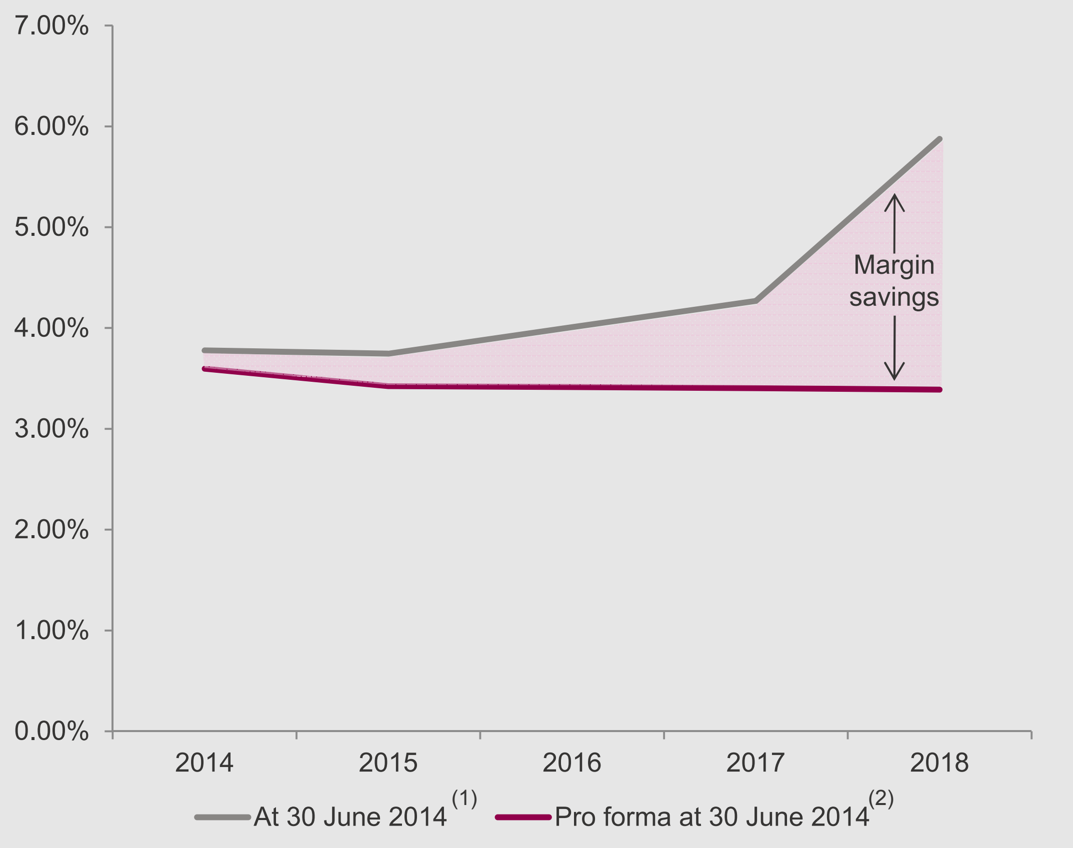
New amortisation schedule(2) (£m)



Notes
(1) As at FY13: Impala bank debt of £1,182m, Pearl bank debt of £350m, Impala PIK notes of £121m and Pearl PIK notes of £81m
(2) New single silo facility calculated as sum of FY13 bank debt and PIK notes plus capitalised interest on PIK notes in HY14, less £60m amortisation of Impala bank debt paid in HY14, £25m amortisation of Pearl bank debt paid in HY14, £250m prepayment in respect of Ignis sale, £296m prepayment in respect of senior bond issue and £206m prepayment in respect of single silo refinancing
(3) Excludes Tier 1 and Tier 2 debt

The total cost of our senior debt has been reduced

Weighted average cost of debt over time (above LIBOR)



- Assumes mandatory and target amortisation paid in line with respective facility agreements, as outlined on previous slide
- Notional improvement today of 0.2% but significant savings over time with an illustrative saving of 2.5% in 2018
- Further savings possible in line with financial leverage ratchets and attainment of investment grade rating which have not been reflected (see Appendix XII)

Notes: (1) Assumes all mandatory and target debt repayments are made in line with old Pearl and Impala facility agreements, that interest on Pearl and Impala PIK notes is capitalised and step up of 225bps on 1 January 2018 in respect of Impala silo debt in line with agreement

(2) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014. Assumes all mandatory and target debt repayments are made in line with the new facility agreement and includes revolving credit facility utilisation fee. No allowance has been made for further margin reductions in line with financial leverage ratchets and/or investment grade rating. Senior bond is assumed constant at rate of 3.21% above 7 year Sterling mid-swaps at 30 June 2014.

Financial review

Jim McConville

Financial highlights

£		HY14 proforma[1]	HY14	HY13
Cash	Operating companies cash generation	722m	332m	416m
	Holding company cash	990m	1,081m	966m
IFRS	Group operating profit[2]	n/a	266m	186m
MCEV	Group MCEV	2.6bn	2.3bn	2.2bn
Gearing	Gearing[3]	35%	43%	48%
Capital and balance sheet	IGD surplus	1.1bn[4]	1.3bn	1.1bn
	PLHL ICA surplus	0.7bn[5]	1.0bn	1.0bn
Dividends	Dividend per share	n/a	26.7p	26.7p

Notes:
(1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014
(2) Includes Ignis operating profit
(3) Gross shareholder debt as a percentage of Gross MCEV
(4) Position at HY14 adjusted for debt prepayment of £0.2bn under the unsecured bank refinancing. Impact of proceeds of Ignis divestment including subsequent debt pay down and senior bond issue is negligible
(5) Position at HY14 adjusted for net impact of £0.1bn of the Ignis divestment and subsequent debt pay down and for the debt prepayment of £0.2bn under the unsecured bank refinancing. Impact of senior bond issue is negligible

Strong cash generation continues

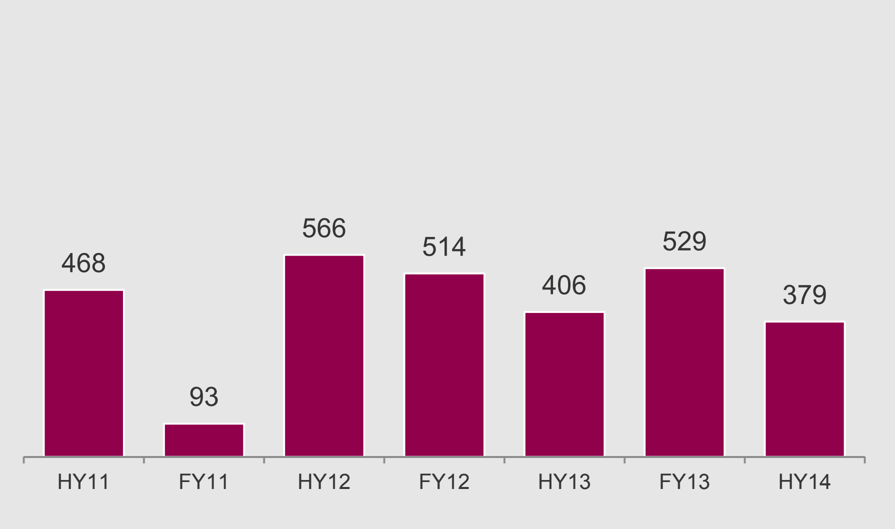
£m	HY14 proforma[1]	HY14	HY13
Opening cash and cash equivalents[2]	**995**	**995**	**1,066**
Cash receipts			
Phoenix Life	211	211	411
Ignis	422	32	5
Other cash receipts	89	89	-
Total cash receipts	**722**	**332**	**416**
Proceeds of capital raising net of fees	-	-	211
Uses of cash			
Operating expenses	(13)	(13)	(21)
Pension scheme contributions	(13)	(13)	(16)
Total non-recurring cash outflows	(41)	(16)	(7)
Debt interest	(59)	(59)	(88)
Debt repayments	(541)	(85)	(535)
Shareholder dividend	(60)	(60)	(60)
Total cash outflows	**(727)**	**(246)**	**(727)**
Closing cash and cash equivalents	**990**	**1,081**	**966**

