PHOENIX GROUP

Annual Results 2010

A year of considerable progress

29 March 2011

Agenda

Introduction	Ron Sandler, Chairman
Business highlights	Clive Bannister, Group Chief Executive
Financial review & targets	Jonathan Yates, Group Finance Director
Summary & outlook	Clive Bannister
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Introduction

Ron Sandler

The Phoenix Group is on a journey

2008
- Private equity ownership
- Resolution acquisition

2009
- Liberty restructuring

2010 ✓ **Corporate, operational and financial delivery**

2011

Focus:
- Strengthening cash flow
- Improving MCEV
- Appropriately geared balance sheet

Business highlights

Clive Bannister

2010 was a year of strong financial delivery

✓	Cash generation ahead of targets	**£734m**
✓	Strong IFRS operating profits	**£373m**
✓	Significant growth in MCEV	**£2,104m**
✓	Growing assets under management	**£67.5bn**
✓	Gearing [1] now reduced	**52%**
✓	Dividend per share	**42p**

(1) Net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of IGNIS

A year of considerable corporate delivery

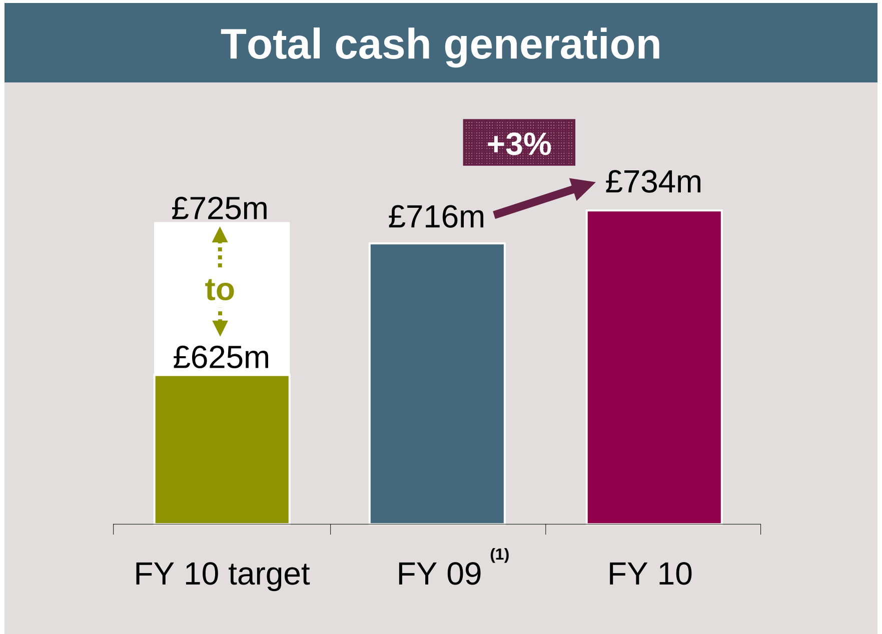
CORPORATE

- **Simplified capital structure**
  - ✓ Reduced dilutive instruments
  - ✓ Restructured Tier 1 bonds
  - ✓ Premium Listing on LSE
  - ✓ FTSE 250 index inclusion
- **Strengthened corporate governance**
  - ✓ Strengthened executive, non executive and senior management teams
  - ✓ Enhanced risk management framework
- **Created platform for future success**
  - ✓ Increased liquidity
  - ✓ Increased analyst coverage
  - ✓ More diversified investor base

A year of significant business achievements

PHOENIX LIFE	Improved customer service and strengthened customer proposition	✓ Customer complaint volumes down 24% on 2009 ✓ Exceeded industry benchmark for open market option transfers
	Improved capital efficiency	✓ Restructured National Provident Life ✓ Phoenix & London Assurance and Phoenix Life funds merger ✓ Resolved number of legacy tax issues
	Enhanced outsourcer model	✓ Transfer of UISL business to Diligenta ✓ Migrated over 4m policies onto new admin platform
IGNIS	Refocused IGNIS model	✓ Strengthened executive and investment teams ✓ Completed transfer of Axial to IGNIS ✓ Introduced new Investment Management Agreements ✓ c. £5bn of assets repatriated from external asset managers

Strong cash generation ahead of targets



- ✓ Cash generation exceeded targets
- ✓ Accelerated cash flows achieved through:
  - improved asset liability matching
  - investment portfolio derisking
  - resolution of legacy tax issues
  - fund restructuring

(1) On a proforma basis

Management actions accelerated £242m of cashflows in Phoenix Life

	FY 10 cash acceleration actions
Restructuring	£45m
Risk management	£109m
Operational management	£88m
Total	**£242m**

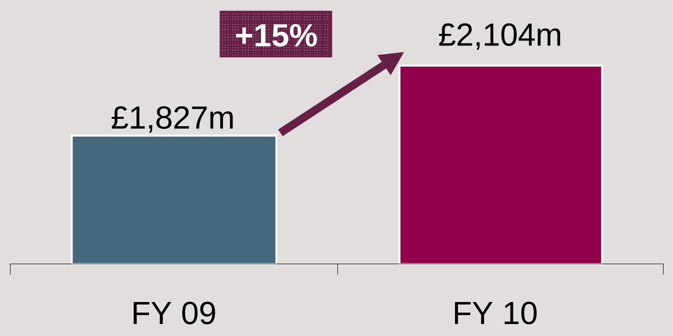
- ✓ £242m cash accelerated from management actions
- ✓ Included in the £734m cash generation for the year
- ✓ In addition to these categories, outsourcer transformation expected to generate cash savings in the future

