PHOENIX GROUP

Phoenix Group Capital Markets Day

Phoenix = Cash. Resilience. Growth.

29 November 2018

PHOENIX GROUP

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4	**Open Business**	**Susan McInnes**	Chief Executive, Standard Life Assurance Limited and Group Director, Open Business
5	**Inorganic Growth – M&A and BPA**	**Simon True**	Group Corporate Development Director and Group Chief Actuary
6	**Reporting our Business**	**Rakesh Thakrar**	Deputy Group Finance Director
7	**Phoenix = Cash. Resilience. Growth.**	**Clive Bannister**	Group Chief Executive

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Phoenix continues to deliver strong performance in 2018

Exceeded cash generation target	- Strong 2018 cash generation of £664 million - £1.3 billion cash generation in 2017-2018 exceeds upper end of £1.0 - £1.2 billion target range
Improved capital resilience	- Q3 Solvency II surplus of £3.1 billion, 164% coverage ratio(1) - SLAL capital synergies of £400 million delivered
Stable AUA	- Q3 AUA of £240 billion - Net business inflows of £3.3 billion by end Q3 on open business in both UK and Europe
Strong funding outlook	- Leverage below the Fitch target range of 25-30% - Circa £1.0 billion of financial resources available for inorganic growth

(1) Shareholder Capital Coverage Ratio excludes Own Funds and SCR of unsupported with-profit funds and PGL Pension Scheme

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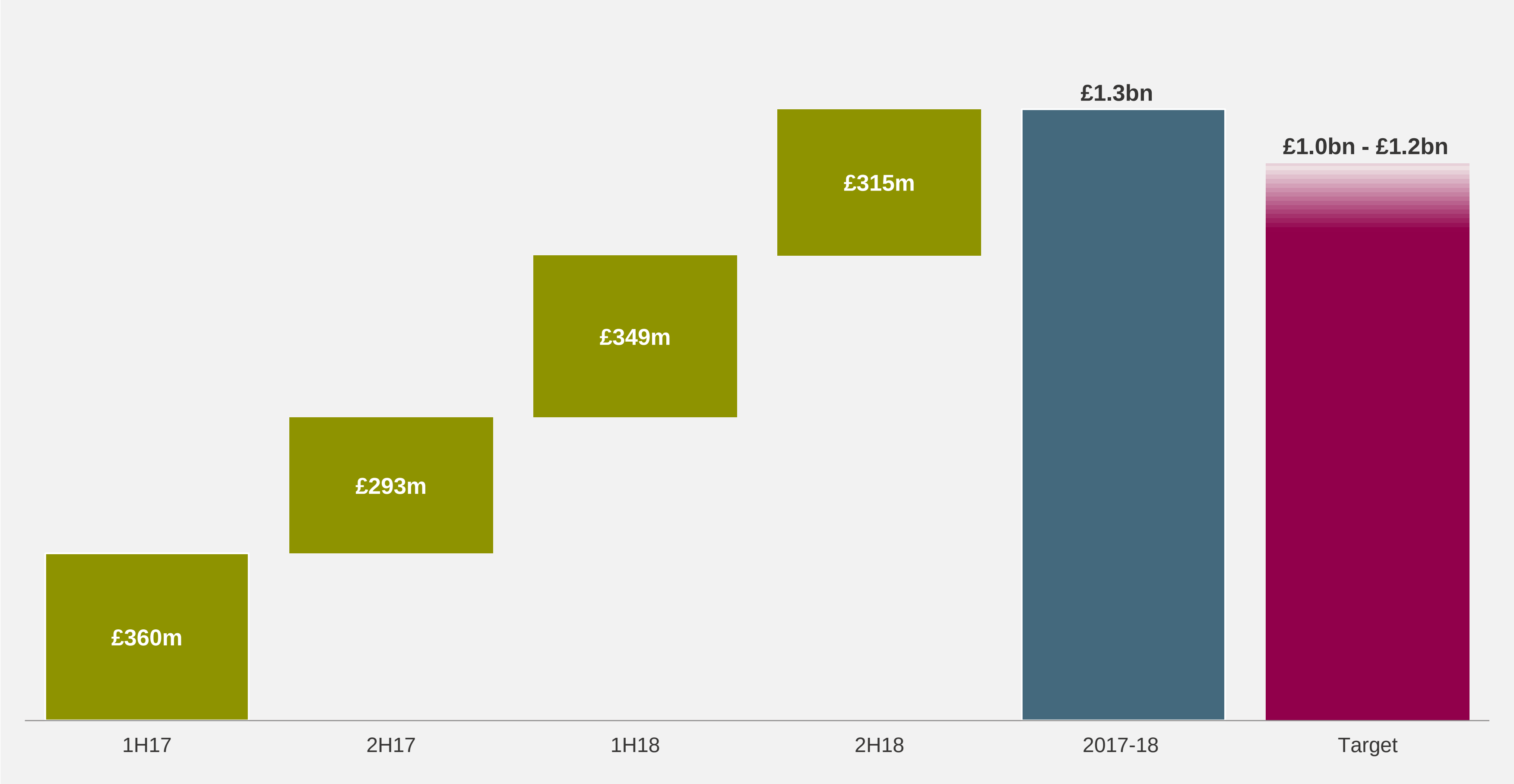
Phoenix delivers £1.3 billion cash generation in 2017-2018, exceeding the upper end of the target range

Phoenix cash generation



The acquisition of SLAL is transformational for Phoenix

	Before[1]	After[1]	%change
Cash generation (2018+)	£6.5bn	£12.0bn	↑ **+85%**
SII surplus	£1.8bn	£2.5bn	↑ **+39%**
AUA	£74bn	£240bn	↑ **+224%**
Policies	5.6m	10.4m	↑ **+86%**
Cost base	£264m	£600m	↑ **+127%**
FTE	814	4,352	↑ **+435%**

(1) All figures at 31 December 2017 with the exception of "before" cash generation which reflects HY18 figures

At the Half Year 2018 results we outlined the timetable for the transition programme

Transition programme milestones

3 Sep 2018
=
Day 1

- Governance structure in place
- Strategic partnership operational

31 Dec 2018
=
Day 100

- Transition planning complete
- End state operating model defined
- Combined Group operating plan

31 Dec 2021
=
Day 1000

- End state operating model in place
- Deal synergies delivered

Market communications

29 Nov 2018

Capital Markets Day

5 March 2019

Full Year 2018 Results

Our transition programme has a clear set of objectives

Design and implement the end state operating model

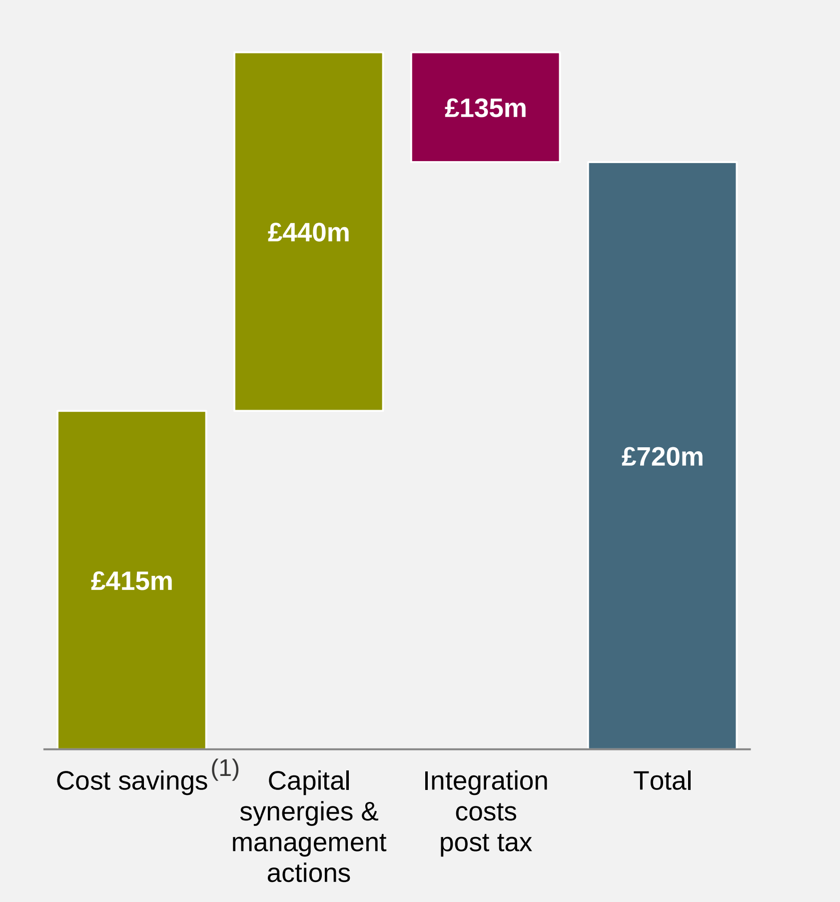
Retain the best of both organisations

Deliver synergy benefits for cost and capital

Embed the strategic partnership with Standard Life Aberdeen

Deliver TSA services to Standard Life Aberdeen

Indicative net value of synergies

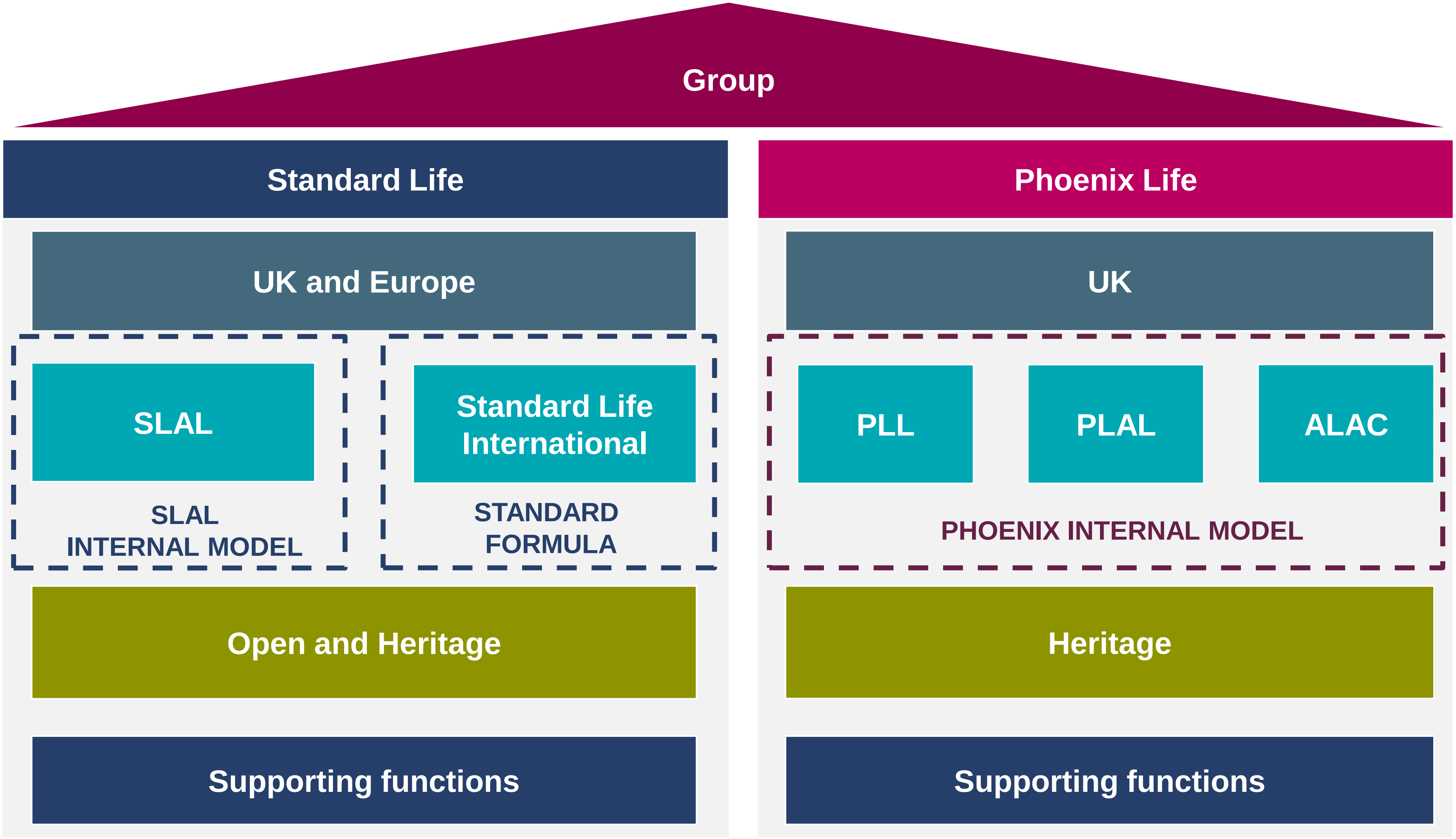


(1) Value of £50m p.a. cost synergies calculated after tax and capitalised over 10 years

Design of the end state operating model will follow 5 guiding principles

1. Preserve the Heritage business model
2. Support a capital light Open book model
3. Strengthen platform for future acquisitions
4. Facilitate effective delivery of synergies
5. Ensure confidence in the Group

Today the Group has two independent businesses using two internal models and Standard Formula to calculate capital requirements