- £149m of cash generation through management actions, including other cash receipts of £21m for the sale of BA(GI) and £68m for the restructure of the PGL pension scheme longevity arrangements
- Pension scheme contributions are weighted towards the second half of the year under the Pearl contribution schedule
- Closing pro forma holding company cash of £990m

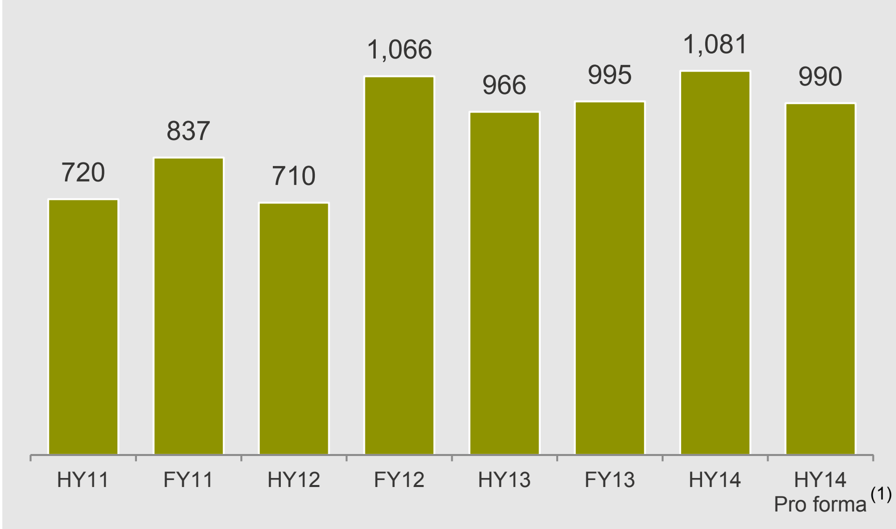
Notes:
(1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014 The £300m proceeds from the 5.75% 7 year senior unsecured bond issue were used to reduce the debt by £296m and pay costs of £4m resulting in a cash neutral position
(2) As at 31 December

Free surplus in life companies supports strong cash delivery

Closing Phoenix Life free surplus £m



Closing cash in holding companies £m



- £211 million of cash distributed to holding companies in HY14
- Strengthening of ICA assumptions related to longevity, credit and correlations impacted free surplus generation in HY14
- Closing free life surplus of £379m at HY14 supports FY14 cash generation target and in addition a further £990 million of cash, on a pro forma basis, is held at the holding companies

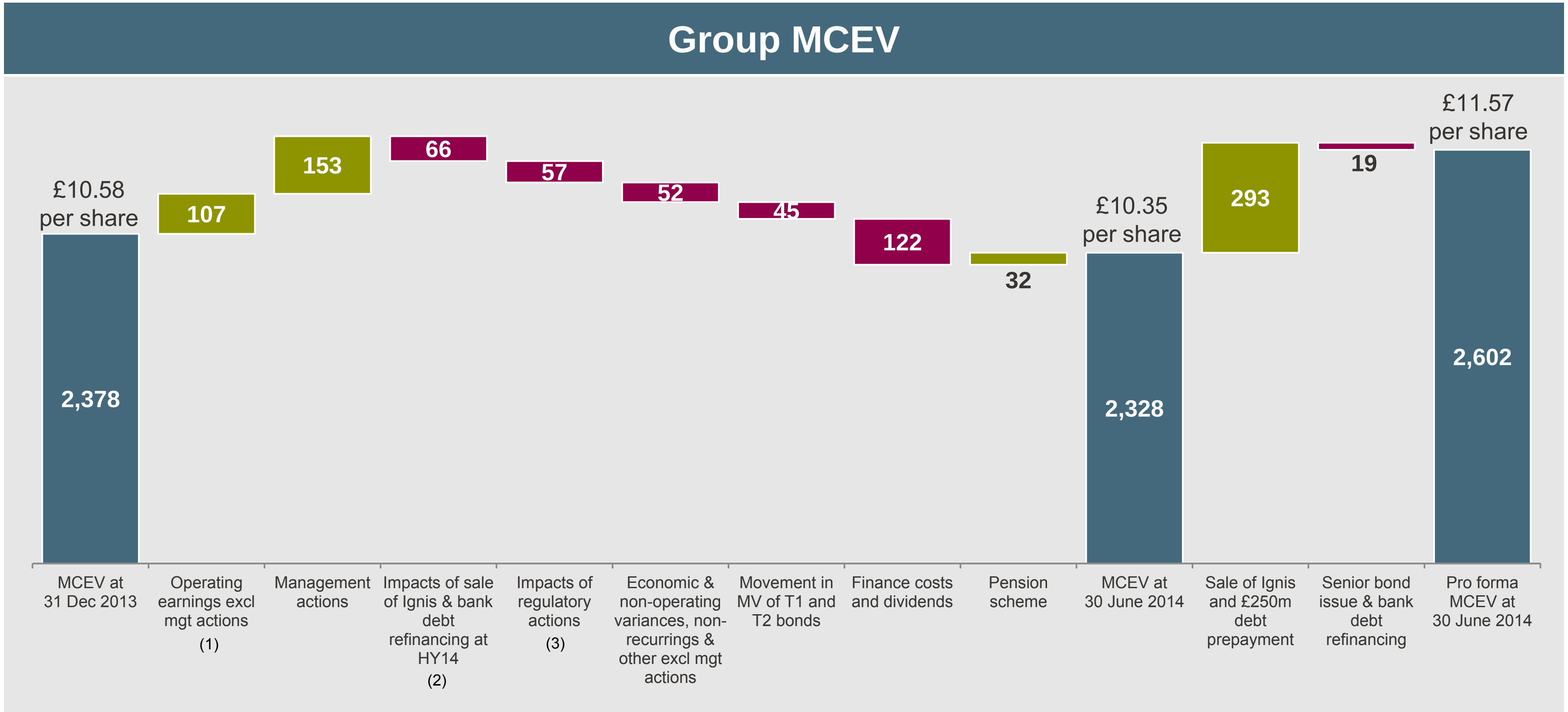
Notes: (1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014