Customer outcomes

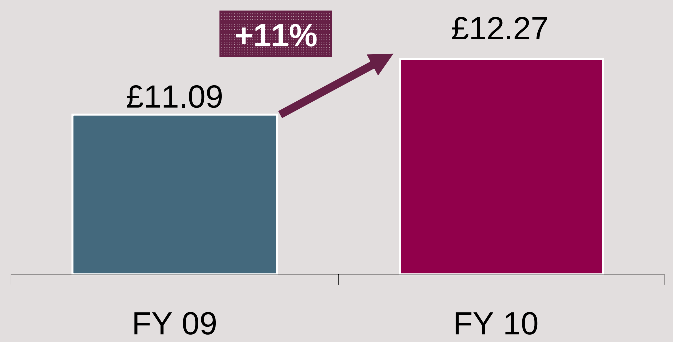
Shareholder value

Improved and substantial value in MCEV

Group MCEV



MCEV per share[1]



- ✓ MCEV reflects value in life companies (excluding IGNIS and management services future profits)
- ✓ Includes £296m from management actions vs. target of £145m

(1) FY 09 based on shares in issue of 164.8m on Premium Listing and FY 10 based on shares in issue of 171.5m at 31 Dec 2010

Management actions increased embedded value by £296m in Phoenix Life

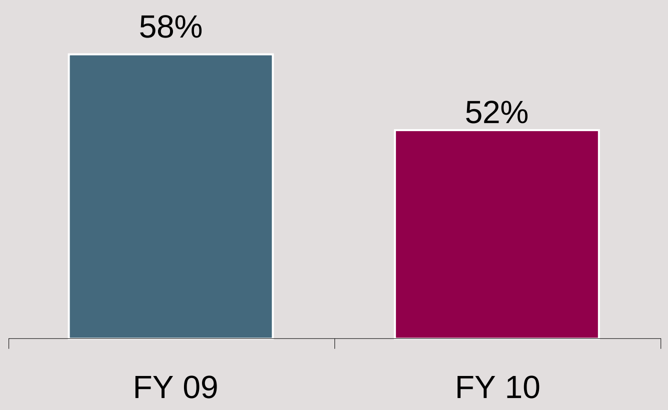
	FY 10 incremental MCEV actions
Restructuring	£262m
Operational management	£34m
Total	**£296m**

- ✓ £296m incremental MCEV from management actions
- ✓ Includes £139m impact of corporate loans restructuring announced on 21 March
- ✓ Included in the £2,104m year end MCEV

Customer outcomes ⇄ Shareholder value

Reduction in gearing is underway organically

Gearing[1]

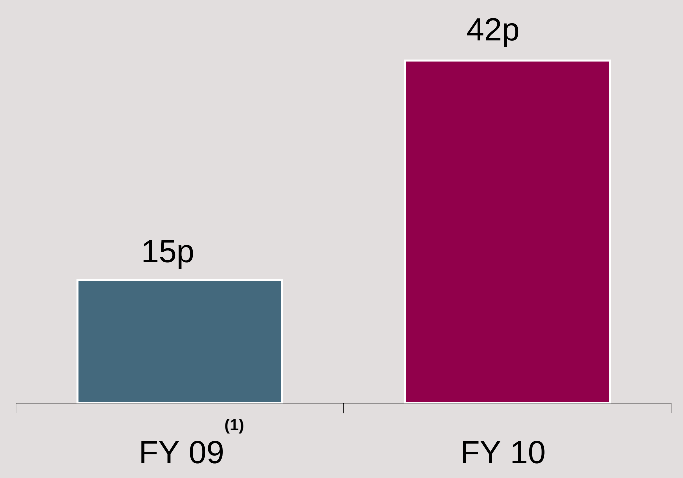


- The Group works closely with its relationship banks
- No “complete debt solution” is being sought nor is it necessary
- The Group will refinance at the right time and on the right terms for shareholders

(1) Net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of IGNIS

Total dividend of 42p for 2010

Dividend per share



- Recommended final dividend of 21p per share
- Total dividend of 42p for FY 2010
- 50:50 payout maintained
- Cash up to PGH capped at £58m in 2011 and £72m in 2012
- Scrip dividend option available

(1) FY 09 dividend paid in respect of 4 month period post Liberty acquisition (€0.17 at exchange rates on 15 April 2010)

The Phoenix Group can be relied upon

- ✓ Resilient cash flows
- ✓ Degearing the business model
- ✓ Strengthened capital position
- ✓ Focused asset management business
- ✓ Improved policyholder outcomes
- ✓ Enhanced shareholder value

Financial review

Jonathan Yates

Financial highlights

£m unless otherwise stated	FY 10	FY 09[1]
Cash		
Operating companies cash generation	734	716
IFRS operating profit		
Group operating profit	373	457
IGNIS operating profit	46	34
Group Market Consistent Embedded Value ("MCEV")	2,104	1,827
Group MCEV per share[2]	£12.27	£11.09
IGD surplus	1.0bn	1.2bn
IGD Excess Capital	2.8bn	3.1bn
IGNIS Assets under Management	67.5bn	66.9bn
Gearing [3]	52%	58%
Dividend per share in respect of period	42p	15p[4]