Group

Standard Life

UK and Europe

SLAL

SLAL INTERNAL MODEL

Standard Life International

STANDARD FORMULA

Open and Heritage

Supporting functions

Phoenix Life

UK

PLL

PLAL

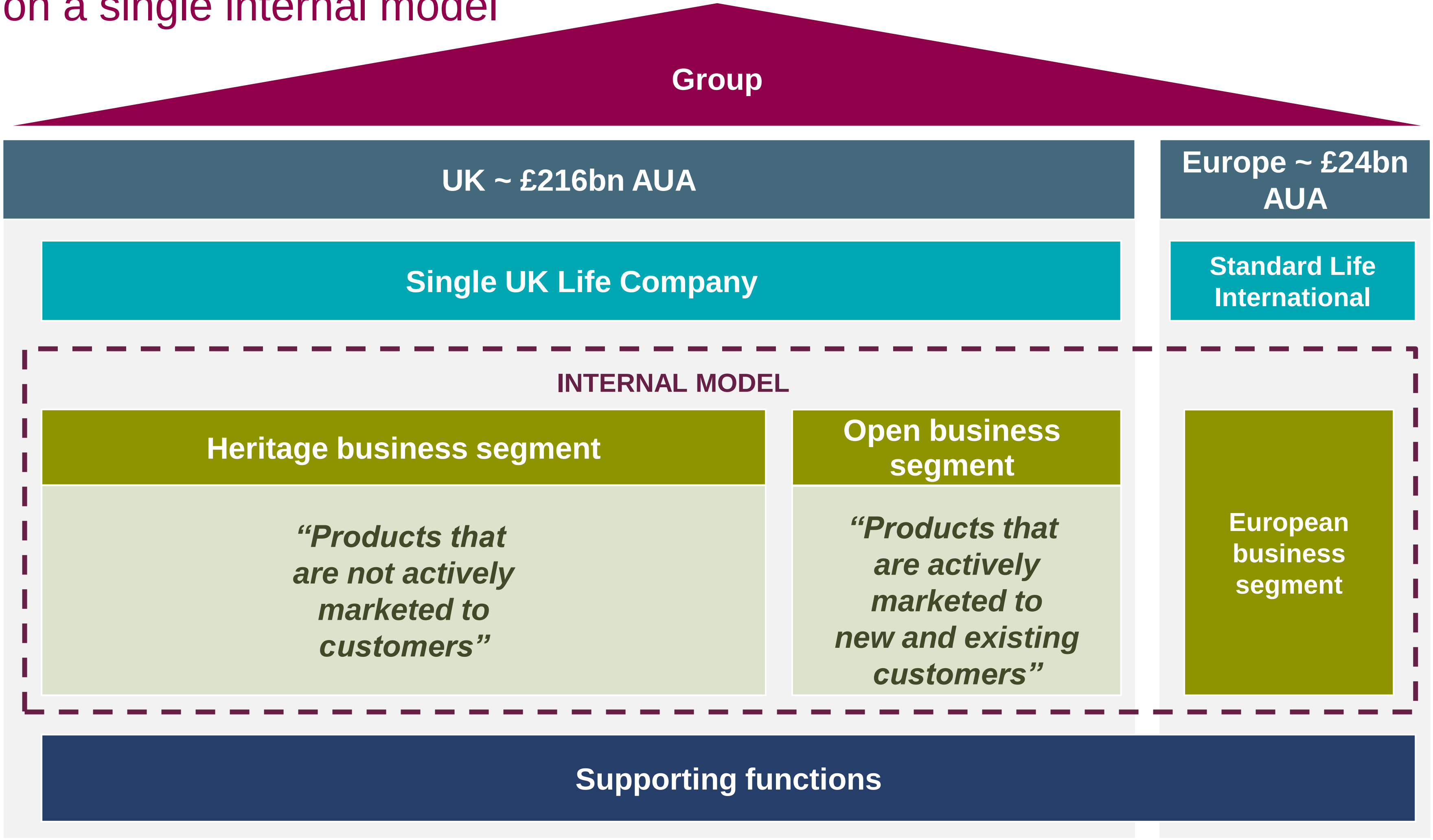
ALAC

PHOENIX INTERNAL MODEL

Heritage

Supporting functions

By 2020, the end state operating model will have one UK Lifeco legal entity with two business segments and a separate European business, all on a single internal model



Group

UK ~ £216bn AUA

Europe ~ £24bn AUA

Single UK Life Company

Standard Life International

INTERNAL MODEL

Heritage business segment

"Products that are not actively marketed to customers"

Open business segment

"Products that are actively marketed to new and existing customers"

European business segment

Supporting functions

Phoenix will apply a single approach to the management of its £240 billion of in-force business

	UK Heritage **£125bn**	**UK Open** **£91bn**	**Europe** **£24bn**	**Cash generation**
In-force **£240bn AUA**	**MANAGEMENT ACTIONS DELIVERED ON ALL IN-FORCE BUSINESS**			
	• With-profits • Unit linked • Annuities • Protection	Unit linked: • Workplace • Retail pension • Wrap	Ireland: • Unit linked • International bond Germany: • With-profit • Unit linked	• £12bn of cash generation 2018 and beyond
New business	**Vesting annuities(1)** **BPA**	**Partnership with SLA**	**New business**	• Adds to future cash generation

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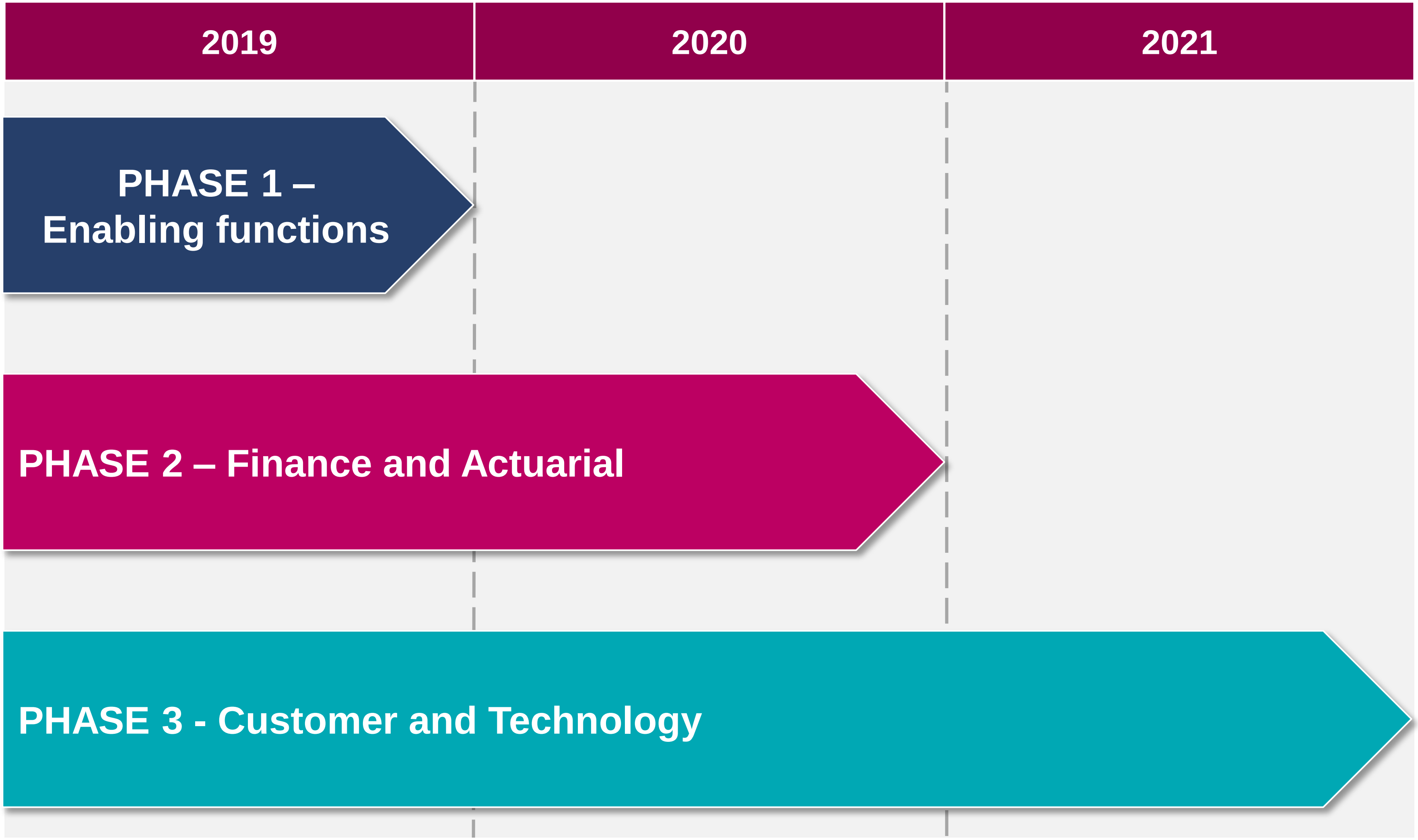
(1) £12 billion of in-force cash generation includes an expected level of vesting annuities per annum

The end state operating model will be delivered in three phases over three years and not four



We have already delivered £400 million of capital synergies

£400m capital synergies now delivered

SLAL equity hedge implementation	**£350m**
SLAL currency hedge implementation	**£50m**
Total	**£400m**

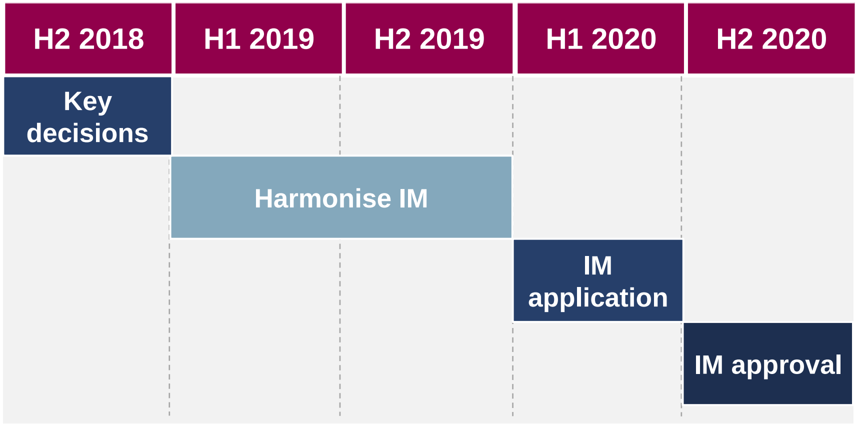
Future management actions

Internal Model	**2020**
Strategic Asset Allocation	**2019-2021**
Part VII transfer	**2021**

Equity hedging delivers £350m benefit

- £1.8 billion shareholder exposure to equity risk on SLAL unit linked VIF hedged by Group on announcement
- On completion, these hedging positions were transferred from Group to SLAL
- Reduced SLAL SCR by £350 million

Internal Model (IM) harmonisation



We expect to meet or exceed our £50 million per annum cost synergy target from a £600 million cost base

PHASE 1 – Enabling functions

Opportunities

- Harmonised systems across Risk, HR, Legal, Procurement and Internal Audit
- Combined management teams and functional operations to enhance process efficiency and remove duplication
- A single Risk Management Framework and 3 lines of defence model

Considerations

- Support requirements of the wider business
- Harmonising the “best of both”
- Speed of change versus robust decision making

PHASE 2 – Finance and Actuarial

Opportunities

- Single Group Internal Model
- Harmonisation of actuarial, accounting and investment systems
- Single investment office and oversight framework

Considerations

- Alignment of reporting processes as a combined business
- Harmonisation of IFRS17 projects

PHASE 3 – Customer and Technology

Opportunities

Delivering a best-in-class operating model which supports:

- Both Heritage and Open business
- Service levels
- Future acquisitions

Considerations

- Determining the optimal outsourcing versus insourced model
- Ensuring model can respond to evolving proposition
- Fixed versus variable cost base

Key messages

We have delivered strong 2018 results and exceeded the upper end of our 2017-2018 cash generation target

Our end state operating model will have three business segments: UK Heritage, UK Open and Europe with single support functions

Our transition programme will be delivered in three phases over 1000 days

We have a high degree of confidence that we will meet or exceed our cost and capital synergy targets

We will update the market on our cost and capital synergy targets and set new cash generation targets in March

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Phoenix specialises in the safe and efficient management of Heritage business

UK HERITAGE BUSINESS £125bn AUA

Products that are not actively marketed to customers

In-force business

- **With-profit**
- **Unit linked**
- **Annuities**
- **Protection**

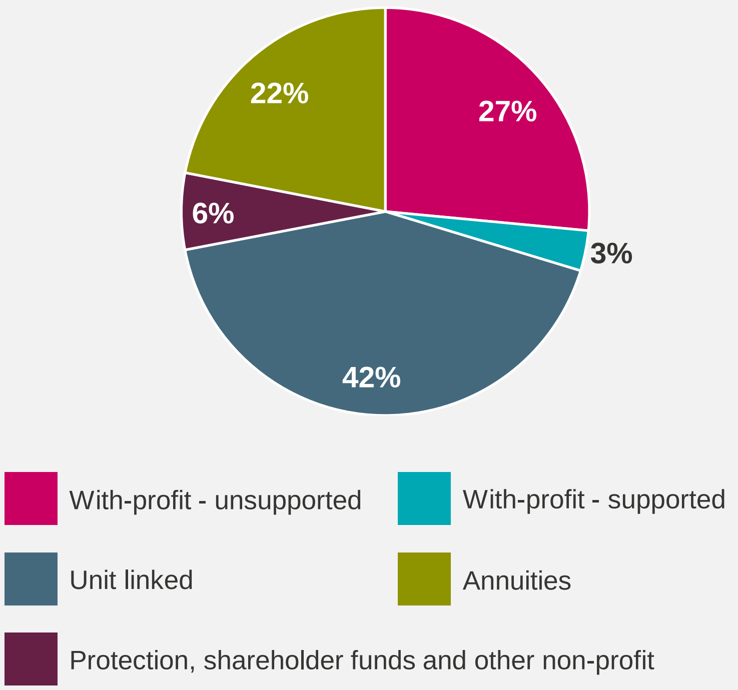
New business

- **Vesting annuities**
- **BPA**

Strategy

- To deliver value to shareholders and customers; and
- To improve customer outcomes

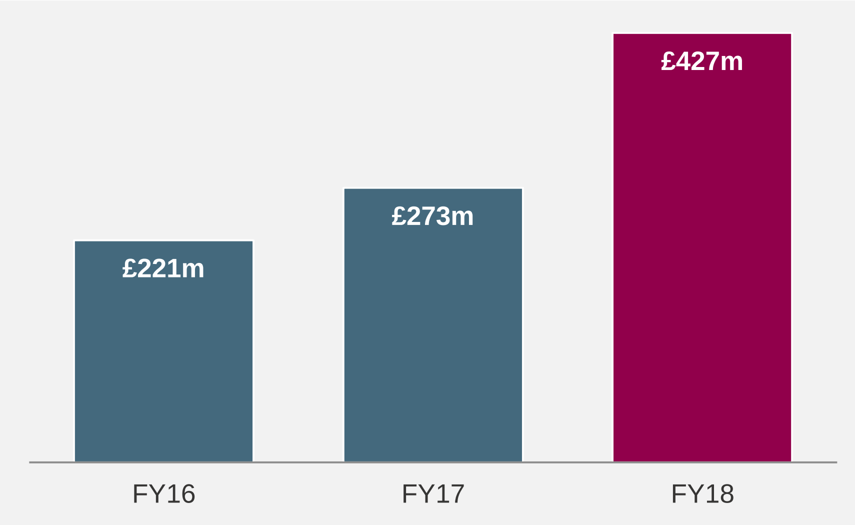
UK Heritage product mix



We have a track record of delivering value through cash generation

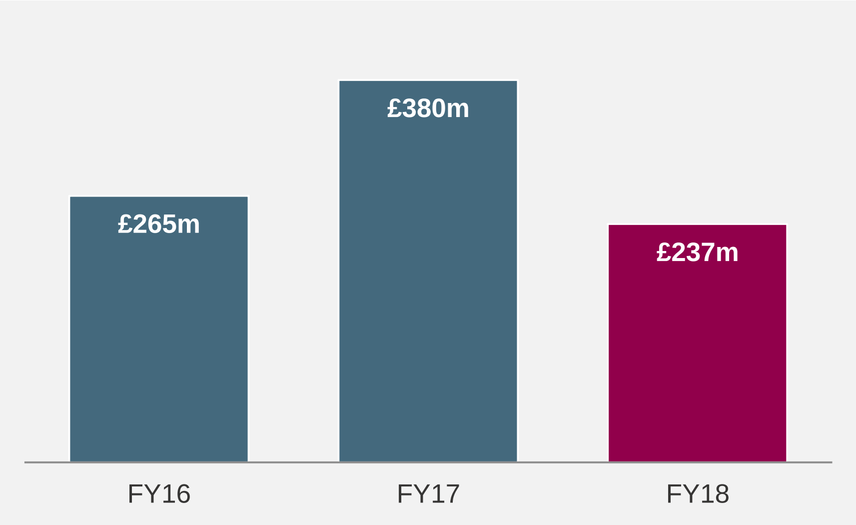
Organic cash generation

- Organic cash generation emerges naturally as business runs off
- Comprises capital unwind
- Dependable