Strong IFRS operating profits

£m	HY14	HY13
Phoenix Life	256	178
Ignis	17	19
Group costs	(7)	(11)
Operating profit before tax	**266**	**186**
Investment return variances and economic assumption changes	59	(33)
Amortisation of intangibles	(55)	(60)
Non-recurring items	9	(40)
Finance costs	(48)	(65)
(Loss)/profit before tax attributable to owners	**231**	**(12)**
Tax credit/(charge) attributable to owners	(40)	4
(Loss)/profit for period attributable to owners	**191**	**(8)**

- HY14 operating profit includes £114 million from management actions (HY13: £24 million)
- Non-recurring items include the restructure of the PGL pension scheme longevity arrangements offset by provisions for VAT in relation to the divestment of Ignis and workplace pensions charges cap
- Reduction in finance costs reflects lower debt levels and expiry of interest rate swaps

Embedded value enhanced by £153 million through management actions



Notes:

(1) Comprises £204m of pre-tax operating earnings, less £42m of tax charges per accounts, less £72m of management actions and £(17)m impacts of regulatory actions which come through operating earnings

(2) Comprises £(25)m relating to anticipated VAT costs on future investment management expenses following divestment of Ignis, £(25)m reduction due to the impact on tax attributes from the debt prepayment following the divestment of Ignis, £(11)m reduction due to the impact on tax attributes from the debt prepayment in relation to the unsecured bank refinancing, together with £(5)m costs in respect of the divestment of Ignis. These impacts are recognised at HY14 due to prudent assumptions

(3) Comprises £(40)m anticipated reduction in future profits with regard to the cap on workplace pension charges and £(17)m impact of assumed reduction in GAR take-up rates following the pension reforms announced in the Budget

Strong track record of management action delivery

Incremental MCEV

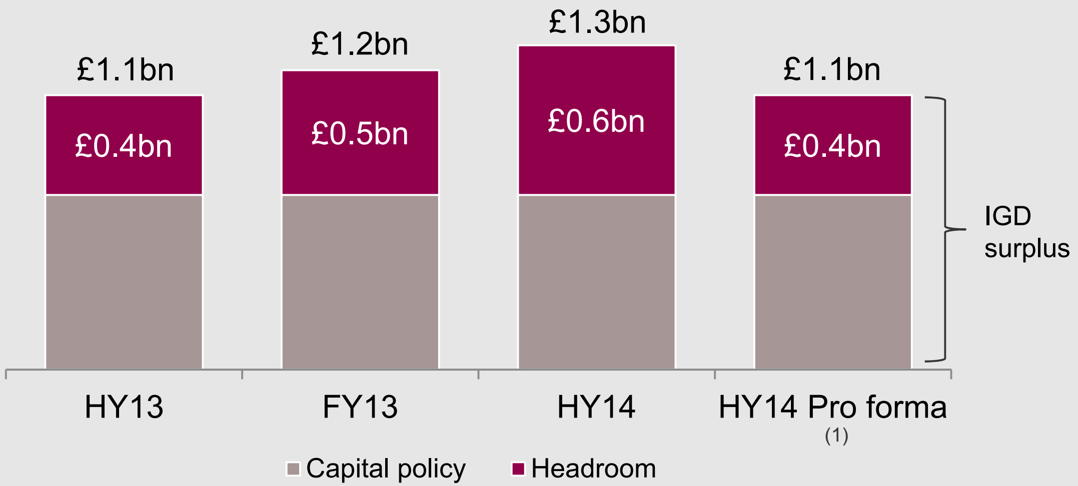
HY14 management actions £m

	Type	Value
PGL Pension Scheme longevity arrangements	Restructuring	91
Actuarial Systems Transformation modelling improvements	Operational	24
Improvements to modelling of credit defaults	Operational	15
Other management actions	Operational & restructuring	23
Total		**153**

Management continue to identify future actions to enhance MCEV

£1.1 billion IGD surplus on a pro forma basis

IGD and sensitivities at HY14



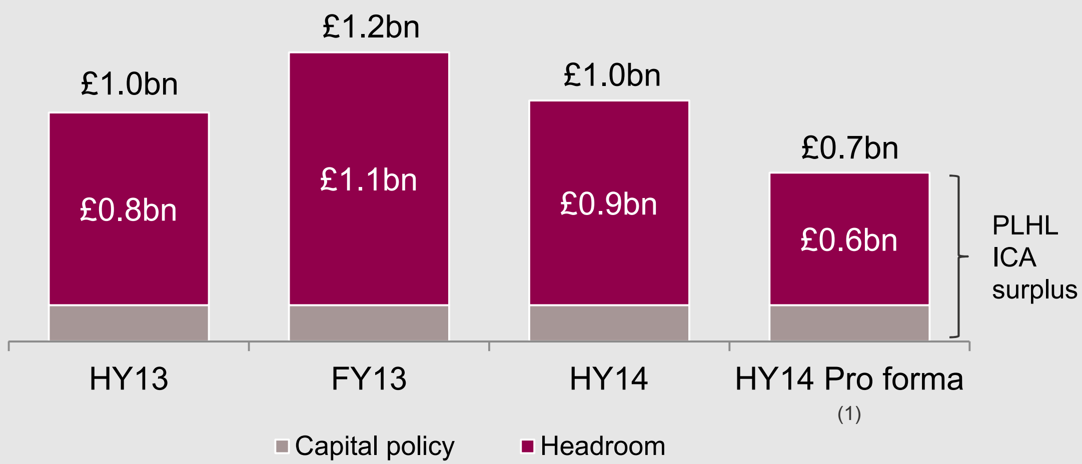
IGD sensitivities	£bn
IGD surplus at 30 June 2014	1.3
Following 20% fall in equity markets	1.3
Following 15% fall in property values	1.3
Following 75bps parallel increase in nominal yields(2)	1.3
Following 75bps parallel decrease in nominal yields(3)	1.4
Following credit spread widening(4)	1.4

- £0.2bn debt repayment linked to new single silo reduces IGD surplus on a pro forma basis
- Headroom over capital policy remains robust at £0.4 billion on a pro forma basis
- IGD remains relatively insensitive to market movements

Notes: (1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014
(2) 75bps parallel increase in nominal yields and a 75bps increase in inflation
(3) 75bps parallel decrease in nominal yields and a 75bps decrease in inflation
(4) 11 to 15 year term: AAA – 44bps, AA – 93bps, A – 111bps, BBB – 187bps

Strong PLHL ICA surplus

PLHL ICA and sensitivities at HY14



PLHL ICA surplus sensitivities	£bn
PLHL ICA surplus at 30 June 2014	1.0
Following 20% fall in equity markets	0.9
Following 15% fall in property values	0.9
Following 75bps parallel increase in nominal yields(2)	1.1
Following 75bps parallel decrease in nominal yields(3)	0.9
Following credit spread widening(4)	0.8