(1) For comparative purposes, FY 09 information includes the Pearl businesses from 1 January 2009
(2) FY 09 based on shares in issue of 164.8m on Premium Listing and FY 10 based on shares in issue of 171.5m at 31 Dec 2010
(3) Net shareholder debt as a percentage of the sum of Group MCEV, net shareholder debt and the present value of future profits of IGNIS
(4) FY 09 dividend paid in respect of 4 month period post Liberty acquisition (€0.17 at exchange rates on 15 April 2010)

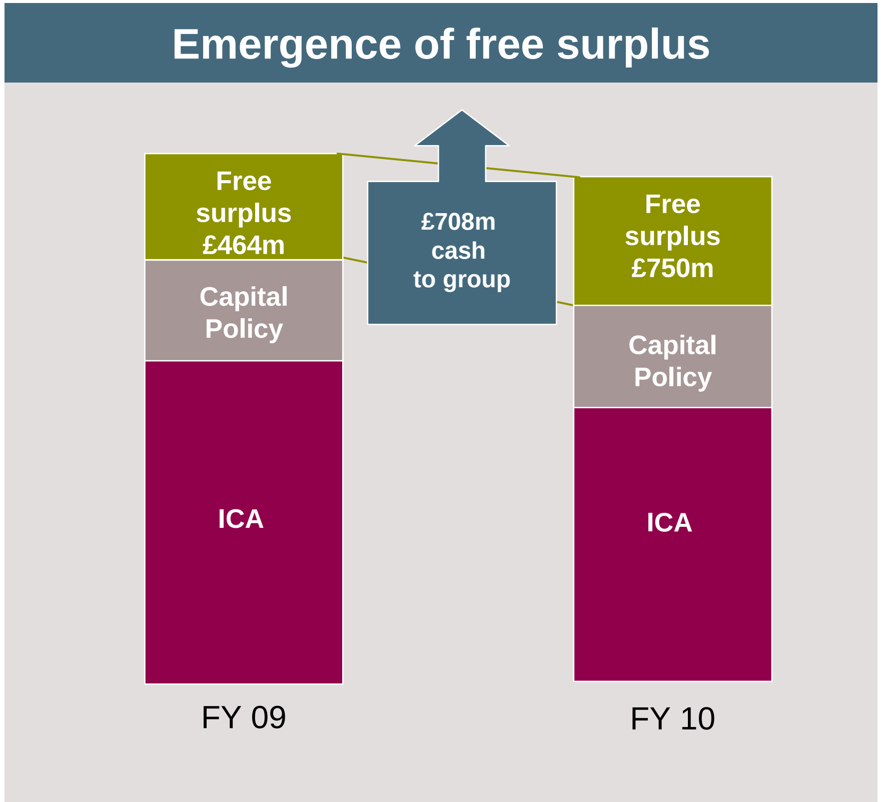
Reliable cash generation underpins our stability

£m	FY 10	FY 09[1]
Opening cash in holding companies	202	86
Cash receipts		
Phoenix Life	708	695
IGNIS	26	21
Total cash receipts	**734**	**716**
Recurring cash outflows		
Operating expenses and pension scheme contributions	83	60
Debt interest & amortisation	245	102
Shareholder dividend	43	-
Total recurring cash outflows	371	162
Total non-recurring cash outflows	79	438
Total cash outflows	**450**	**600**
Closing cash in holding companies	486	202

- Increase in operating expenses due to ongoing costs relating to being Premium Listed and project costs
- £122m debt prepayment made in 2010
- Non-recurring cash outflows include IT and business transformation, transaction and restructuring costs
- 2009 non-recurring costs included £240m settlement with Royal London

(1) On a proforma basis

Almost £1.0bn in free surplus generated over 2010



- Free surplus is excess over ICA required capital and internal capital buffers
- Free surplus will become available for Group purposes
- Significant build up in free surplus during 2010 despite upstreaming £708m cash

Emergence of free surplus

£m	FY 10
Opening Phoenix Life free surplus	**464**
Emergence of free surplus	
IFRS operating profit	388
IFRS tax	76
IFRS economic variances and non-recurrings	(73)
Movements in capital requirements & capital policy	405
Valuation differences and other	198
Cash distributed to holding companies	(708)
Closing Phoenix Life free surplus	**750**

- Movements in capital requirements and policy include benefits of value enhancing management actions including:
  - investment portfolio derisking
  - fund restructuring
  - resolution of legacy tax issues

Note: Phoenix Life free surplus includes IFRS net assets of management services of £80m (FY 09: £56m)

Group IFRS operating profit of £373m

£m	FY 10
Phoenix Life	388
IGNIS	46
Group costs	(61)
Operating profit before tax	373
Investment return variances and economic assumption changes	18
Variance on owners' funds	19
Amortisation of acquired in-force	(150)
Non-recurring items	(139)
Finance costs	(115)
Profit before tax attributable to owners	6
Tax credit attributable to owners	74
Profit for period attributable to owners	80

- Operating profit up 17% on an underlying basis, excluding impact of positive longevity assumption changes of £139m in 2009
- Group costs include ongoing costs relating to being Premium Listed, pension contributions and group costs
- Non-recurring items include Premium Listing, restructuring, regulatory change and transformation costs

