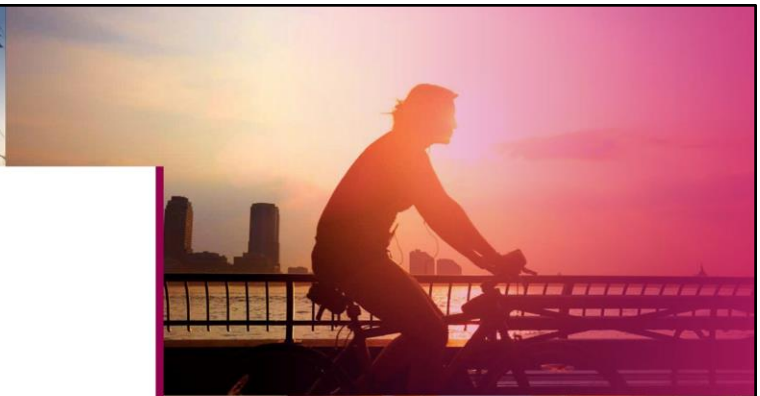
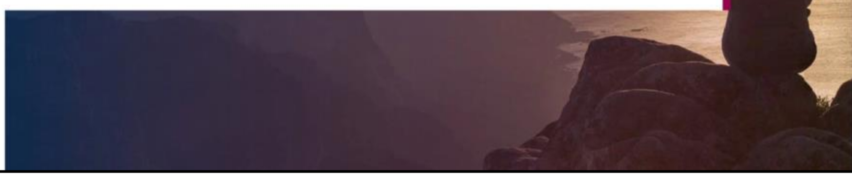
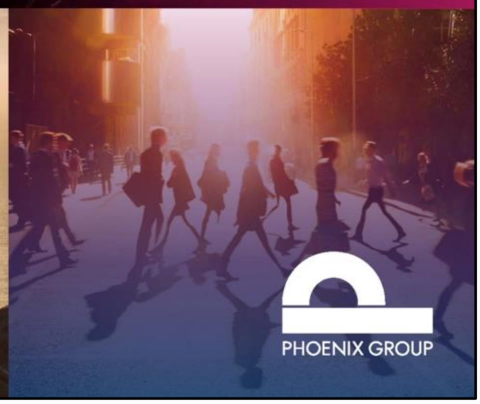
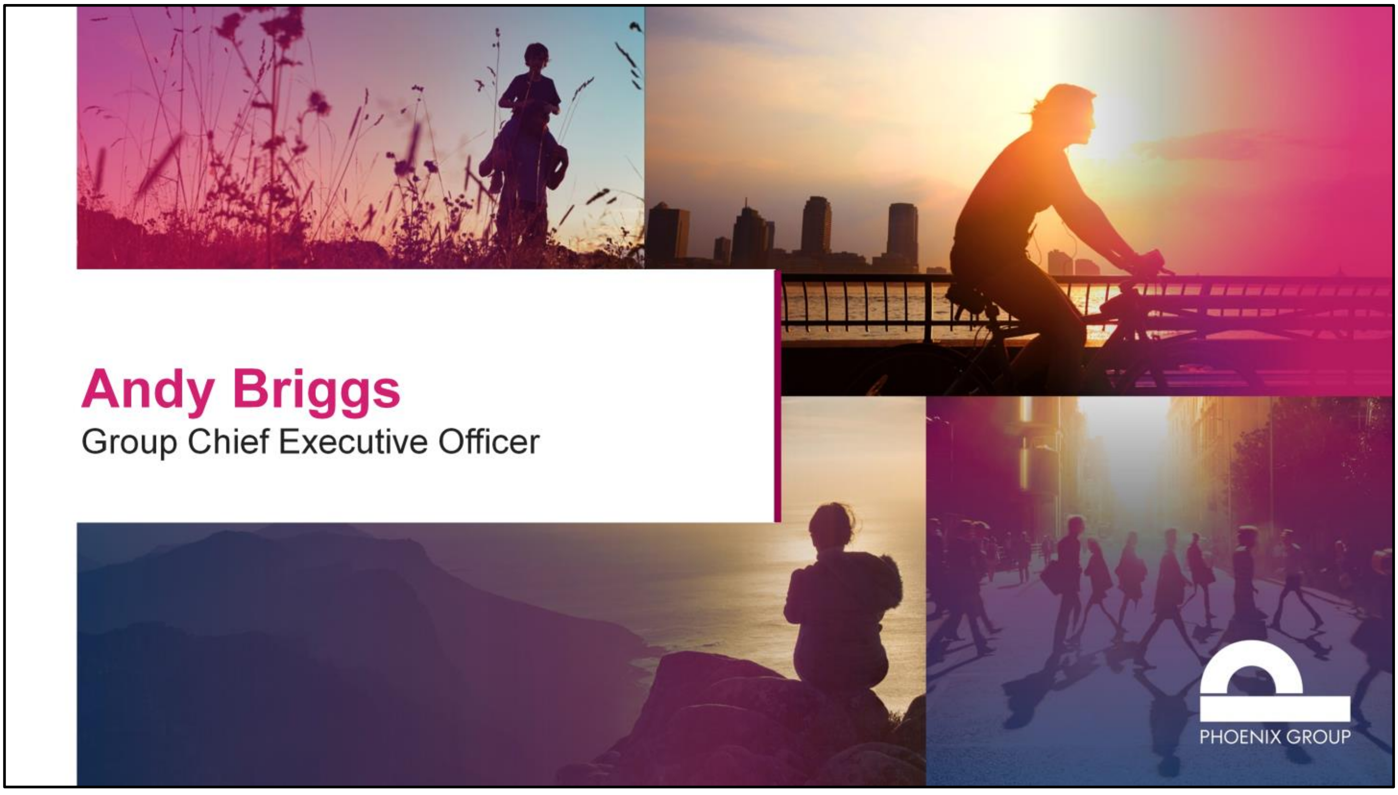