- £0.2 billion strengthening of ICA assumptions related to longevity, credit and correlations
- £0.3 billion pro forma impact of Ignis divestment and the single silo refinancing which resulted in £0.5 billion of debt being prepaid
- Position remains relatively insensitive to market movements

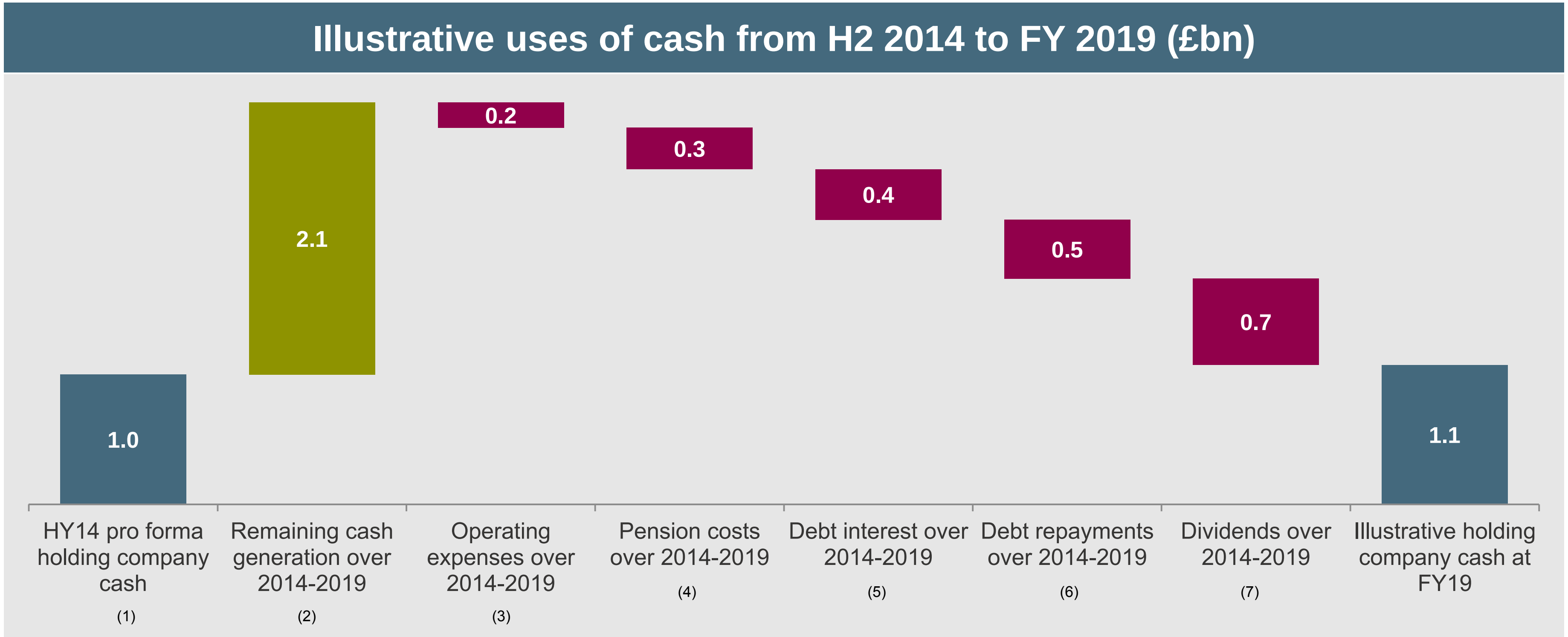
Notes: (1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014

(2) 75bps parallel increase in nominal yields and a 75bps increase in inflation

(3) 75bps parallel decrease in nominal yields and a 75bps decrease in inflation

(4) 11 to 15 year term: AAA – 44bps, AA – 93bps, A – 111bps, BBB – 187bps

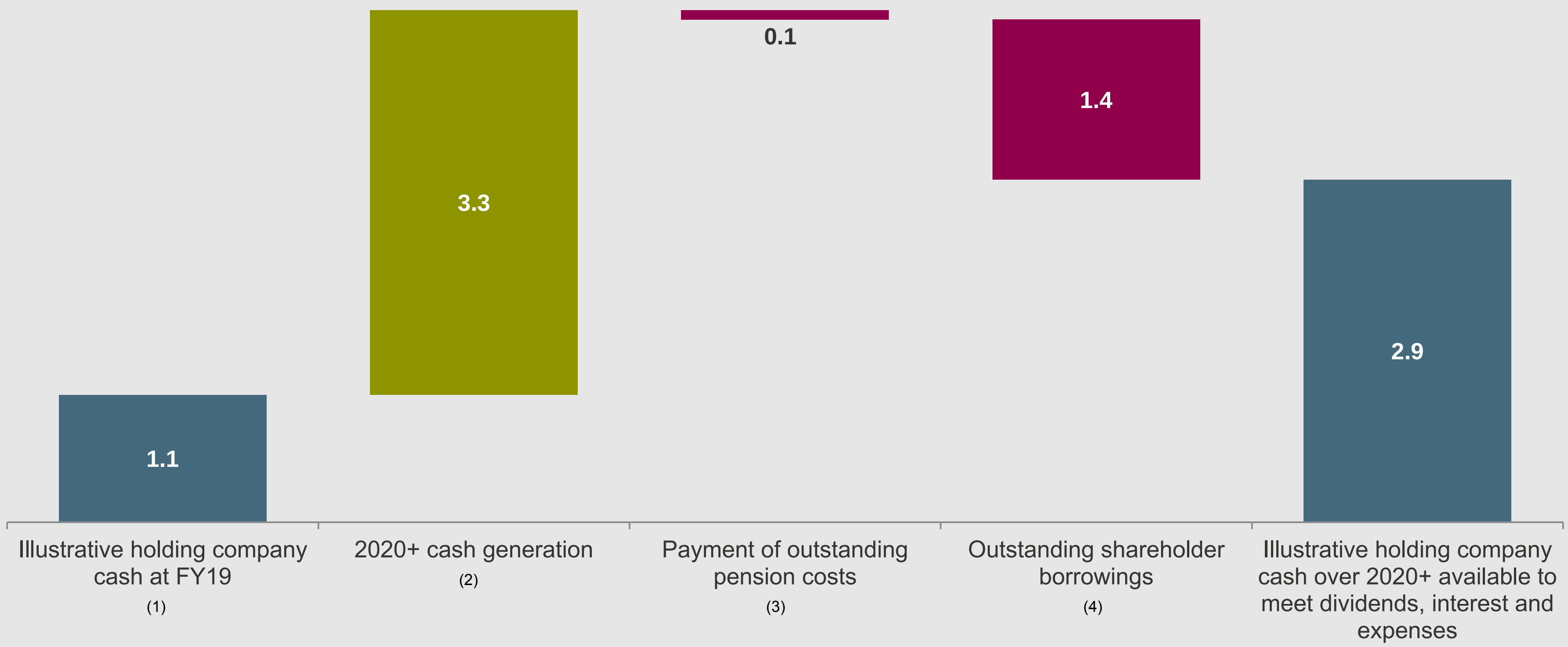
Future dividends met by strong and predictable cash generation from the existing book of business