Phoenix Life IFRS operating profit drivers

		FY 10			FY 09		
Fund type	How profits are generated	IFRS Op Profit £m	Average net assets[1] £bn	Net Margin[2] bps	IFRS Op Profit £m	Average net assets[1] £bn	Net Margin[2] bps
With-profit	Our share of bonuses paid to policyholders of with-profit business	55	24.4	22	49	25.8	19
With-profit (internal capital support) [3]	Return on with-profit funds which are supported with capital from shareholder funds	(7)	10.8	n/m	20	11.9	n/m
Unit linked	Margin earned on unit linked business	72	12.1	59	67	11.7	57
Annuities [4]	Spread earned on annuities	98	9.2	107	188	8.7	216
Protection and other non-profit	Investment return and release of margins	90	0.7	n/m	66	0.6	n/m
Shareholder funds	Return earned on shareholder fund assets	80	4.5	178	78	4.4	177
Total Phoenix Life IFRS operating profit		**388**			**469**		

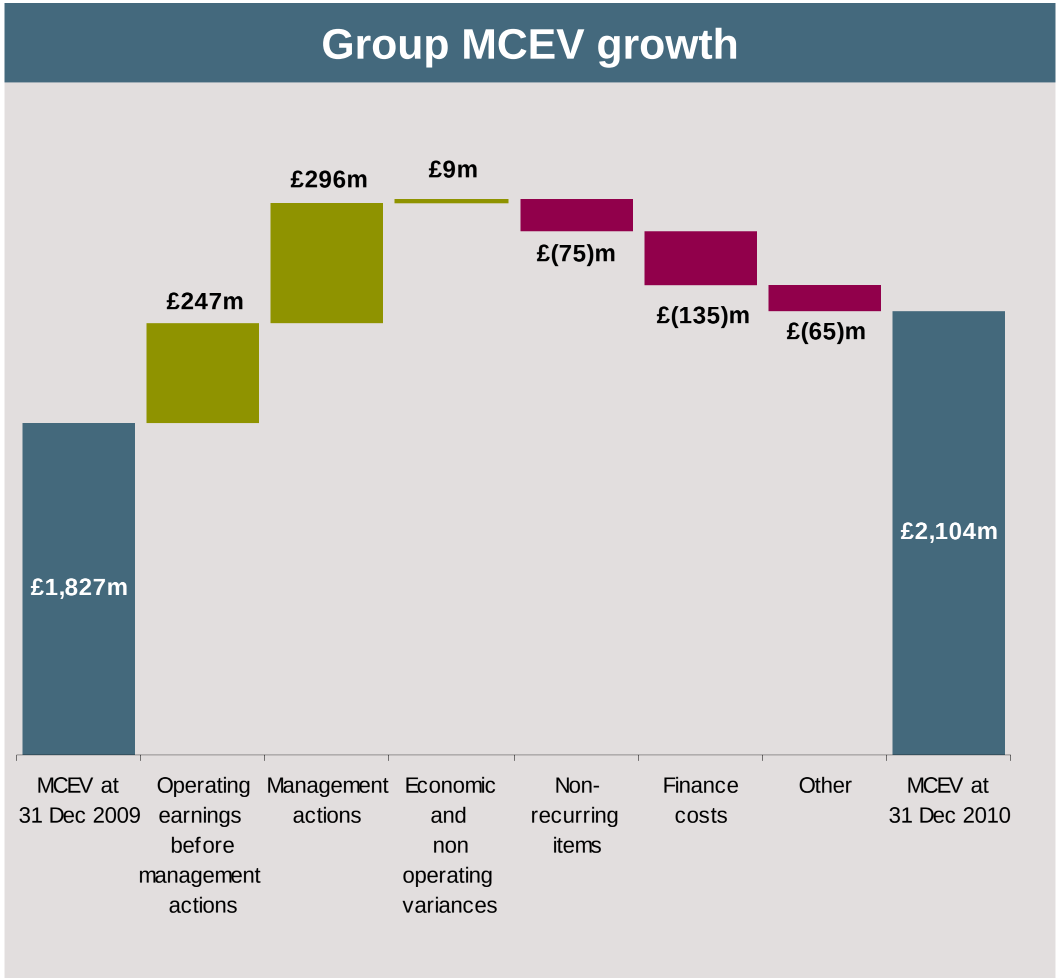
(1) Based on IFRS net assets
(2) Margins based on average net assets
(3) FY 10 impacted by lower lapses in funds with valuable policyholder guarantees
(4) FY 09 benefited from favourable longevity assumption changes

IGNIS IFRS operating profit drivers

	FY 10			FY 09		
	IFRS results £m	Closing AuM £bn	Margin(1) bps	IFRS results £m	Closing AuM £bn	Margin(1) bps
Retail revenue	17	2.3	72	14	2.0	74
Institutional, international and Group pension revenue	12	5.2	26	15	4.8	31
Life funds revenue	115	60.0	19	82	60.1	13
Total revenue/AuM	**144**	**67.5bn**		**111**	**66.9bn**	
Staff costs	(59)			(49)		
Other operating expenses	(39)			(28)		
Total IGNIS IFRS operating profit	**46**			**34**		
Operating profit margin	32%			31%		