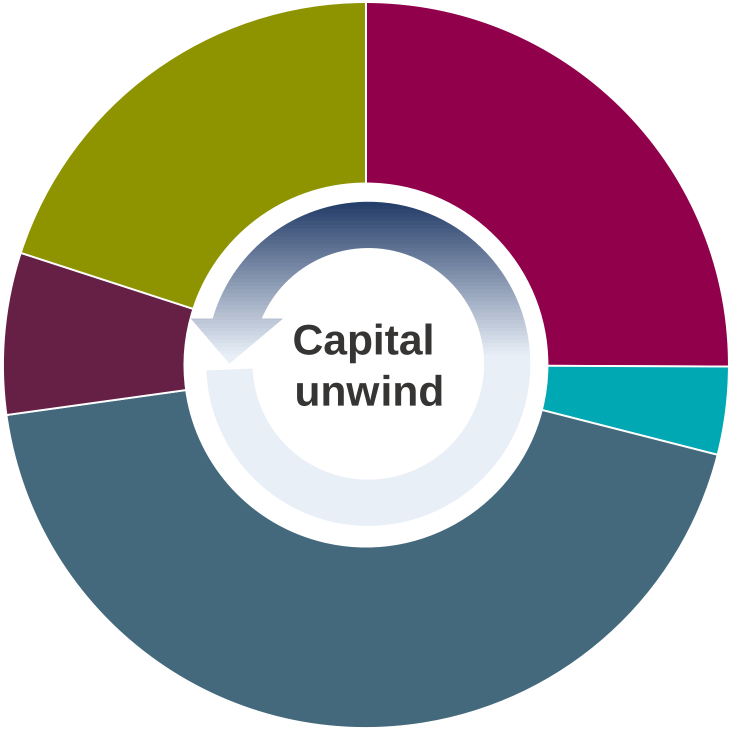


Management actions

- Cash generation enhanced through management actions which either:
  - Increase overall cash flows; or
  - Accelerate cash flows
- Average at 1/3rd of annual cash generation over long term



Management actions maximise shareholder value from each product type



Management actions	
With-profit	• Buyout of non-profit business from with-profits funds • Review of investment strategy to optimise returns and fees • Actions to increase estate distribution
With-profit (internal capital support)	• Optimise investment strategy • Hedging
Unit linked	• Expense base management • Hedging of shareholder exposure to equity and currency risk
Protection, shareholder funds, and other non-profit	• Optimise investment strategy
Annuities	• Investment in illiquid assets • Reinsurance of longevity risk • Small annuity encashment

Additional management actions are delivered at an entity level to increase value or accelerate cash

Part VII transfer

- Delivers capital efficiencies from bringing business into a single legal entity
- Driven through accessing diversification benefits and reducing costs
- Accelerated via reinsurance as a precursor to a Part VII

Cost efficiencies

- Reducing costs increases shareholder value
- Driven by improvements to outsourcer cost per policy, internal costs or investment fees
- Taking harmonised approach to operational management of acquired books

Internal Model harmonisation

- Ensures a consistent approach to risk management which removes capital inefficiencies
- Supports credit optimisation

Asset liability management

- Increases own funds and reduces risk capital
- Driven by asset liability matching, strategic asset allocation and hedging actions
- Delivered through effective partnerships with investment managers

Move to a single, digitally enhanced outsourcer platform will improve customer outcomes and deliver cost savings

Move to a single primary outsource model driven by desire for

Digital offering	• An enhanced digital servicing offering for all Phoenix customers
Change capability	• A model that can adapt to future changes in a fast and cost efficient manner
Sustainable model	• A sustainable outsourcer model for policy administration in Phoenix

Benefits to customers and shareholders

✓ **Enhanced customer experience**

✓ **End to end digital customer journey**

✓ **Consolidated view of Phoenix policies**

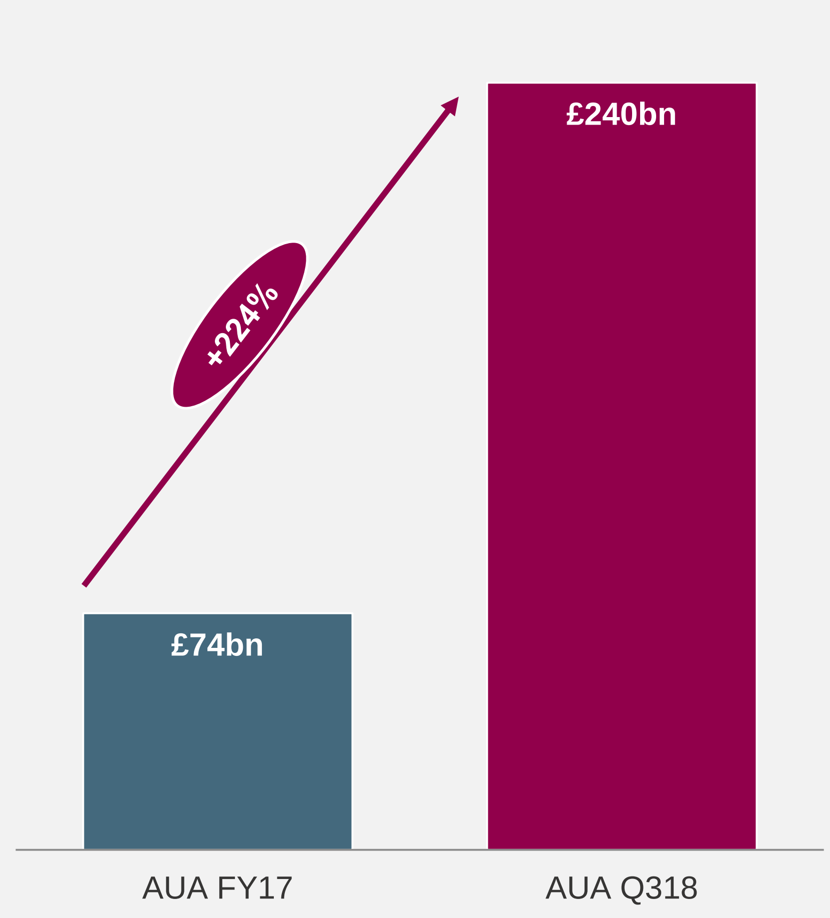
✓ **Reduction in administration costs**

✓ **Future change can be implemented faster and at a lower cost**

- Diligenta will use a single administration platform with an enhanced digital servicing offering for all Phoenix policies
- Circa 2.0 million of legacy-Phoenix policies will be transferred to Diligenta by end 2021
- Solvency II benefit of £100 million recognised as a management action in 1H2018

We have a structured approach to identifying future management actions across our £240 billion of in-force business

Balance sheet opportunity increased



Management action opportunities

Operational management

Restructuring

Risk management

Effective partnerships

We are focused on improving outcomes for our Heritage customers

Abbey Life case study

At acquisition:

- FCA enforcement investigation
- Unknown outcome of review of non-advised annuity sales practices
- Concerns regarding control of customer conduct risk

Now:

- Regulatory actions and concerns addressed
- Robust control environment, product governance and oversight model in place
- “Phoenix way” implemented to improve customer outcomes

Continuing effectiveness

- Mandatory annuity shopping around service implemented. This has increased OMO rates from 10-12% to 45-50%
- All customers now fully informed of all their retirement options

Improving value

- Caps on charges announced across Abbey workplace and individual pensions
- Fixed charges for transfers and surrenders removed
- Switching charges generally removed

Customer engagement

- Gone-away tracing exercise completed and process in place
- Substantial review of key communications
- Improvements to annual statements and retirement packs

Key messages

Phoenix has a track record of delivering value to both shareholders and customers on its Heritage business

The Heritage business generates dependable organic cash flows as it runs off

Cash generation is enhanced by the delivery of management actions

Transfer of 2 million legacy-Phoenix policies to Diligenta will deliver shareholder value and improve customer outcomes

Future management actions will be delivered across the Heritage and Open business

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Phoenix is committed to growing its UK Open business

UK OPEN BUSINESS £91bn AUA

Products that are actively marketed to new and existing customers

In-force business

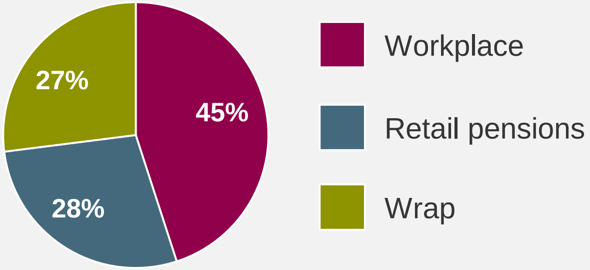
- **Workplace**
- **Retail pensions**
- **Wrap**

New business

- **Through strategic partnership with Standard Life Aberdeen**

UK Open product mix

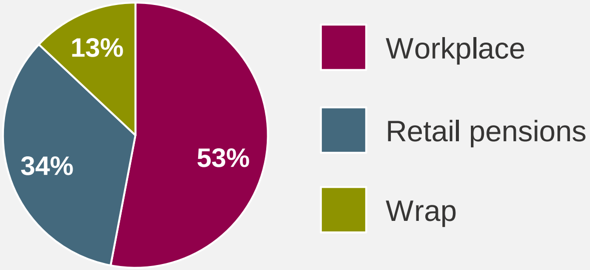
AUA split (%)



Strategy

- To deliver value to shareholders and customers; and
- Deliver growth through the strategic partnership with Standard Life Aberdeen

Contribution to total gross revenue (%)



The Client Service and Proposition Agreement will develop the Standard Life proposition and deliver growth across our UK Open product range

PHOENIX GROUP

Responsibility

- Underwriting
- Administration
- Product provision

Risks

- Conduct
- Persistency

Standard Life

CUSTOMERS

Standard Life Aberdeen

Responsibility

- Distribution
- Marketing
- Platform
- Advice

Risks

- Mis-selling
- Cost of distribution

Joint Operating Forum provides oversight of each component

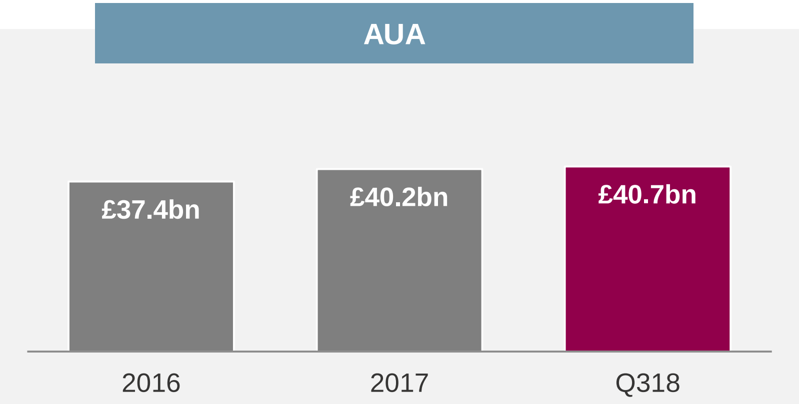
Workplace generates the majority of Open business revenue and delivers steady growth

Key statistics

35,000 schemes

16,000 employers

1.9million customers



AUA

PROFESSIONAL PENSIONS
UK PENSIONS AWARDS 2017

WINNER
20 Years of Excellence in Defined Contribution

We have a strong position in a growing market

- Natural growth as new employees join existing schemes
- Further growth from increases to auto enrolment contribution levels
- Well positioned to capitalise on market trends
- Retention critical in competitive market
- Strong customer and product proposition

Client Service and Proposition Agreement

- Phoenix collects product charges from customers and remits IMA fees to Standard Life Aberdeen
- No further charges
- Phoenix and Standard Life Aberdeen work together to develop the proposition

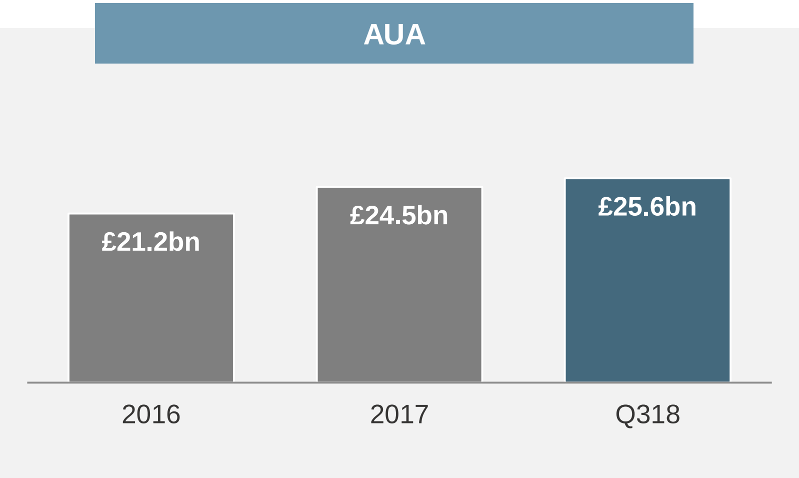
Retail pension book provides reliable revenue

Key statistics

700,000 customers

13,000 new drawdown customers

£2bn pa from Workplace leavers



Retail offering supports customer retention

- Growth from CSPA via Retail Advisors
- Natural growth as leavers from workplace schemes move to retail pensions
- Strong customer service digital proposition
- Flexibility of drawdown product
- Consolidation vehicle for other pension pots

Client Service and Proposition Agreement

- Phoenix collects product charges from customers and remits IMA fees to Standard Life Aberdeen

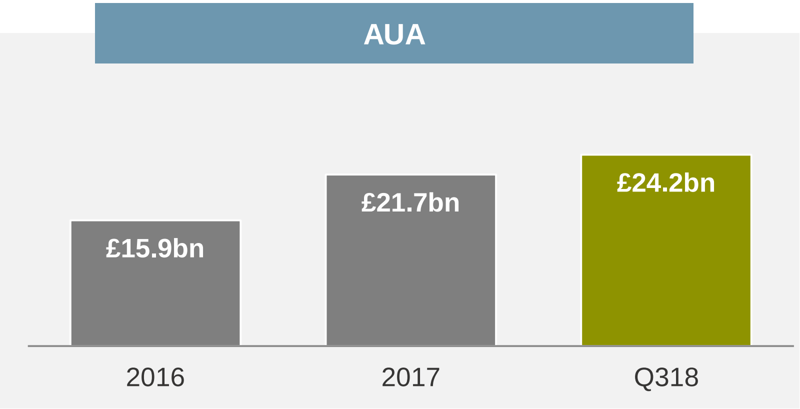
Wrap products have benefited from growth in the advisor platform market