Notes:
(1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014
(2) £2.8bn target cash generation over 2014 to 2019 less £0.3bn delivered in H1 2014 and £0.4bn Ignis divestment proceeds
(3) Illustrative operating expenses of £35m per annum over H2 2014 to 2019
(4) Pension scheme contributions estimated in line with current funding agreements. Comprising £70m in 2014 and £40m p.a. from 2015 to 2019 in respect of the Pearl scheme and £7.5m in H2 2014, £15m in each of 2015 and 2016 and £10m in 2017 in respect of the PGL scheme
(5) Debt interest costs estimated using average rate of 5% per annum over the period 2014 to 2019 with outstanding debt reducing in line with scheduled amortisation over the period in line with new single silo facility terms. Assumes Revolving Credit Facility is refinanced before 2019 maturity
(6) Schedule amortisation over the period in line with new single silo facility terms. Assumes Revolving Credit Facility bullet is refinanced before 2019
(7) Illustrative dividend assumed at current cost of £120m per annum over H2 2014 to 2019

Significant shareholder value over the longer term, even before acquisitions

Illustrative uses of cash from 2020 onwards (£bn)



Notes:
(1) Illustrative holding company cash as at FY19 as calculated on slide 26
(2) An estimated £3.3bn cash generation to be extracted from the business after 2019
(3) £40m pension contributions due on Pearl scheme in each of 2020 and 2021
(4) Total shareholder borrowings at 30 June 2014 pro forma less repayment of term loan assumed by end 2019 (see slide 26)

Phoenix Life overview

Andy Moss

Overview of Phoenix Life

Facts

- 4 life companies
- 15 with profit funds
- 2 non profit funds
- Over 5 million policyholders

Phoenix Life

Figures (HY14)

- £57 billion assets
- £256 million IFRS operating profit
- £211 million operating cash generation
- MCEV of £2,833 million(1)

Services

- **Outsourced**: customer administration, IT, investment administration, payroll, accounts payable
- **In house**: finance, actuarial, customer and outsourcer oversight, HR, risk, internal audit

Notes: (1) MCEV of covered business as at 30 June 2014 as per the MCEV supplementary information

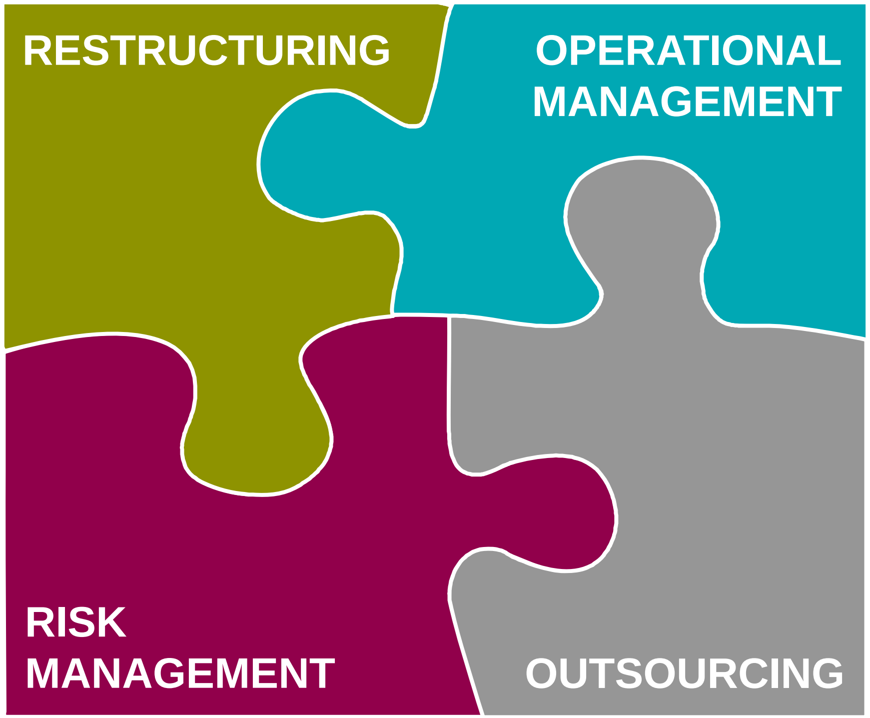
The Phoenix Way continues to generate value to policyholders and shareholders

Challenge

- Delivering increased value for shareholders and policyholders
- Cashflows for shareholders
- Higher payouts for customers

Operating environment

- Myriad of reporting bases and methodologies
- Book of business with varied legacy heritage
- Changing regulatory landscape
- Need for flexible cost base



Customers continue to be a key focus for Phoenix

2014 customer actions delivered

- Proactive management of the historic product suite including continued program of reviews to ensure delivery of all product promises to customers and offer of commutation of small unwanted products
- Continued initiatives to de-risk with profit funds and accelerate distribution of estate to stakeholders
- Enhanced customer tracing activity to reunite customers with forgotten assets

Customer metrics

	HY14	Full year target[1]
Speed of Pension Transfer pay-outs	10.1 days	<12 days
Customer Satisfaction	92%	90% rating satisfactory or above
FOS overturn rate	21%	<33%
Service complaints (as a percentage of customer transactions)	0.22%	<0.5%
Accelerated estate distribution	£90m	£100m

Customers remain at the heart of Phoenix's business

Notes: (1) Targets based on external and internal measures

We have a proven scalable operating platform

Costs reductions track policy run-off

	2010 – 2011	2011 - 2012	2012 - 2013	Cumulative since 2010
Policy run-off	6.9%	6.7%	11.2%[2]	22.8%
Costs[1] run-off	9.2%	7.2%	9.6%	23.8%

- Use of outsourcers allows Phoenix Life to operate a variable cost model
- Ongoing efficiencies have allowed the business to reduce costs faster than the policy run-off

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

Anticipated impact of the recent changes in the retirement market

Annuities	• Of the £284 million of annuities written by the Group in H1 2014, £201 million had valuable guaranteed annuity rates (GARs) • Assumption that take up rate of GAR annuities will fall by c.20%, reducing MCEV by £17m • Volumes of non-GAR annuities down by approximately 50%, with a long term assumption that non-GAR annuities will fall by two thirds
Workplace pensions cap	• Phoenix is not facilitating new auto-enrolment workplace pensions • Approximately 315,000 of workplace pension policies and of these only 18% are active • Majority are 'Executive' pension arrangements with a small number of members • Have provided for impact, with assumed reduction of MCEV of £40 million

Phoenix demonstrates good practice in the fair treatment of long-standing customers in life insurance

Likely areas of focus from the FCA review		The 'Phoenix Way'
• Back book strategy	✓	Pure back book focus
• Back book performance	✓	Do not write new products (other than vesting annuities)
• Expense allocations	✓	Focus on governance of legacy products
• Customer communications	✓	Continually look for areas where we can deliver better customer outcomes
• Exit charges		