(1) Margin based on average AuM over period and includes performance fees

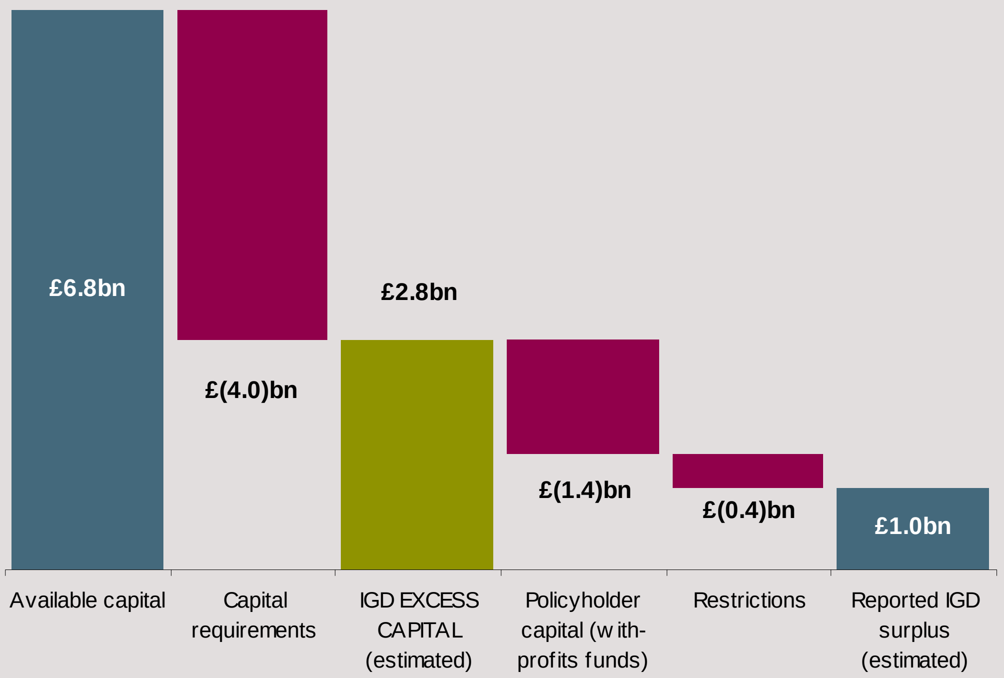
Significant embedded value in the business



- Operating earnings includes expected return on opening MCEV and value added by new business
- £296m of MCEV enhancement through management actions against target of £145m
- Non-recurring items include cost of Premium Listing and other restructuring costs
- Finance costs excludes £33m 2009 deferred coupon on Tier 1 debt settled by share issue
- Other includes dividend payments

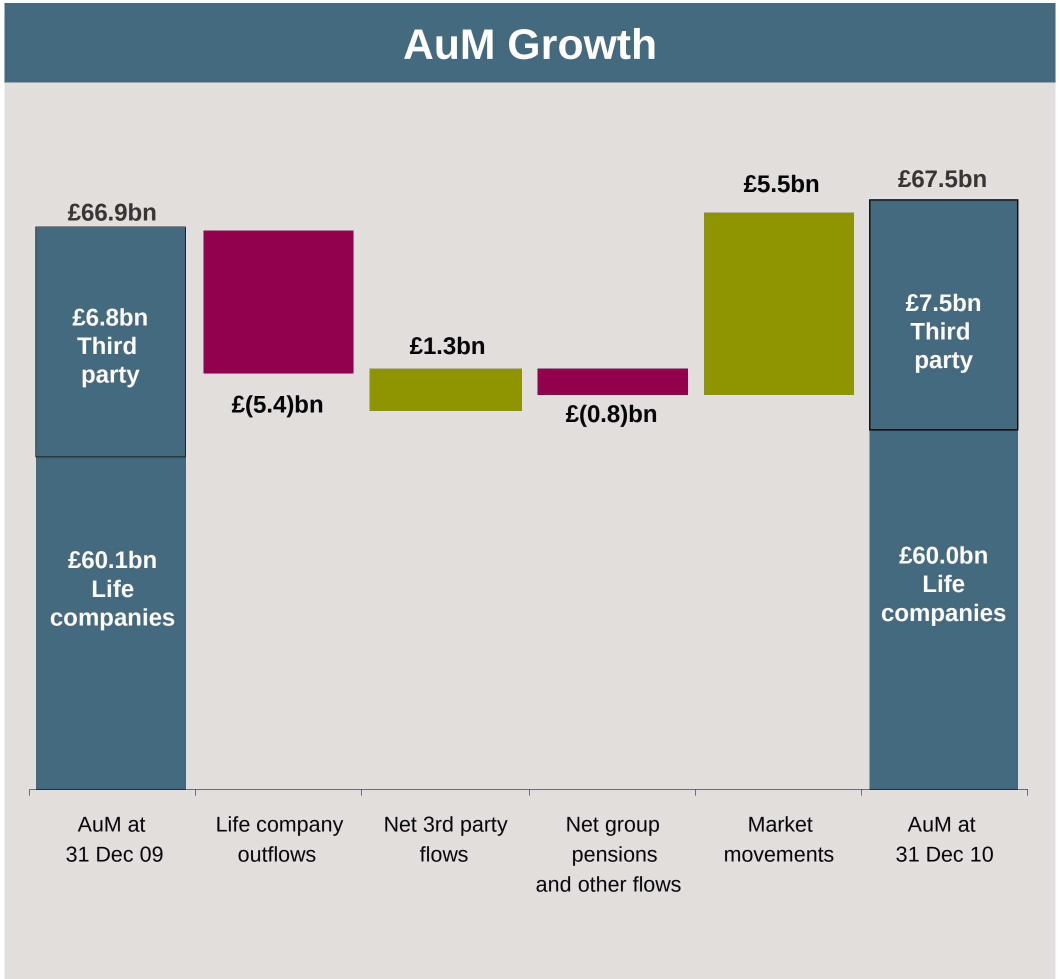
Strong solvency capital

Reconciliation of IGD Excess Capital to IGD surplus



- Current IGD surplus is after deductions of surplus in with-profits funds and restrictions resulting from legacy group structure
- IGD Excess Capital represents
  - more realistic measure of capital strength of Group
  - coverage of 170%
- £2.8bn provides significant buffer mitigating impact of adverse events on ability to meet liabilities falling due