Key statistics

No. 1 in the market for advised gross and net flows

No. 1 in the market for advised AUA

100,000 customers



Strong growth in Wrap products offered on Standard Life Aberdeen platform

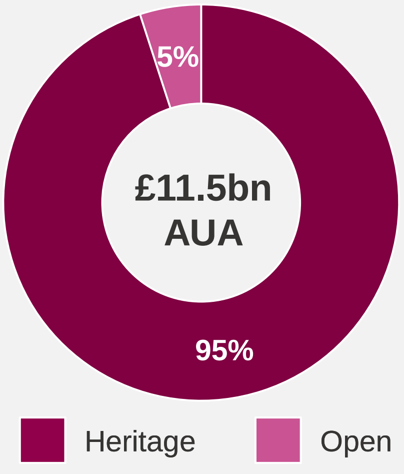
- Platform owned and operated by Standard Life Aberdeen
- Range of products provided by Phoenix on the platform
- Strong, integrated relationship with advisors
- Growth in market from DB to DC moves

Client Service and Proposition Agreement

- Phoenix collects product charges
- Standard Life Aberdeen collects platform charges
- Customer pays investment fees directly to Standard Life Aberdeen

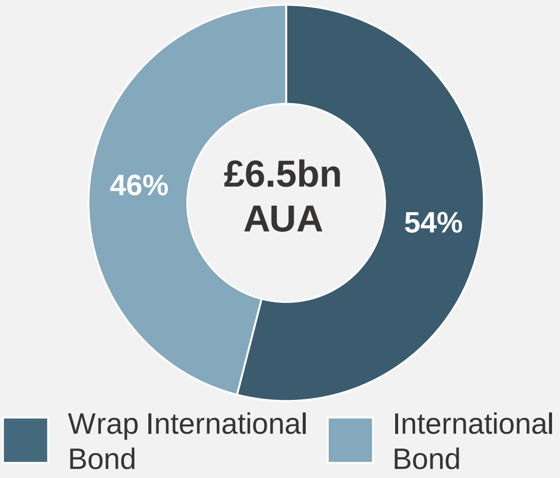
European business comprises three main areas of business

Germany



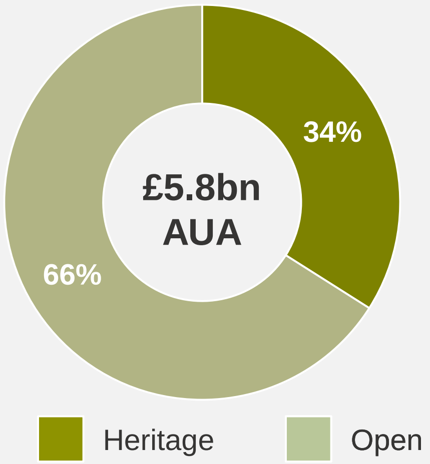
- Heritage: With-profits. Closed in 2015
- Open: Unit-linked life assurance ASI centred investment propositions (no guarantees)
- Broker distribution channel
- Target customer: 50+, emerging affluent
- Branch of SLAL

International Bond



- 100% Open: Unit linked international bonds
- Advisor channel only
- Target customer: 55+, mass affluent, in the UK, Channel Islands and Isle of Man
- Growth via CSPA
- Average premium size of £250k
- SLIDAC

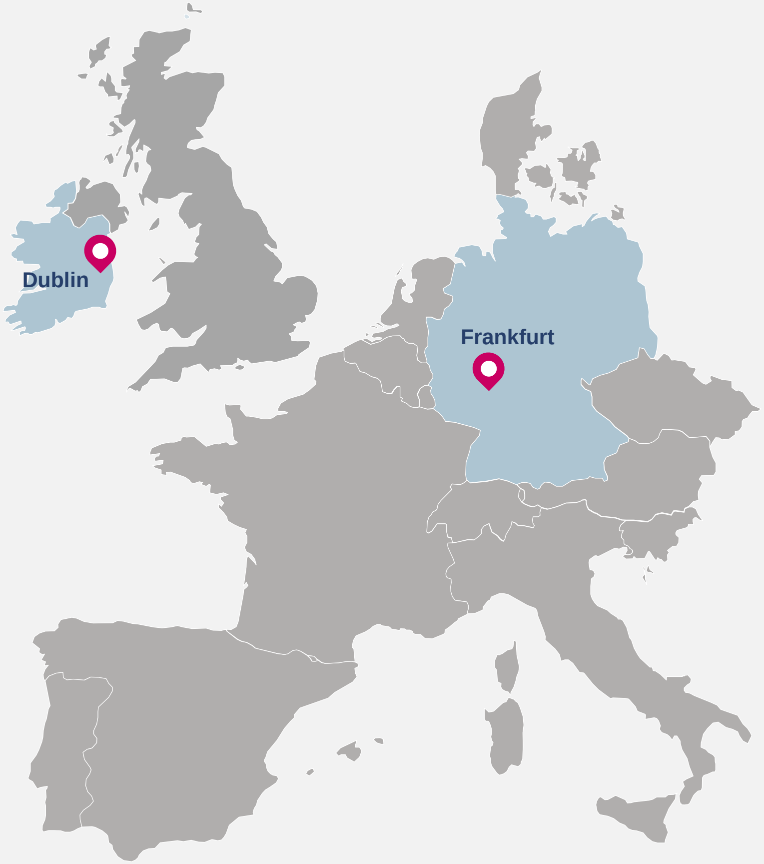
Ireland



- Open: Unit linked investment pre and post retirement proposition focused on ASI solutions
- Advisor distribution
- Target customer: 55-65, mass affluent
- Average premium size of €100k
- Branch of SLAL

Our European business provides a potential platform for future consolidation

European Business £24bn AUA



Strategy for Europe

- European business is self sustaining
- Short term focus is to prepare for Brexit ensuring we can:
  - continue to service and sell to our customers; and
  - maximise operational efficiency
- Phoenix’s end state operating model will bring synergies to Europe
- Provides optionality for future inorganic growth in Europe

Key messages

Phoenix’s Open business comprises a range of modern “capital light” products

All of our Open product lines continue to grow bringing scale to our business

Open business will dampen the run off of the Heritage business and extend our dividend paying capabilities

Phoenix will work closely with Standard Life Aberdeen to strengthen the Standard Life customer proposition

Our European business provides optionality for European consolidation

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Phoenix uses a clear set of criteria when evaluating growth options

Growth options

- Organic Growth:
  - Vesting annuities
- Inorganic Growth:
  - M&A
  - Bulk Purchase Annuities ("BPA")

Dynamic capital allocation framework

- Hurdle rate of return = WACC plus risk premium
- Risk premium is project-specific
- WACC varies over time

In-organic growth option criteria

✓ **Value accretive**

IRR exceeds hurdle rate of return and a discount to SII Own Funds

✓ **Supports the dividend**

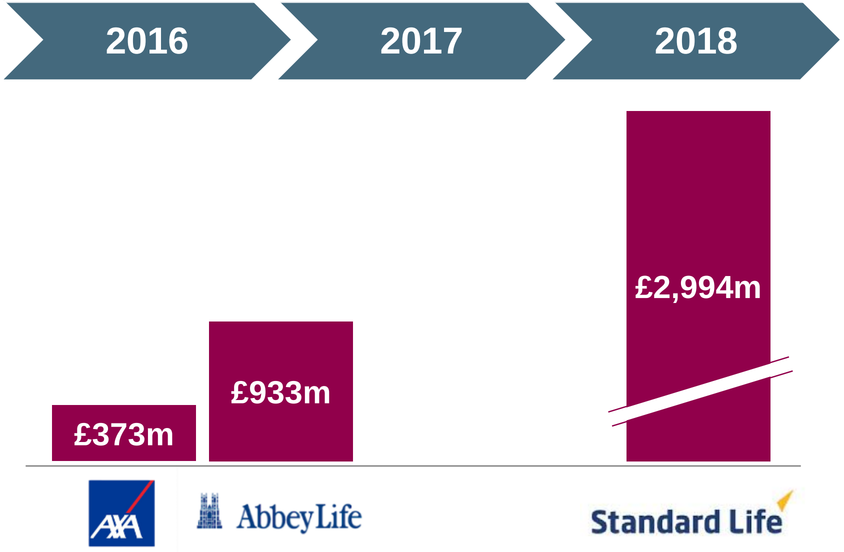
Cash profile and solvency impact support dividend commitments

✓ **Maintains investment grade rating**

Fitch leverage remains within 25% - 30% target range

Phoenix remains focused on M&A

Acquisition history



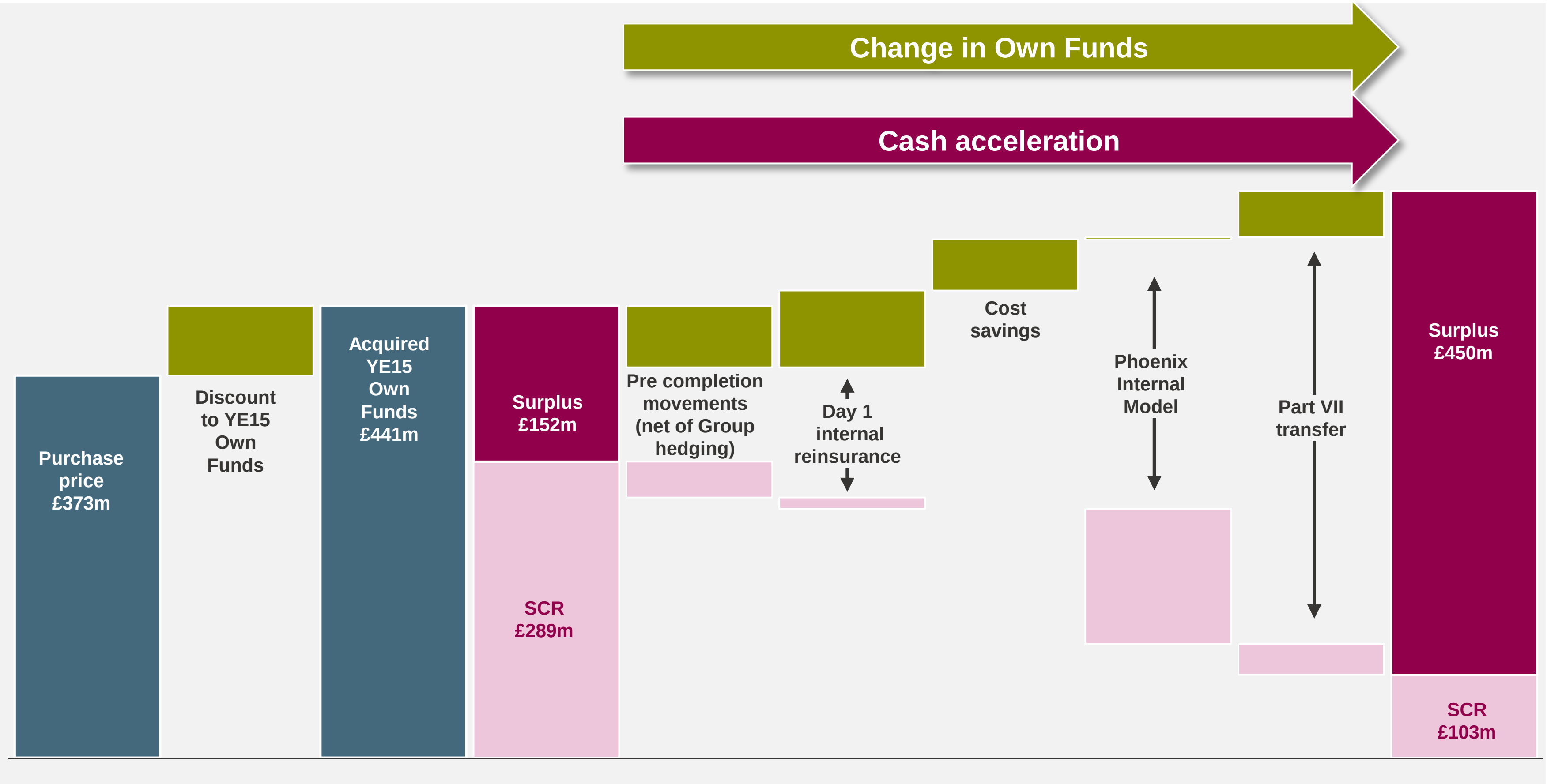
Cash generation added through M&A	£bn
AXA	0.5
Abbey	1.6
Standard Life	5.5
Total	**7.6**

Phoenix's competitive advantages

- ✓ Scale as the largest life and pensions consolidator in Europe
- ✓ Track record of generating value from all types of products
- ✓ Scalable administration platform and a flexible cost base
- ✓ Strong regulatory relationship and ability to manage conduct issues
- ✓ Flexibility in financing transactions
- ✓ Trusted partner for vendors
- ✓ PRA approved Internal Models

AXA case study: circa £300 million of value accretive management actions

Movement in Solvency II valuation of acquired AXA business



Initial cash release of £282m within six months used to pay down debt financing

Growth through BPA extends Phoenix’s long-term cash generation

Phoenix’s approach to BPA is:

- **Selective**: We are not chasing volume
- **Proportionate**: Target £0.5 - £1.0 billion liabilities per annum
- **Funded from our resources**: We won’t raise equity

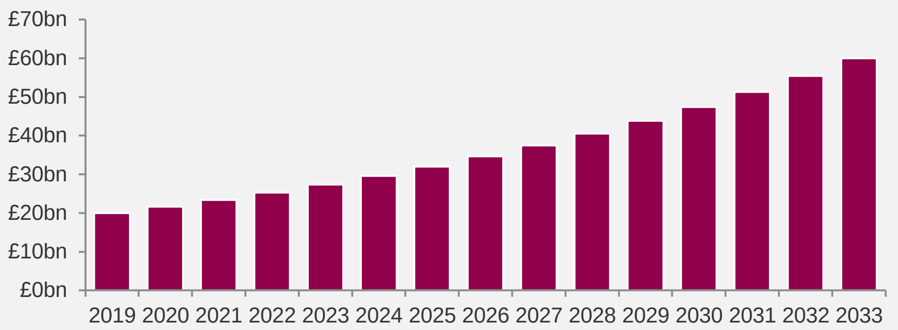
Since establishing the team in 2017 we have:

- Priced: 28 transactions
- Completed: 3 transactions

Key stats

£800m **Contracted liabilities**	**£100m** **Day 1 capital allocation**	**£300m** **Long term cash generation**

BPA Market is growing rapidly(1)



Phoenix is well placed to benefit from growth

- ✓ Established market participant
- ✓ Developing capability for deferred annuities
- ✓ Agile approach leveraging M&A skills
- ✓ Strong relationship with reinsurers
- ✓ Ability to source illiquid assets