Outlook and Q&A

Clive Bannister

Financial targets for 2014 and beyond

Cash generation	• Cumulative target of £2.8bn between 2014 and 2019, including proceeds from the divestment of Ignis • 2014 target of £500m to £550m. Ignis sale proceeds of £390m are in addition to this target
MCEV	• Cumulative target of £300m incremental embedded value from management actions between 2014 to 2016
Gearing	• Going forward, will manage leverage to achieve and maintain an investment grade credit rating

Phoenix Group repositioned for future growth

2009 – mid 2014	H2 2014 and beyond
✓ Cumulative cash generation of £4.5bn(1)	• Continued business simplification
✓ Incremental MCEV generated of £1.1bn	• Enhance financial flexibility through
✓ Total debt repayments of £1.7bn	- Further debt capital market issuance
✓ Accessed debt capital markets	- Investment grade credit rating
✓ Refinanced bank debt into single facility and removed banking restrictions	• Growth through accretive M&A

Notes: (1) Including Ignis divestment proceeds of £390m

Q&A

PHOENIX GROUP

Appendices

Appendix I:
MCEV sensitivities

£m	HY14
Base	2,833
1% decrease in risk-free rates	27
1% increase in risk-free rates	(26)
10% decrease in equity market values	(51)
10% increase in equity market values	39
10% decrease in property market values	(39)
10% increase in property market values	38
100 bps increase in credit spreads(1)	(159)
100 bps decrease in credit spreads(1)	149
25% increase in equity/property implied volatilities	(11)
25% increase in swaption implied volatilities	(8)
25% decrease in lapse rates and paid-up rates	(21)
5% decrease in annuitant mortality	(127)
5% decrease in non-annuitant mortality	17
Required capital equal to the minimum regulatory capital(2)	2

Notes: (1) 25bps is assumed to relate to default risk
(2) Minimum regulatory capital is defined as the greater of Pillar 1 and Pillar 2 capital requirements without any allowance for the Group's capital management policy

Appendix II:
Management actions

Cash acceleration	HY14	HY13
Restructuring	98	252
Risk management	-	-
Operational management	51	-
Total	**149**	**252**

Incremental MCEV	HY14	HY13
Restructuring	81(1)	14
Risk management	-	14
Operational management	72	24
Total	**153**	**52**

Notes: (1) Includes a management action that had a small, negative impact on MCEV

Appendix III:
Free surplus generated in the Life Companies

£m	HY14	HY13
Opening Phoenix Life free surplus	**529**	**514**
Emergence of free surplus		
IFRS operating profit	256	178
IFRS economic variances and non-recurrings	3	(56)
IFRS taxation	(52)	(18)
Movements in capital requirements and capital policy	3	150
Valuation differences and other	(149)	49
Free surplus generated	**61**	**303**
Cash distributed to holding companies	**(211)**	**(411)**
Closing Phoenix Life free surplus	**379**	**406**
Closing cash in holding companies	**1,081**	**966**

- Movements in capital requirements impacted by strengthening of ICA assumptions related to longevity, credit and correlations in HY14
- £211m of cash distributed to holding companies
- Closing free surplus of £379m provides support for cash generation targets

Appendix IV:
Phoenix Life IFRS operating profit drivers

		HY14			HY13		
		Reported IFRS Op Profit	Opening liability/ Equity[2]	Expected return margin[1]	Reported IFRS Op Profit	Opening liability/ equity[2]	Expected return margin[1]
Fund type	**How profits are generated**	**£m**	**£bn**	**bps**	**£m**	**£bn**	**bps**
With-profit	Our share of bonuses paid to policyholders of with-profit business	36	26.5	27	36	28.8	25
With-profit (internal capital support)	Return on with-profit funds which are supported with capital from shareholder funds	(6)	4.3	nm	12	4.9	nm
Unit linked	Margin earned on unit linked business	24	11.3	50	34	10.8	54
Annuities[3]	Spread earned on annuities	103	6.6	97	55	6.5	113
Protection and other non-profit	Investment return and release of margins	77	0.9	nm[4]	15	0.9	nm[4]
Shareholder funds	Return earned on shareholder fund assets	22[5]	2.3	217	26	2.3	233
Total		**256**			**178**		

Notes:
(1) Expected return margin represents the underlying recurring operating profit earned in the period as a proportion of the opening relevant class of policyholder liabilities and shareholder equity. Non-economic variances and assumption changes which are included within reported IFRS operating profit are not included within the expected return margin calculation as they are non-recurring. It is therefore not possible to recalculate the expected margin using only the reporting IFRS operating profit and the opening liabilities presented above
(2) Net of reinsurance
(3) Includes operating profit margin on new business calculated as new business profits as a percentage of opening liabilities – 42bps in HY14 and 62bps in HY13.
(4) Not meaningful as relates to insurance margin
(5) Includes Management Services business unit profit of £16m

Appendix V:
Asset mix of life companies

At 30 June 2014 £m unless otherwise stated	Total shareholder, non-profit and supported with-profits[2]	%	Policyholder funds[3]		Total Policyholder	Total assets[1]
			Non-supported with-profits funds	Unit-linked		
Cash deposits	2,488	17	5,521	1,033	6,554	9,042
Debt securities						
Debt securities – gilts	3,311	23	8,089	647	8,736	12,047
Debt securities – bonds	7,926	54	8,711	774	9,485	17,411
Total debt securities	**11,237**	**77**	**16,800**	**1,421**	**18,221**	**29,458**
Equity securities	398	3	6,015	8,041	14,056	14,454
Property investments	232	1	1,002	344	1,346	1,578
Other investments[4]	269	2	1,704	1	1,705	1,974
Total	**14,624**	**100**	**31,042**	**10,840**	**41,882**	**56,506**

Notes:
(1) The analysis of the asset portfolio comprises assets held by the Group's life companies including stock lending collateral. It excludes other Group assets such as cash held in holding companies, service companies and Ignis Asset Management, the assets held by non-controlling interests in collective investment schemes and UKCPT and is net of derivative liabilities. This information is presented on a look through basis to underlying holdings where available
(2) Includes assets where shareholders of the life companies bear the investment risk
(3) Includes assets where policyholders bear most of the investment risk
(4) Includes repurchase loans of £1,404m, policy loans of £29m, other loans of £12m, net derivative liabilities of £186m and other investments of £715m