Development in IGNIS Assets under Management



- AuM growth driven by:
  - positive net 3rd party sales and market movements
  - offset by run-off of closed life book
- Net new 3rd party assets of £1.3bn relating to liquidity and property fund and retail products

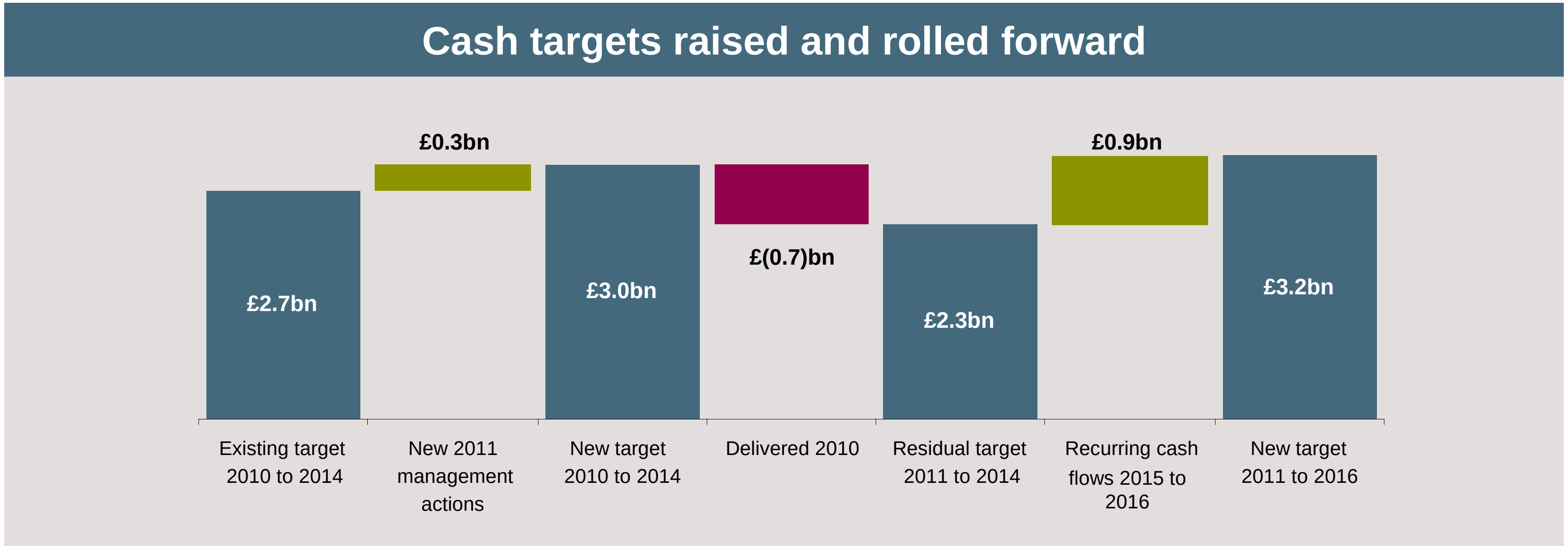
Financial targets

Jonathan Yates

Targets for 2011 and onwards

Cash generation	• Cash generation of £750m to £850m in 2011 • 2010 to 2014 cash target raised by £300m to £3bn • Additional £300m reflects planned management actions for 2011. No management actions beyond this date have been included • Cumulative forward looking target of £3.2bn for 2011 to 2016
Gearing	• Reduce to <50% by the end of 2011 • To be met through organic cashflows • Longer term option to access debt capital markets giving additional financial flexibility
MCEV	• £100 million per annum contribution to MCEV from management actions between 2011 and 2014