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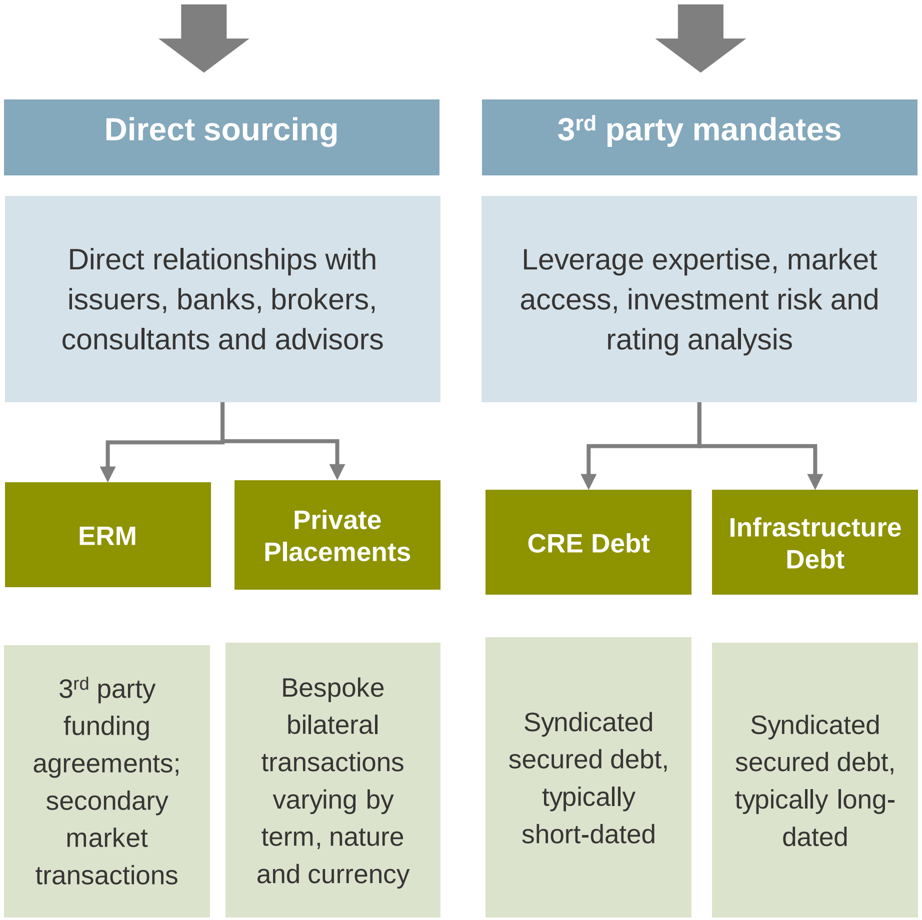
(1) Company estimate

£1.2 billion of year to date illiquid asset sourcing enables us to compete in the BPA market

Sourcing illiquid assets



Direct sourcing

Direct relationships with issuers, banks, brokers, consultants and advisors

ERM

3rd party funding agreements; secondary market transactions

Private Placements

Bespoke bilateral transactions varying by term, nature and currency

3rd party mandates

Leverage expertise, market access, investment risk and rating analysis

CRE Debt

Syndicated secured debt, typically short-dated

Infrastructure Debt

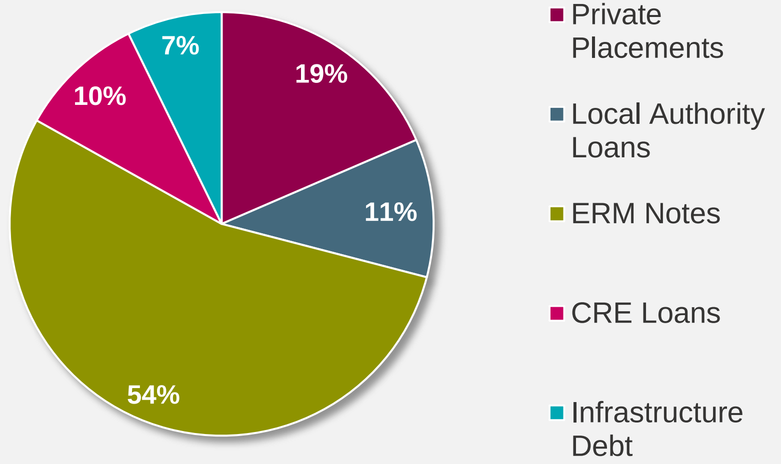
Syndicated secured debt, typically long-dated

2018 Year to Date

Origination

£1.2bn **Illiquid asset origination**	**19** **Individual deals originated**	**c.£100m** **SII benefit**

£3.5bn of illiquids at 20 Nov 2018 comprised as follows:



Key messages

Phoenix has a clear set of criteria for assessing inorganic growth options

Growth through M&A remains our primary focus

Phoenix has a track record of adding real value to shareholders through M&A

We have a selective and proportionate approach to BPA

Our ability to compete on BPA is supported by our illiquid asset sourcing capabilities

PHOENIX GROUP

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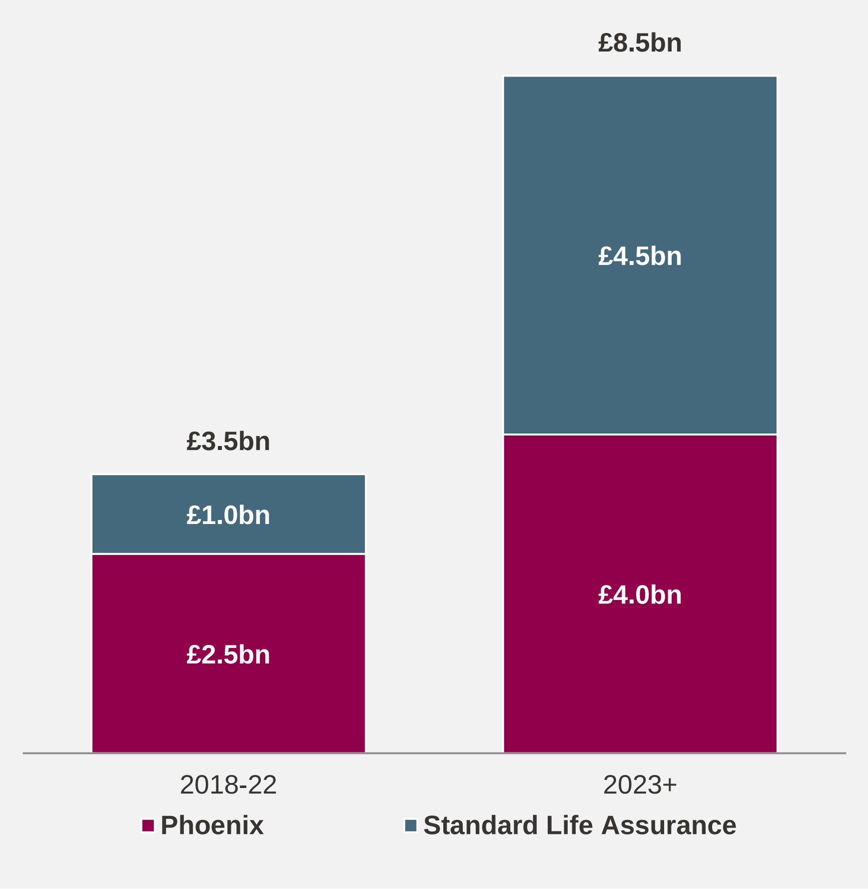
7	**Phoenix = Cash. Resilience. Growth.**	**Clive Bannister**	Group Chief Executive

Phoenix's reporting metrics will reflect the changes in our business

Cash generation	• New targets set in March 2019 for Combined Group • Will include regular premiums on in-force business and management actions for first 5 years
Solvency II	• New business contribution to own funds • Impact of new business
AUA	• Movements in AUA • Net inflows / outflows by business segment
IFRS operating profit	• By business segment • Operating profit drivers to be disclosed for each main product line

£12 billion cash generation guidance excludes new business, post 2022 management actions, BPA and M&A

Future cash generation from in-force business



Included in £12 billion cash generation:

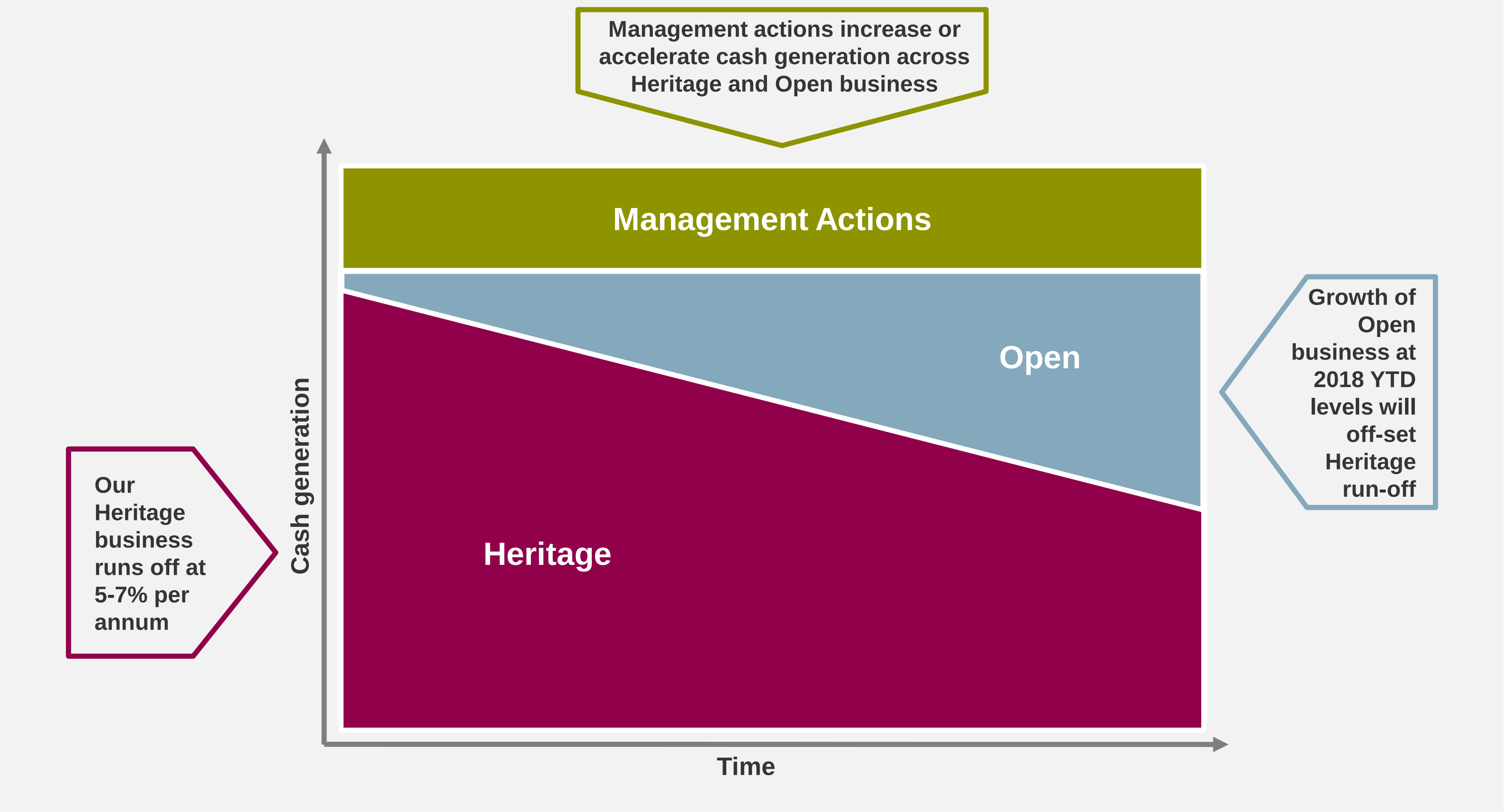
- Regular premiums on in-force policies
- Vesting annuities
- Management actions in 2018-22

Excluded from £12 billion cash generation:

- Incremental premiums on in-force policies
- New business from strategic partnership with Standard Life Aberdeen , Europe and SunLife
- Management actions 2023+
- BPA
- M&A

Growth in Open business cash generation will offset Heritage business run off

Illustrative cash generation profile over time



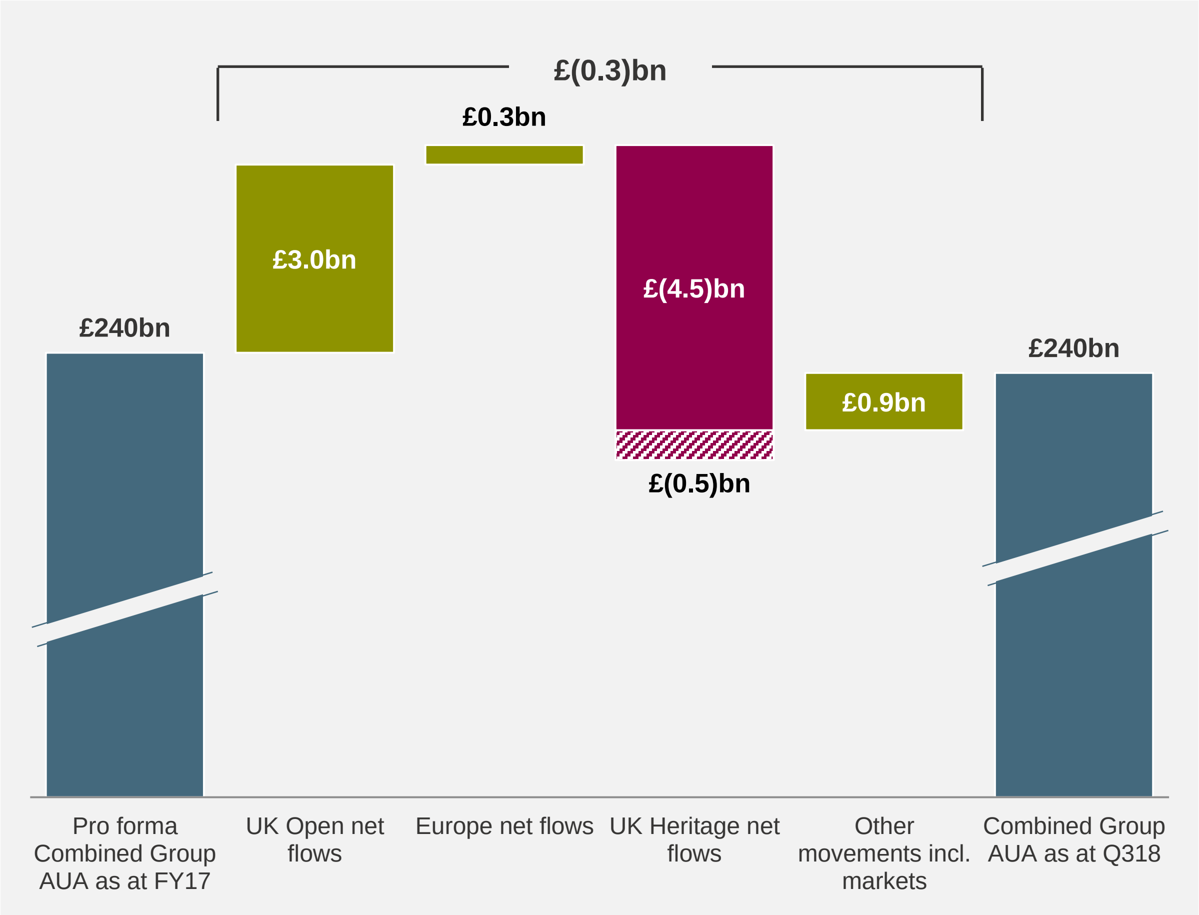
Management actions increase or accelerate cash generation across Heritage and Open business