Appendix VI:
Total debt exposure by country

At 30 June 2014 £m	Other Government and Supranational		Corporate: Financial Institutions		Corporate: Other		Asset backed securities		Total debt securities		Total debt
	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder(1)	Policyholder	
UK	3,498	9,186	1,363	1,310	1,340	1,490	822	746	7,023	12,732	19,755
EIB	848	736	-	-	-	-	-	-	848	736	1,584
USA	9	69	457	549	417	290	38	7	921	915	1,836
Germany	610	896	72	86	251	205	1	46	934	1,233	2,167
France	99	56	145	255	216	224	1	-	461	535	996
Netherlands	1	-	274	556	63	46	22	35	360	637	997
Portugal	-	-	-	-	-	-	-	-	-	-	-
Italy	-	2	1	17	61	84	-	13	62	116	178
Ireland	-	-	-	-	1	5	-	43	1	48	49
Greece	-	-	-	-	2	-	-	-	2	-	2
Spain	5	2	2	27	26	40	-	3	33	72	105
Other – non-Eurozone(2)	26	356	192	432	167	140	22	18	407	946	1,353
Other – Eurozone	23	95	52	52	104	97	6	7	185	251	436
Total debt exposure	**5,119**	**11,398**	**2,558**	**3,284**	**2,648**	**2,621**	**912**	**918**	**11,237**	**18,221**	**29,458**
of which Peripheral Eurozone	**5**	**4**	**3**	**44**	**90**	**129**	**-**	**59**	**98**	**236**	**334**
At 31 December 2013, £m											
Total debt exposure	**5,087**	**11,735**	**2,564**	**3,633**	**2,634**	**2,677**	**926**	**1,115**	**11,211**	**19,160**	**30,371**
of which Peripheral Eurozone	**4**	**5**	**32**	**23**	**100**	**111**	**17**	**42**	**153**	**181**	**334**

Notes: (1) Shareholder includes non-profit and supported with-profits. Policyholder includes non-supported with-profits and unit linked
(2) Other mainly includes Australia, Switzerland and Japan
(3) Currency exchange rate risks are hedged

Appendix VII:
Capital management framework

Phoenix Group Holdings

UK Holding Companies[1]

Phoenix life companies

IGD

- Pillar 1 group capital calculation
- Aggregated view of group solvency
- Calculated at Phoenix Life Holdings Limited ('PLHL'), the ultimate insurance parent undertaking in EEA
- Capital policy held on top of minimum requirement

PLHL ICA calculation

- Pillar 2 assessment of capital resources and risks outside the life companies
- Includes net assets of holding companies and free surplus of life companies
- Calculated at PLHL
- Aim to maintain surplus of £150m

Individual life company solvency calculations

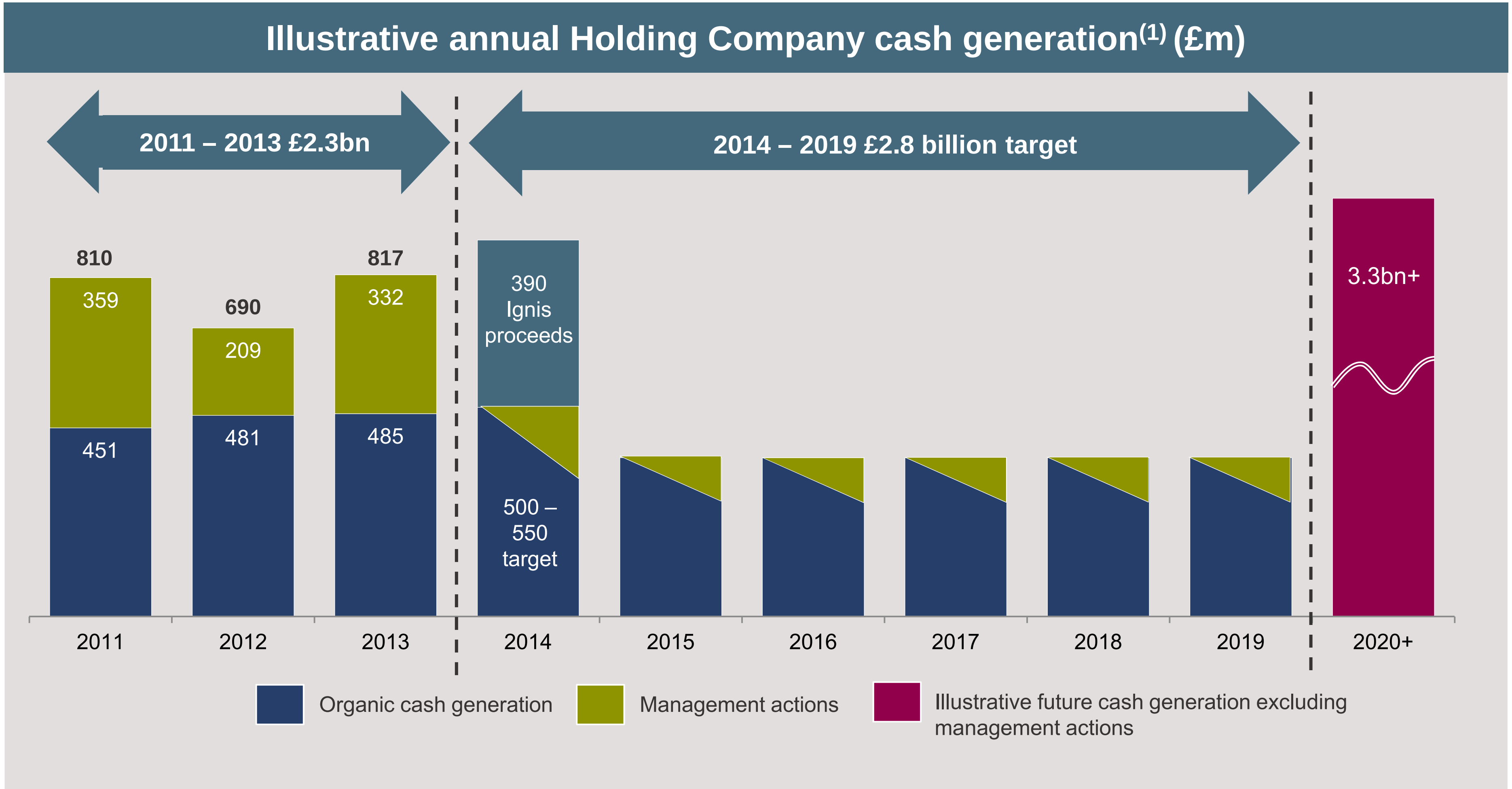
- Pillar 1 and Pillar 2 calculations
- Capital policies held on top of minimum requirements
- Free surplus represents excess over capital policy