Cash generation target raised and rolled forward

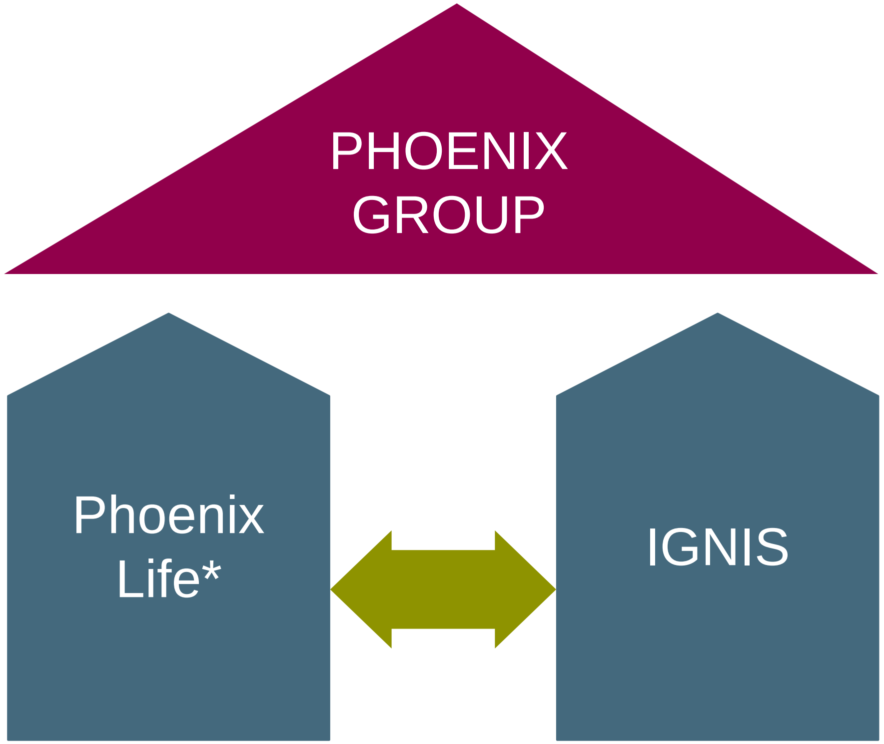


- Cash generation target for 2010 to 2014 raised by £300m to £3.0bn
- £300m target for management actions in 2011
- No management actions recognised beyond 2011
- Total cash generation target for 2011 to 2016 revised to £3.2bn

Summary & outlook

Clive Bannister

We have a simple and robust shareholder driven business model



- ✓ Risk management
- ✓ Financial oversight
- ✓ Governance

- ✓ Improved customer service and policyholder outcomes
- ✓ Enhanced shareholder value

- ✓ Expertly manages shareholder and policyholder funds
- ✓ Wins 3rd party business on basis of proven investment expertise

The UK's largest specialist closed life fund consolidator

* Includes Management Services

"The Phoenix Way'' is rooted in the specialist capabilities of Phoenix Life and IGNIS

Consistent approach	Scaleable infrastructure
• Efficient capital management	• Worksite integration
• Fund structures	• Single actuarial system in development
• Investment strategy	• Risk policies and framework
• Customer service	• Maintenance of skills and knowledge
• Estate distribution	• Outsourcer platform modernisation
• Fund mergers	

Best practice

- Reduced risks and costs
- Repeatable, scaleable benefits
- Improved customer service and policyholder outcomes
- Enhanced shareholder value

Today's focus is on the business in hand, not transformational acquisitions

Opportunity environment	Phoenix reality
• Increasing opportunities driven by market conditions, e.g. Solvency II, Basel III • Phoenix Group is the UK's largest specialist closed life fund consolidator • Proven management capability to integrate businesses	• Any deal has to meet stringent acquisition criteria and be accretive to shareholder value • Any acquisition funding would take into account the current share price and leverage • Equity finance considered only where justified by financial metrics and market conditions

With new financial targets set

✓	2011 cash generation	£750m to £850m
✓	Cash generation 2011 to 2016	£3.2bn
✓	Gearing by end 2011	<50%
✓	Contribution to MCEV from management actions	£100m p.a to 2014

The Phoenix Group is well positioned

2008 → 2009 → 2010 → **2011**

- ✓ Unique, simple business model
- ✓ Proven management team and operating platform
- ✓ Clear strategy and focus on delivery

Our objectives are to deliver:

- ✓ Strengthened cashflow
- ✓ Improved MCEV
- ✓ Appropriately geared balance sheet

The journey continues and we are confident regarding the outlook for 2011 and beyond

Q&A

PHOENIX GROUP

Appendices

I	MCEV sensitivities
II	Maturity profile of business
III	Gearing
IV	IGD sensitivities
V	Asset mix of life companies at 31 December 2010
VI	Analysis of shareholder and non-profit fund debt securities
VII	IGNIS 3rd party new business flows

Appendix I – MCEV sensitivities

£m	FY 10
Base case covered business MCEV at 31 December 10 (1)	4,517
1% decrease in risk free rates	183
1% increase in risk free rates	(167)
10% decrease in equity market values	(105)
10% increase in equity market values	102
10% decrease in property market values	(77)
10% increase in property market values	76
100 bps increase in credit spreads	(267)
100 bps decrease in credit spreads	250
25% increase in equity/property implied volatilities	(35)
25% increase in swaption implied volatilities	(23)
25% decrease in lapse rates and paid-up rates	(21)
5% decrease in annuitant mortality	(166)
5% decrease in non-annuitant mortality	35
Required capital equal to minimum regulatory capital	31
Swap curve as reference rate, retaining appropriate liquidity premiums	(272)

(1) Covers all long-term insurance business written by the Group, but excludes IGNIS Asset Management and the management service companies

Appendix II – Maturity profile of business

£m	1-5 years	6-10 years	11-15 years	16-20 years	20+ years	Total
Present value of future profits (PVFP)						
31 December 2010	1,147	848	488	271	268	3,022
31 December 2009	975	767	508	305	309	2,864

Appendix III – Reducing gearing

£bn	2010	2009
Net shareholder debt	2.7	3.1
Group MCEV	2.1	1.8
IGNIS present value of future profits	0.4	0.4
Gearing	52%	58%