Our Heritage business runs off at 5-7% per annum

Growth of Open business at 2018 YTD levels will off-set Heritage run-off

Open business net inflows offset Heritage business net outflows with AUA stable at £240 billion over the period

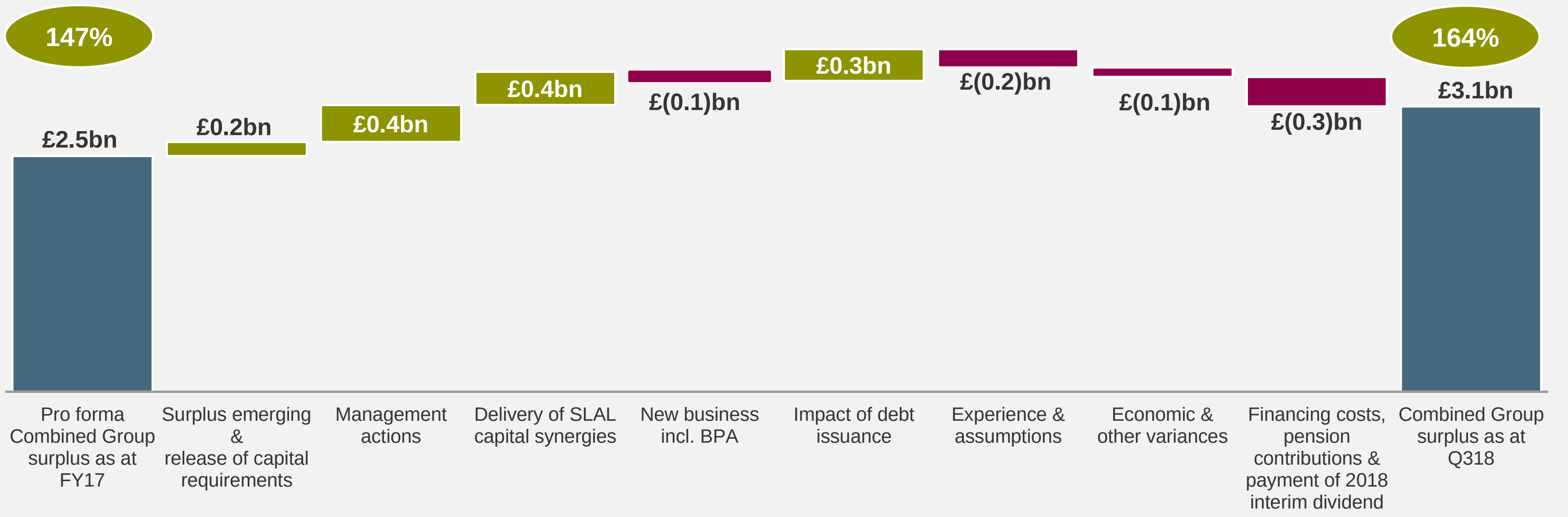
Change in AUA



- UK Open net flows driven by Wrap and Workplace pensions
- Europe contributes a positive net inflow driven by its Open business
- Heritage outflows of £4.5 billion are net of £0.5 billion BPA new business
- Year-to-date positive movement from market movements despite adverse market conditions during September

No capital strain from Open new business with increase in PGH Solvency II surplus driven by capital synergies and debt issuance

Change in PGH Solvency II surplus(1)

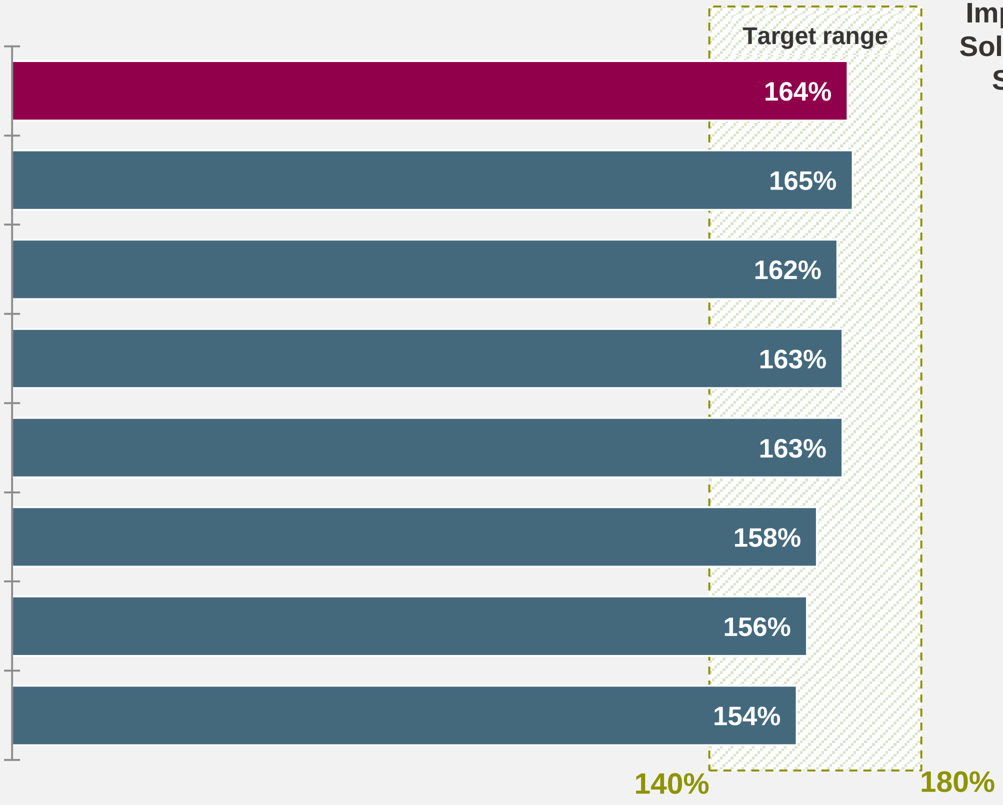


- Increase in Group solvency from the FY17 pro-forma has been driven by the delivery of SLAL capital synergies and additional hybrid capital issuances
- New business written across the Heritage and Open businesses contributed £0.2 billion to own funds. New business strain relates to BPA with virtually no capital strain across other new business
- We are assessing proposals set out in the PRA's Consultation Paper CP27/18, and are in discussions with the PRA regarding treatment of our existing RT1 instrument

(1) Assumes a dynamic recalculation of Transitional Measures on Technical Provisions

Phoenix’s capital position illustrates resilience to risk events

PGH Solvency II Shareholder Capital Coverage Ratio (SCCR) sensitivities(1)

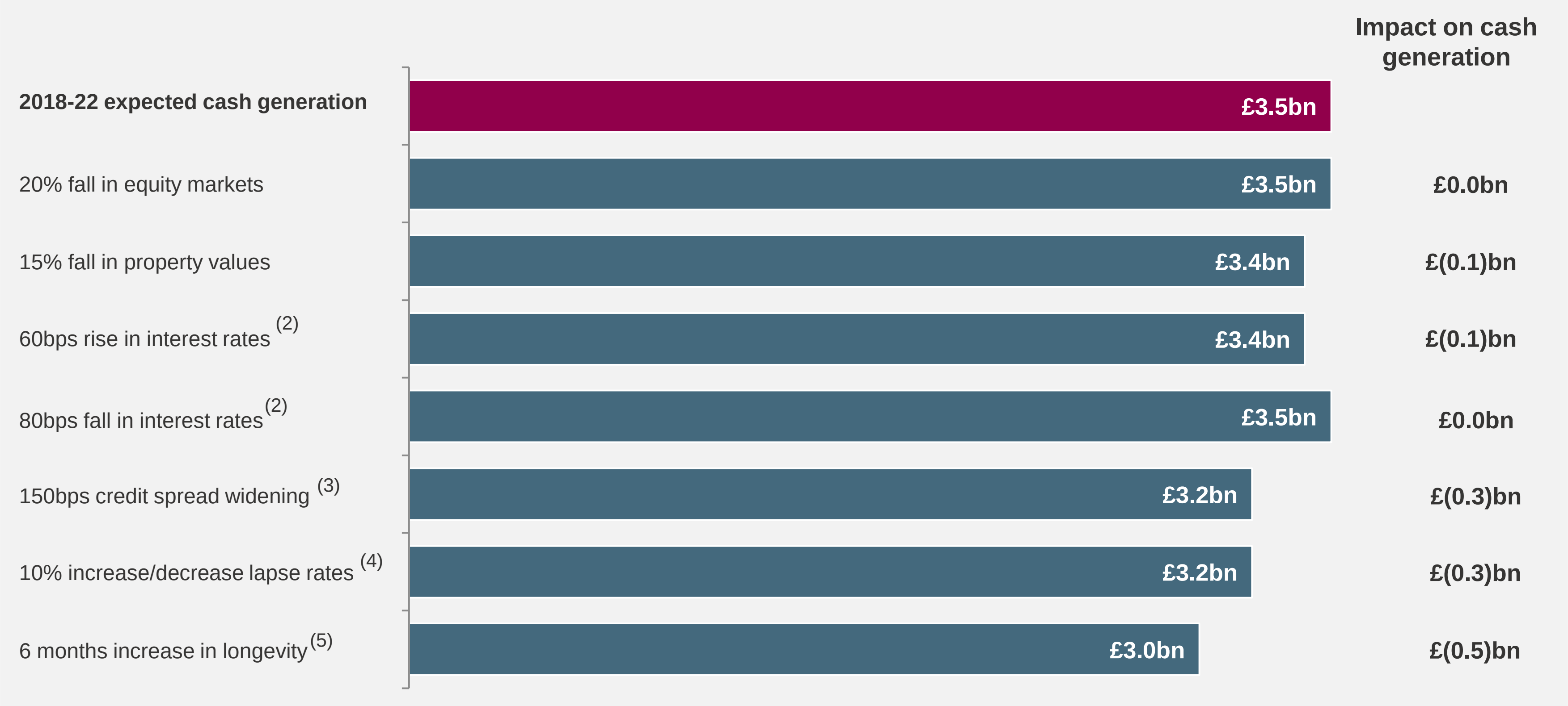


	PGH SII surplus		Impact on Solvency II SCCR
Q3 Solvency II SCCR	**£3.1bn**	164%	
20% fall in equity markets	£3.1bn	165%	+1%
15% fall in property values	£3.0bn	162%	-2%
60bps rise in interest rates (2)	£3.0bn	163%	-1%
80bps fall in interest rates (2)	£3.2bn	163%	-1%
150 bps credit spread widening (3)	£2.8bn	158%	-6%
10% increase/decrease lapse rates (4)	£2.7bn	156%	-8%
6 months increase in longevity (5)	£2.6bn	154%	-10%

(1) Scenario assumes stress occurs on 01.10.2018
(2) Assumes recalculation of transitionals (subject to PRA approval)
(3) Credit stress equivalent to an average 150bps spread widening across ratings, 10% of which is due to defaults/downgrades
(4) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups
(5) Applied to the annuity portfolio

Which brings certainty to our 5 year cash generation expectations

Sensitivities for £3.5 billion expected cash generation between 2018-22(1)



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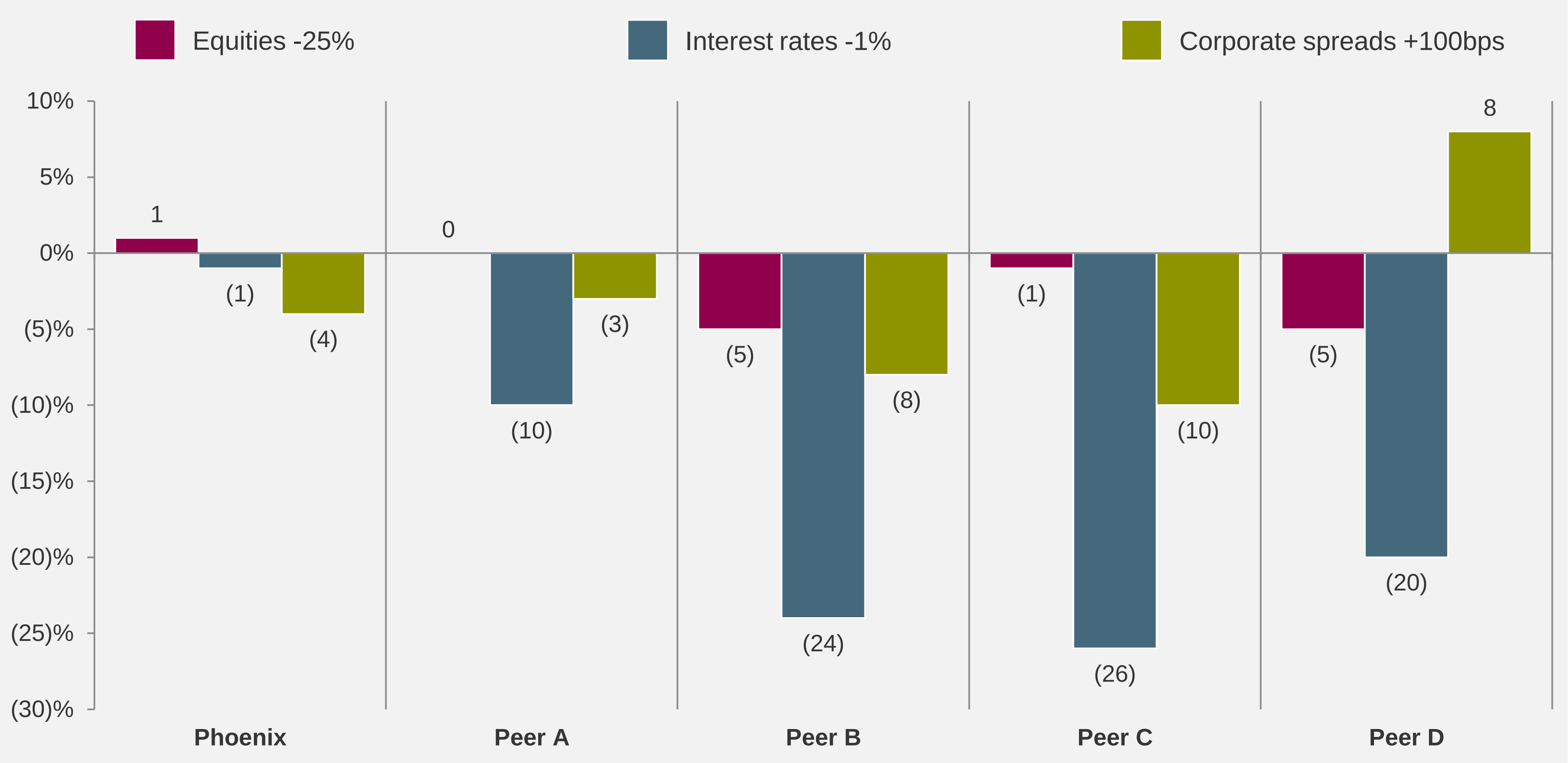
(4) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups
(5) Applied to the annuity portfolio