Note: (1) Headed by PLHL

Appendix VIII:
Maturity profile of business

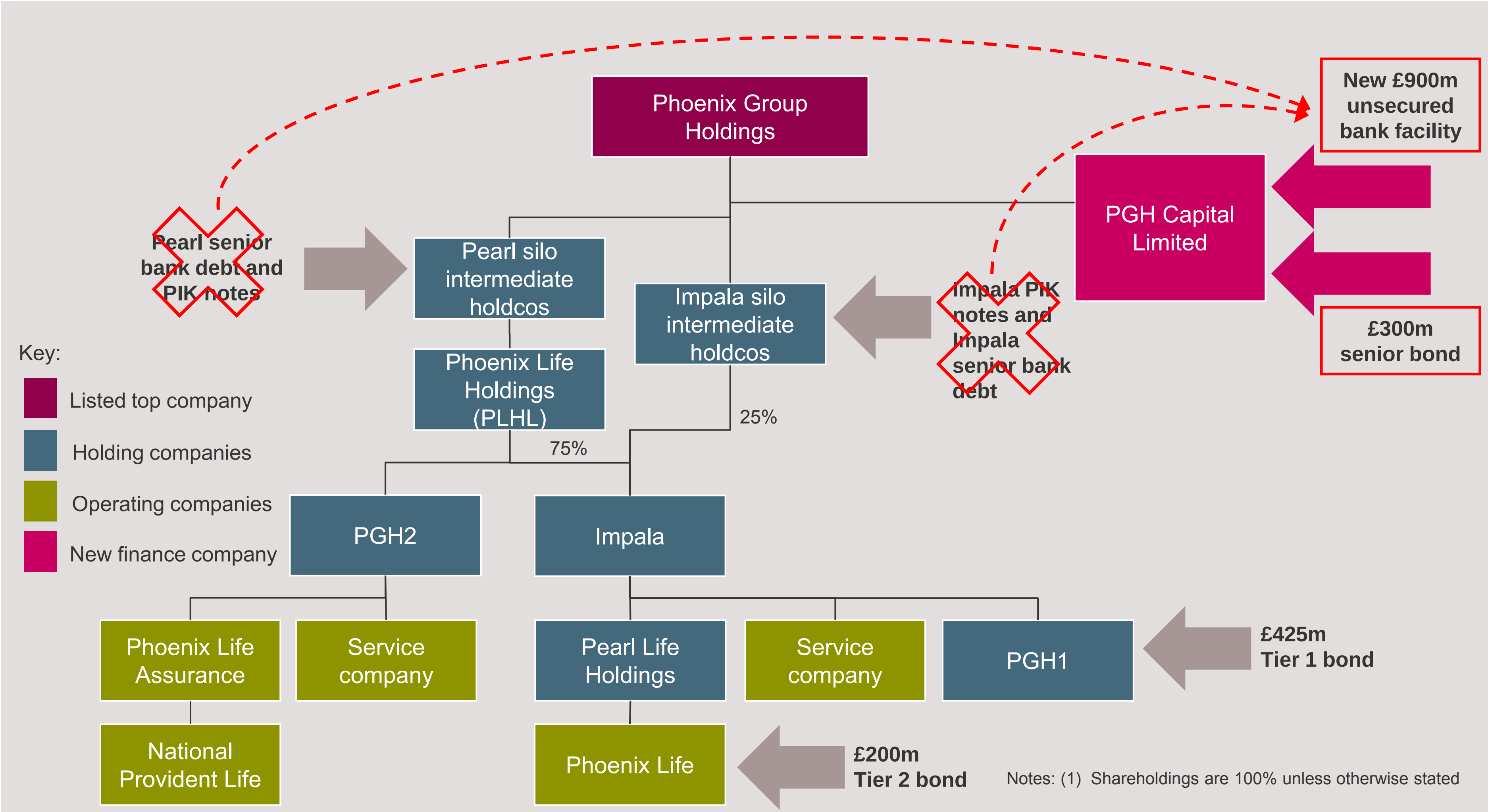
£m	1-5 years	6-10 years	11-15 years	16-20 years	20+ years	Total
MCEV present value of future profits						
30 June 2014	826	531	359	228	175	2,119
31 December 2013	997	576	344	212	172	2,301
31 December 2012	1,058	596	369	231	196	2,450
31 December 2011	1,135	683	455	291	282	2,846
31 December 2010	1,147	848	488	271	268	3,022

Appendix IX:
Undiscounted cash generation profile



Notes: (1) Not to scale

Appendix X:
Simplification of legacy senior debt structure



Appendix XI:
Outline of current debt structure

Instrument	Held by	Face value £m	Maturity
Unsecured bank debt - **Revolving credit facility** - **Term loan**	PGH Capital Limited PGH Capital Limited	£450m £450m	July 2019 July 2019
Unsecured senior bond	PGH Capital Limited	£300m	July 2021
Tier 1 bond	Pearl Group Holdings No.1 Limited	£425m	April 2016 (first call date)
Tier 2 bond	Phoenix Life Limited	£200m	March 2021 (first call date)
		£1,825m	

Appendix XII:
Bank facility margins

Old facilities cost of debt above LIBOR

- Impala silo bank debt: 475bps plus step up to 700bps from Jan 2018
- Pearl silo bank debt: 125bps
- Impala PIK notes: 350bps, assuming interest is capitalised
- Pearl PIK notes: 100bps

Blended margin of 3.8% increasing to 5.9% in 2018

New facility cost of debt above LIBOR with step downs if financial leverage is reduced

350bps

Financial Leverage>35% ≤ 40%(1)

312.5bps

Financial Leverage ≤ 35%(1)

275bps

Investment Grade step down of 50bps(2)

300bps

262.5bps

225bps

Notes: (1) Financial Leverage differs from the Company Gearing measure as it includes 100% carrying value of the Tier 1 securities. At 30 June Financial Leverage was 39% on a pro forma basis– see Appendix XIII
(2) 50bps reduction on attainment of Investment Grade rating operates independently from gearing ratchets

Appendix XIII:
Calculation of leverage ratios[1]

Metric (£m)	Treatment	HY14 Pro forma Company Gearing	HY14 Pro forma Financial Leverage
Unsecured bank debt – revolving credit facility	IFRS Carrying Value[2]	443	443
Unsecured bank debt – term loan	IFRS Carrying Value[2]	443	443
Unsecured senior bond	IFRS Carrying Value[2]	296	296
PLL subordinated debt (Upper Tier 2 instrument)	IFRS Carrying Value	155	155
Perpetual Reset Capital Securities (Tier 1 instrument)[3]	IFRS Carrying Value	199	397
Gross shareholder debt		**1,536**	**1,734**
Group MCEV		2,602	2,602
Gross shareholder debt	As above	1,536	1,734
Difference between IFRS and MCEV carrying values of debt		267	69
Gross MCEV		**4,405**	**4,405**
Pro forma as at 30 June 2014		**35%**	**39%**

Notes:
(1) The pro forma basis assumes that the proceeds from the divestment of Ignis and subsequent £250m debt prepayment, the £300m 5.75% 7 year senior unsecured bond issue and the £900m unsecured bank refinancing and associated £206m debt prepayment had taken place on 30 June 2014
(2) Fees associated with unsecured senior bond and single silo bank facility have been capitalised and will amortise over time
(3) Company Gearing includes the Perpetual Reset Capital Securities at 50% of IFRS Carrying Value, Financial Leverage includes the Perpetual Reset Capital Securities at 100% of IFRS Carrying Value

Appendix XIV:
Summary of bank facility (pro forma)

£m	H2 14	2015	2016	2017	2018	2019	Total
Single debt facility							
£450m Term Loan	**LIBOR + 350bps**						
Mandatory amortisation	30	60	60	60	60	-	**270**
Additional planned amortisation	-	60	60	60	-	-	**180**
Target amortisation	**30**	**120**	**120**	**120**	**60**	**-**	**450**
£450m Revolving Credit Facility	**LIBOR + 325bps + 25bps utilisation fee**						
Final repayment	**-**	**-**	**-**	**-**	**-**	**450**	**450**
Total mandatory/ planned prepayments	**30**	**120**	**120**	**120**	**60**	**450**	**900**

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