Appendix IV – IGD sensitivities

£bn	IGD surplus	IGD Excess Capital
IGD at 1 Jan 2011 (estimated)	1.0	2.8
20% fall in equity markets	1.0	2.4
15% fall in property values	1.0	2.7
75 bps increase in yields	1.0	2.8
75 bps decrease in yields	0.9	2.7
Credit spreads widening[(1)]	0.9	2.5
Combined stress (25% equity fall, 20% property fall, yields up 75 bps and credit spreads widening[(1)])	0.9	1.8

(1) AAA - 100bps, AA - 113bps, A - 120bps, BBB - 153bps, BB - 370bps, B - 613bps

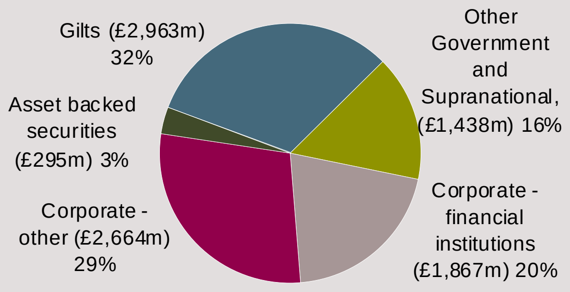
Appendix V – Asset mix of life companies at 31 December 10

£m unless otherwise stated	Shareholder and non-profit funds (2)		Policyholder funds (1)		Total
			Participating (3)	Unit linked	
Cash deposits	3,146	23%	7,408	1,081	11,635
Debt securities - gilts	2,963	21%	12,620	424	16,007
Debt securities - bonds	6,264	45%	14,111	1,284	21,659
Equity securities	376	3%	7,631	8,761	16,768
Property investments	156	1%	906	337	1,399
Other investments(4)	1,013	7%	2,196	12	3,221
Total	13,918	100%	44,872	11,899	70,689

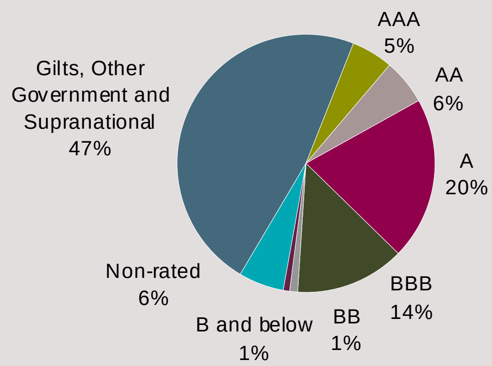
(1) Includes assets where policyholders bear most of the investment risk
(2) Includes assets where shareholders of the life companies bear the investment risk
(3) Includes all assets held in with-profits funds
(4) Includes other loans, derivatives and other investments

Appendix VI – Analysis of shareholder and non-profit fund debt securities

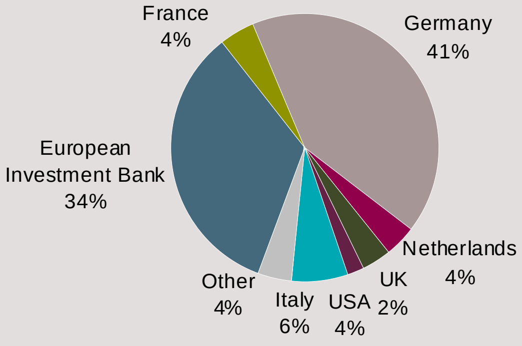
By type (£9,227m)



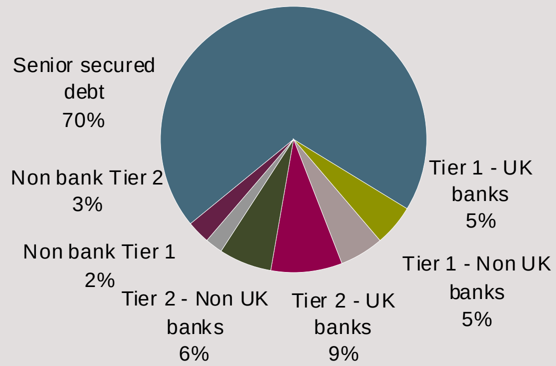
By credit rating (£9,227m)



Other government & supranational (£1,438m)



By financial institutions (£1,867m)



Appendix VII – IGNIS 3rd party new business flows

£m	FY 10	FY 09
Gross flows		
Retail	864	681
Institutional	227	226
International	225	160
Liquidity funds (net)	1,095	255
Total	**2,411**	**1,322**
Net flows		
Retail	294	122
Institutional	(222)	21
International	110	6
Liquidity funds (net)	1,095	255
Total	**1,277**	**404**

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- 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 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', 'expects', 'plans', 'seeks', 'continues', 'targets' and 'anticipates' or other words of similar meaning are forward-looking. Forward-looking statements 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 we have 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, 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; impact of inflation and deflation; 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, including joint ventures; 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 within this presentation. The Group undertakes no obligation to update any of the forward-looking statements contained within this presentation or any other forward-looking statements it may make.
- Nothing in this presentation should be construed as a profit forecast.
- 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.
- For comparative purposes, FY09 information includes the Pearl businesses from 1 January 2009, although the acquisition date for accounting purposes was 28 August 2009. Pearl Businesses is defined as PGH (LCA) Limited, PGH (LCB) Limited, PGH (TC1) Limited, PGH (TC2) Limited and Opal Reassurance Limited, together with their subsidiaries, being the five companies acquired by Phoenix Group Holdings on 2 September 2009.