Phoenix’s resilience is strong relative to its peers

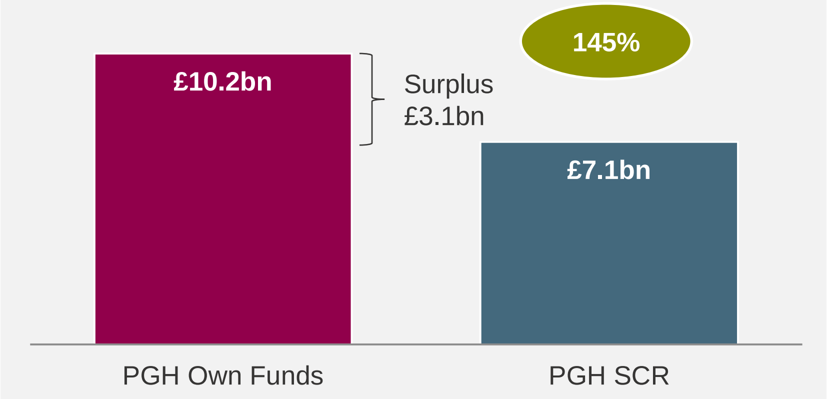
Phoenix sensitivities relative to UK Life peers(1,2,3)



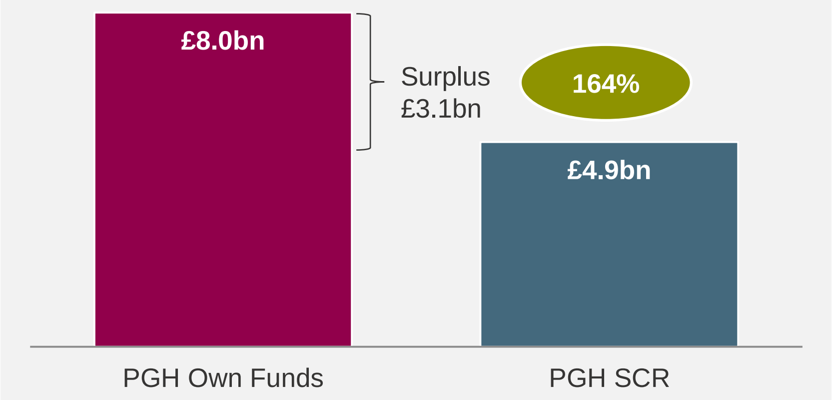
(1) Source: Company data, Deutsche Bank estimates
(2) Values based on last reporting period
(3) Solvency ratios and sensitivities not adjusted for any difference in approach

SII Shareholder own funds provides a proxy to a shareholder value metric

Solvency II Coverage Ratio Q318(1)



Shareholder Capital Ratio Q318(1)



Calculation of Q318 "shareholder value"

	£bn
SII own funds	**10.2**
Less: Unsupported with-profit funds	(1.9)
Less: PGL pension scheme	(0.3)
Shareholder own funds	**8.0**
Less: Tier 2 and Tier 3 debt	(1.9)
Less: Restricted Tier 1 debt	(0.5)
Unrestricted Tier 1	**5.6**
Add: Contract boundaries	0.2
Add: Shareholders share of with-profit estate	0.2
Proxy to shareholder value	**6.0**

There are a number of additional value items not recognised in SII own funds:

- **Contract boundaries:** where the value of in-force on unit linked business is restricted
- **Shareholders share of with-profit estate:** future with-profit bonuses payable to shareholders

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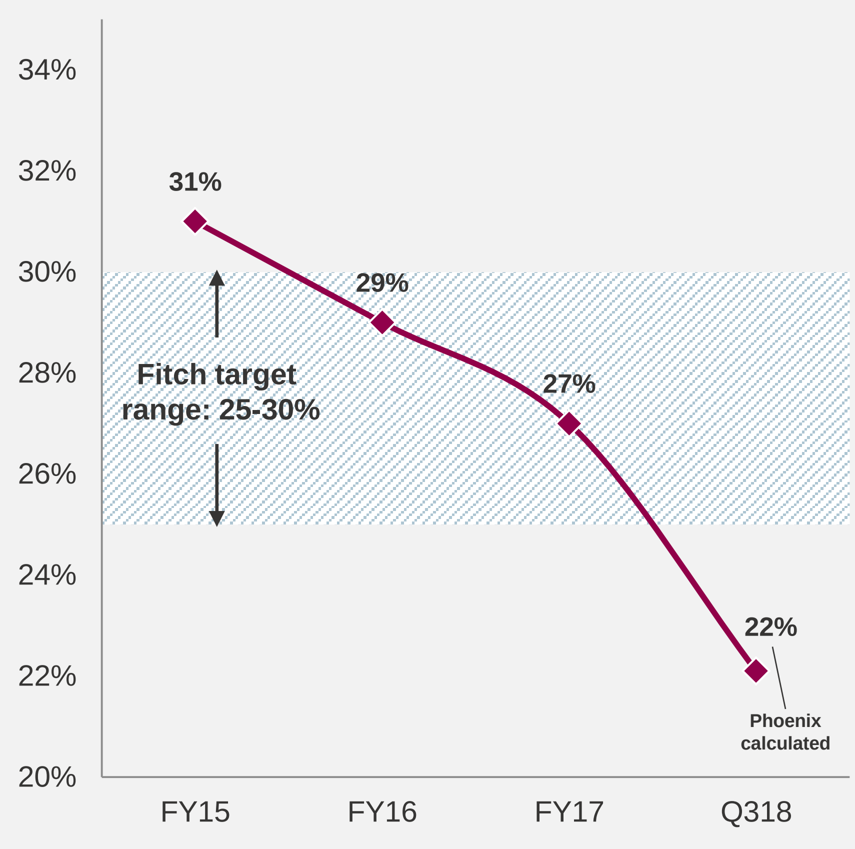
(1) Assumes a dynamic recalculation of Transitional Measures on Technical Provisions

We continue to have leverage capacity for future acquisitions

Fitch leverage ratio(1)



Leverage ratios

- Phoenix estimate a Q318 leverage ratio calculated on a Fitch(1) basis of 22%
- We estimate our Q318 leverage on an IFRS(2) basis to be 33%.
- The key differences between these ratios are the treatment of the Restricted Tier 1 bond and unallocated surplus

Funding capacity

- Our funding capacity is driven by a combination of own cash, leverage capacity and our target solvency range
- We estimate a current funding capacity for inorganic growth of circa £1.0 billion whilst remaining within target range

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(1) The Fitch leverage calculation = debt (senior debt + RCF + T2 bonds + T3 bonds) / debt + equity (Shareholder equity + Unallocated surplus + RT1)

(2) IFRS leverage calculation = debt (all debt including RT1) / debt + equity (Shareholder equity only)

Key messages

Growth in Open business cash generation will offset Heritage business run off

Assets under administration remain stable at £240 billion with Open business net inflows offsetting Heritage business net outflows

No strain from Open new business with Q318 SII shareholder surplus increasing to £3.1 billion

Resilience of SII surplus significantly ahead of peers and comfortably in target range

Current leverage is below Fitch target range providing capacity for future acquisitions

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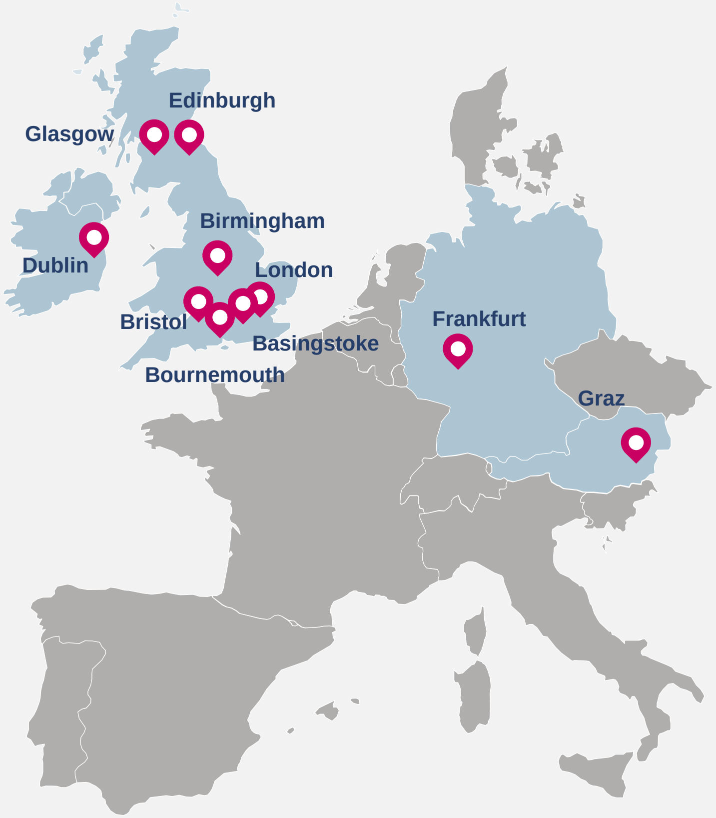
Phoenix Group is the largest Life and Pensions Consolidator in Europe

Our locations



Our size

£240bn
Assets Under Administration

10.1m
Policies

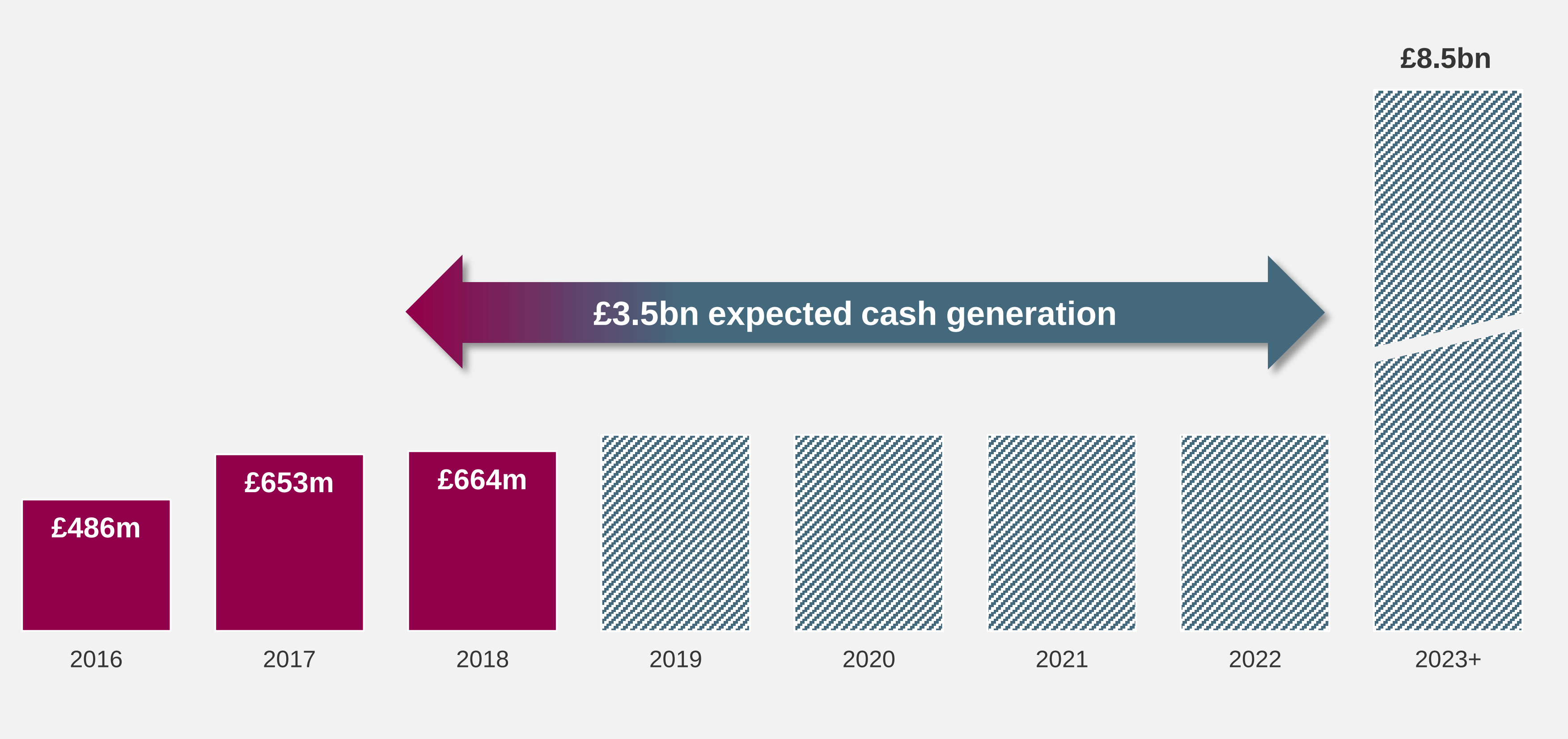
Our life business

UK HERITAGE
£125bn AUA

UK OPEN BUSINESS
£91bn AUA

EUROPEAN BUSINESS
£24bn AUA

Dependable cash generation in the short, medium and long term



Phoenix has met or exceeded all publicly stated financial targets since 2010

Specialists at delivering value from in-force assets under administration

Management actions supplement organic growth

Approach to risk management delivers resilience

Size delivers economies of scale

Specialism delivers capital efficiencies

Strategic Partnership with Standard Life Aberdeen brings specialism in the open market

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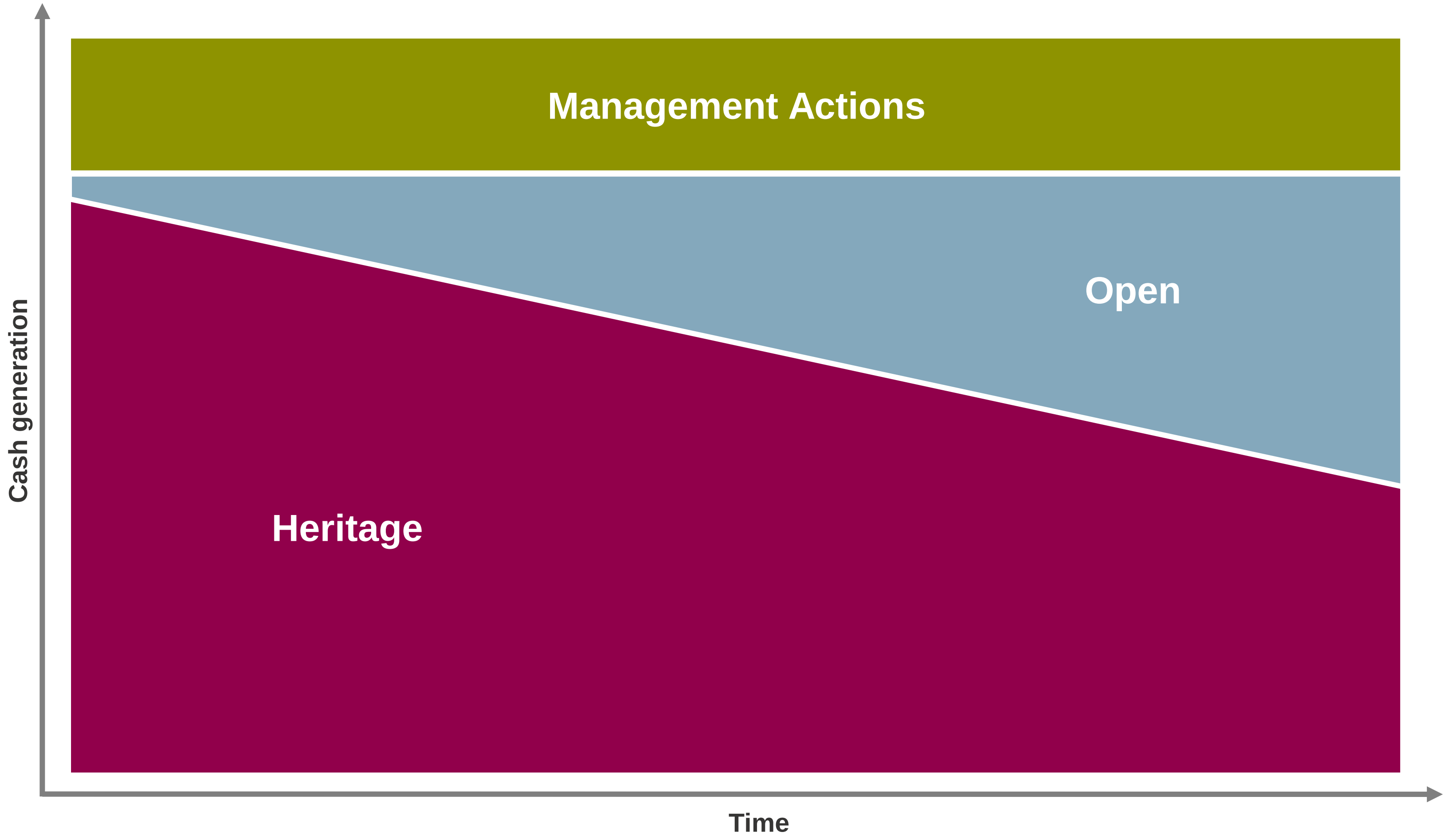
Standard Life Aberdeen

- Underwriting
- Administration
- Proposition

Standard Life

- Sales
- Platform
- Marketing

Cash generation becomes sustainable as growth from Open business offsets the run off of our Heritage Business

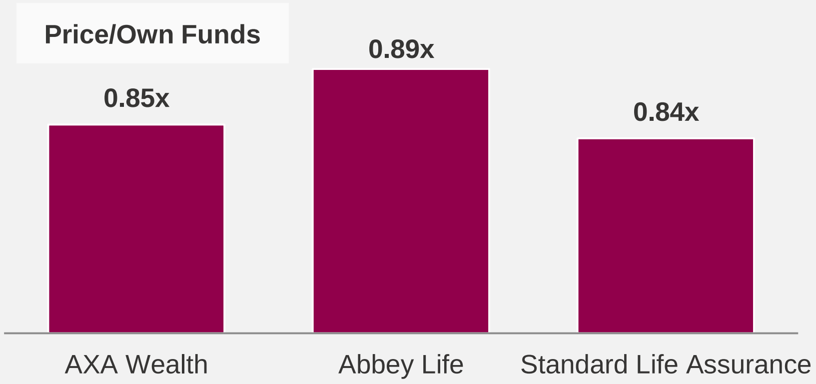


M&A and BPA adds value to investors

Acquisition criteria

1. **Value accretive**
2. **Protect the dividend**
3. **Maintain investment grade rating**

Step 1 – Buy well



	AXA Wealth	Abbey Life	Standard Life Assurance
Price/Own Funds	0.85x	0.89x	0.84x

Building our war chest

Step 2 – Add value

INCREASE OWN FUNDS

- Expense savings
- Strategic Asset Allocation

REDUCE RISK CAPITAL

- Hedging
- Internal Model
- Part VII / internal reinsurance

---

(1) Funding capacity

There remains a wealth of M&A opportunities and we are ready to take them

Drivers of consolidation

Trapped capital

Stranded costs

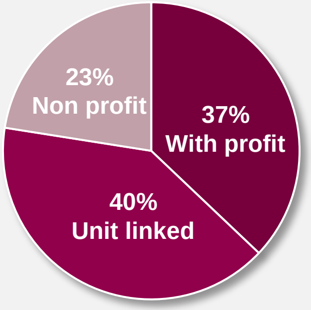
Specialist skills

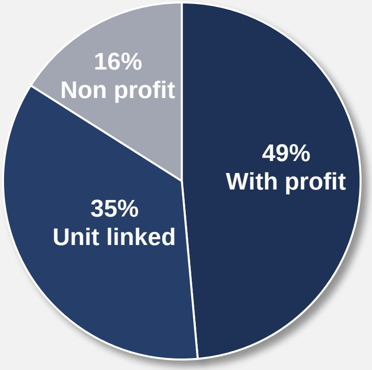
Reputational risk

Market size

UK: ~£380bn

UK, GER, IE: ~£540bn





Gating items and our readiness

MANAGEMENT BANDWIDTH

Head Office specialised in assessment of M&A transactions

FUNDING

Could fund transactions of up to £1.0 billion through own resources and new debt

REGULATION

Proven ability to remedy past conduct issues and experience of running parallel integration processes

Phoenix = Cash. Resilience. Growth.

- Phoenix has reached a “critical mass”
- We have significantly increased our scale, product range and skills
- Organic growth will offset the run off of our in-force business and deliver sustainable long-term cash flows
- Phoenix will grow by delivering value accretive M&A and BPA on top of the foundations of its in-force business

Inorganic growth

M&A

BPA

Organic growth

CSPA and vesting annuities

In-force business

Heritage and Open Business

Q&A

PHOENIX GROUP

Appendices

I Phoenix Group is largely unaffected by Brexit

II Group liquidity will support inorganic growth through M&A and BPA

III Current corporate structure

IV Outline of current debt structure

Appendix I:
Phoenix Group is largely unaffected by Brexit

Impact on capital position

- No material impact from Brexit on the Group's financial position
- German and Irish branches to be capitalised as an EU resident subsidiary. £250 million capital dis-synergy reflected in medium term cash generation guidance

Asset quality

- High quality corporate bond portfolio
- Shareholders and bondholders have minimal exposure to equities and property

Risk mitigation

- Cashflows and solvency protected by Group's hedging policy which reduces the exposure to equities and interest rates with limited exposure to property risk
- Strong currency matching of assets and liabilities

Appendix II:
Group liquidity will support inorganic growth through M&A and BPA

£m	YTD18	FY17
Opening cash and cash equivalents	**535**	**570**
Total cash receipts	**664**	**653**
Uses of cash		
Operating expenses	(29)	(36)
Pension scheme contributions	(41)	(92)
Non-recurring cash outflows	(250)	(84)
Debt interest	(59)	(60)
Debt repayments	-	(1,053)
Shareholder dividend	(262)	(193)
Total cash outflows	**(641)**	**(1,518)**
Equity and debt raisings (net of fees)	1,878	830
Cost of acquisitions	(1,971)	-
Support BPA activity	(87)	-
Closing cash and cash equivalents	**378(1)**	**535**

£m	YTD18
Liquidity	**£m**
Holdco cash and cash equivalents	378
Add: revolving credit facilities	1,500
Available liquidity	**1,878**

The revolving credit facilities are available to support Group liquidity

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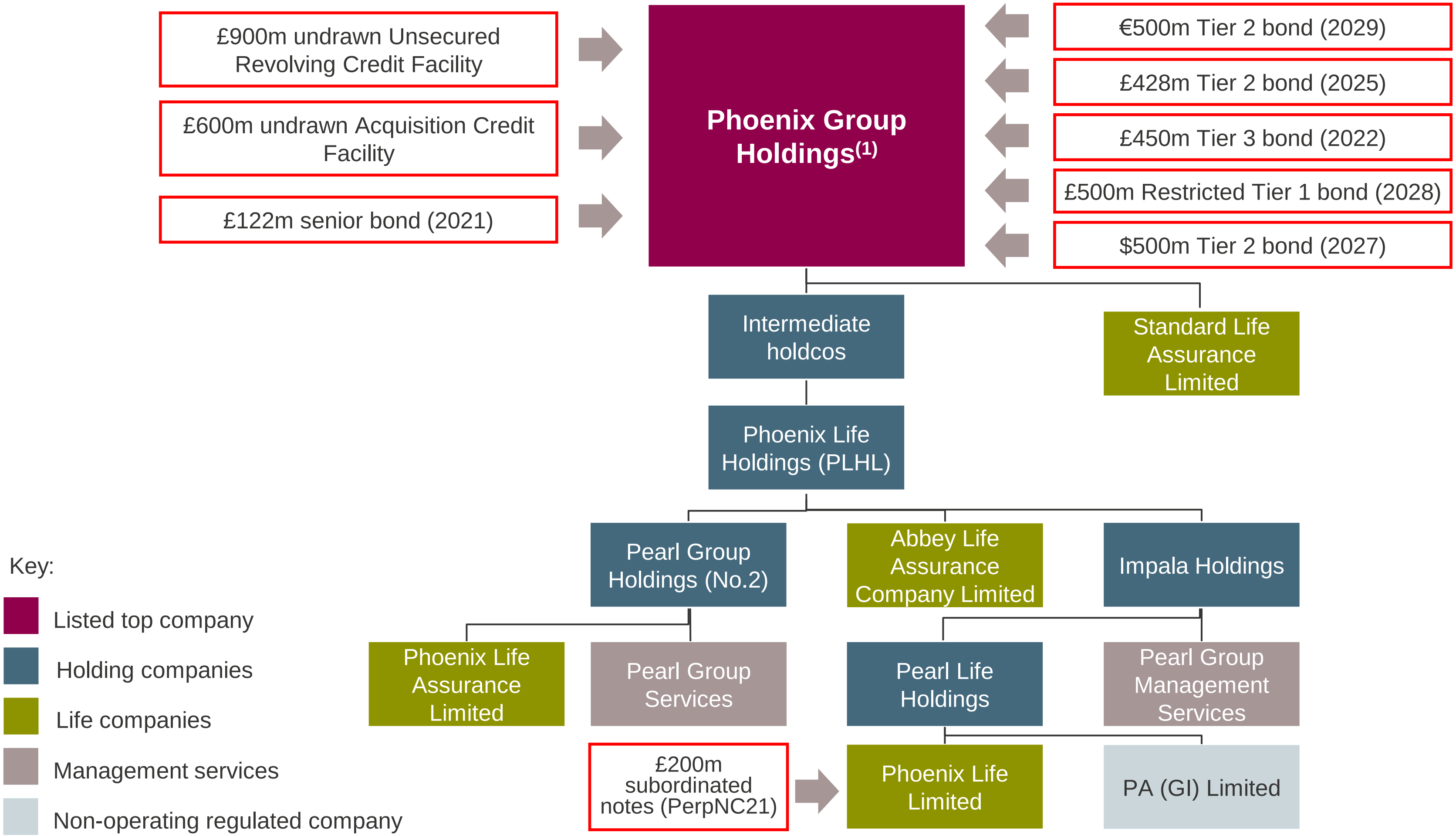
(1) Closing cash as at 19 November 2018

Appendix III:
Current corporate structure



£900m undrawn Unsecured Revolving Credit Facility

£600m undrawn Acquisition Credit Facility

£122m senior bond (2021)

Phoenix Group Holdings(1)

€500m Tier 2 bond (2029)

£428m Tier 2 bond (2025)

£450m Tier 3 bond (2022)

£500m Restricted Tier 1 bond (2028)

$500m Tier 2 bond (2027)

Intermediate holdcos

Standard Life Assurance Limited

Phoenix Life Holdings (PLHL)

Pearl Group Holdings (No.2)

Abbey Life Assurance Company Limited

Impala Holdings

Phoenix Life Assurance Limited

Pearl Group Services

Pearl Life Holdings

Pearl Group Management Services

£200m subordinated notes (PerpNC21)

Phoenix Life Limited

PA (GI) Limited

Key:

🟥 Listed top company

🟦 Holding companies

🟩 Life companies

🟫 Management services

⬜ Non-operating regulated company

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(1) Phoenix Group Holdings (PGH), is registered in Cayman Islands and was Jersey resident until 31 January 2018 when it became UK tax resident

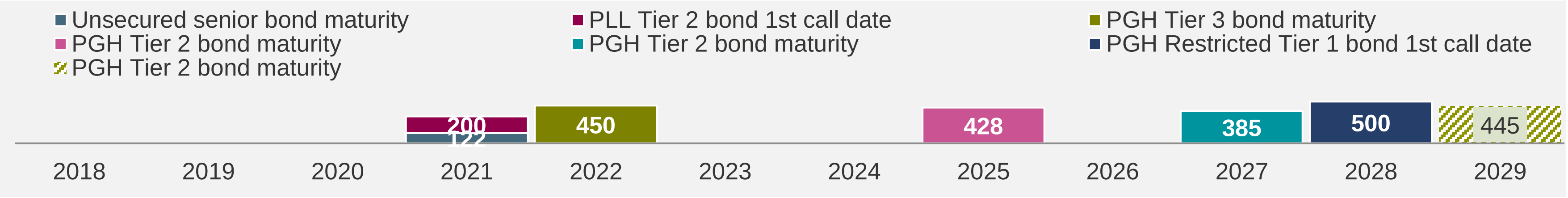
(2) All shareholdings are 100%; All debt figures as of 30 September 2018

Appendix IV:
Outline of current debt structure

Structure of £2,530 million of outstanding debt as at 30 September 2018

Instrument		Issuer/borrower	Maturity	Drawn amount /Face value
Bank Debt	**£900m unsecured Revolving Credit Facility (“RCF”) (L+110bps)**	Phoenix Group Holdings	June 2021	-
	£600m acquisition credit facility (L+50bps)	Phoenix Group Holdings	12 months after completion	-
Bonds	**Unsecured Senior bond (5.750% due Jul-2021, XS1081768738)**	Phoenix Group Holdings	July 2021	£122m
	Subordinated Tier 3 bond (4.125% due Jul-2022, XS1551285007)	Phoenix Group Holdings	July 2022	£450m
	Subordinated Tier 2 bond (6.625% due Dec-2025, XS1171593293)	Phoenix Group Holdings	December 2025	£428m
	Subordinated Tier 2 bond(1) (5.375% due Jul-2027, XS1639849204)	Phoenix Group Holdings	July 2027	$500m(1)
	Subordinated Tier 2 bond (7.250% Perpetual NC2021, XS0133173137)	Phoenix Life Limited	March 2021 (first call date)	£200m
	Subordinated Tier 2 bond (4.375% due Jan-2029, XS1881005117)	Phoenix Group Holdings	January 2029	€500m(2)
	Restricted Tier 1 bond (5.750% Perpetual NC2028, XS1802140894)	Phoenix Group Holdings	April 2028 (first call date)	£500m

Debt maturity profile as at 30 September 2018 (£m) (2)



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(1) Swapped into £385m at a semi-annual rate of 4.2% per annum (excluding costs and fees)

(2) Swapped into £445m at a annual rate of 5.7865% per annum (excluding costs and fees)

PHOENIX GROUP

Disclaimer and other information

- This presentation in relation to Phoenix Group Holdings 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 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