CASH
RESILIENCE
GROWTH

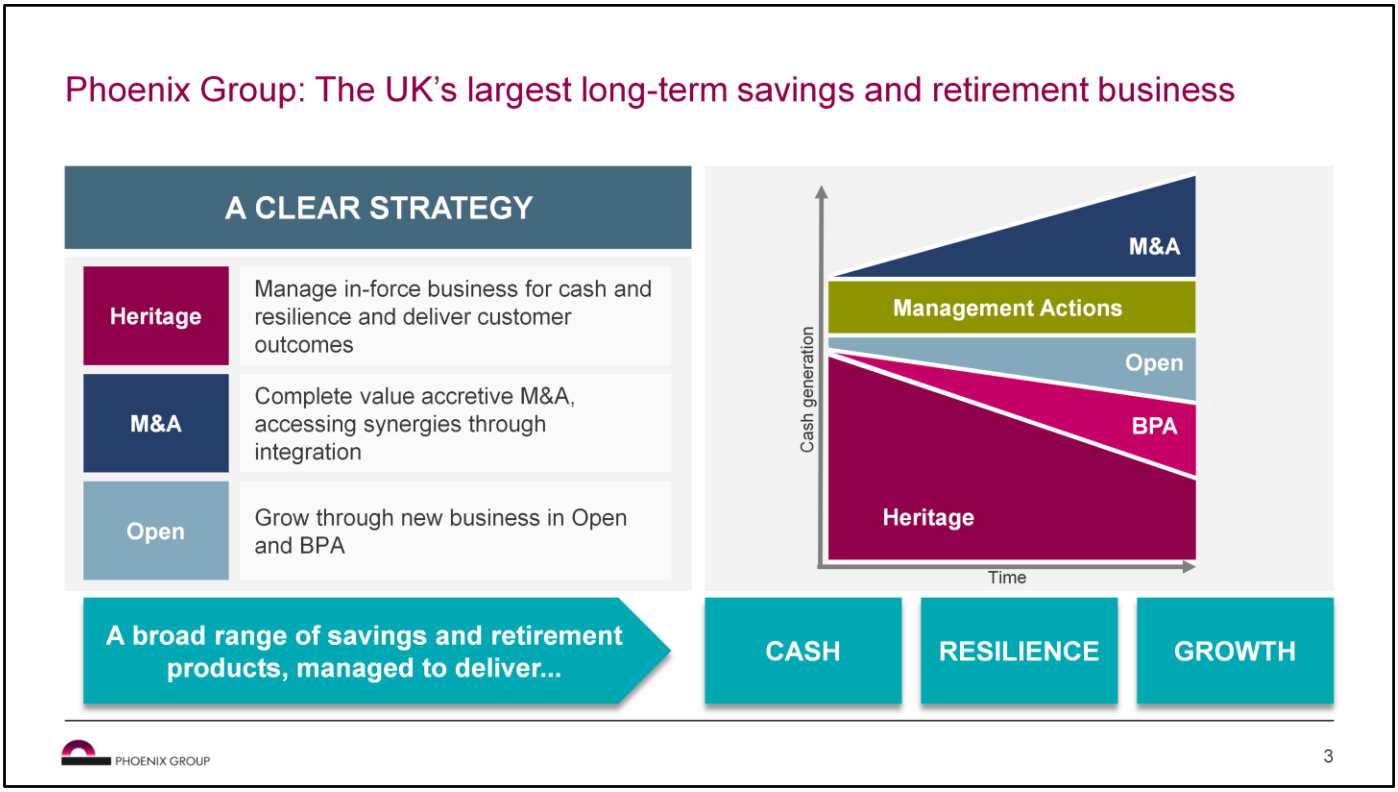
Interim Results 2020
6 August 2020







Good afternoon everyone and welcome to the Phoenix group half-year results



It's been a busy and successful half year for Phoenix, as we completed the ReAssure deal, and became the U.K.'s largest long-term savings and retirement business.

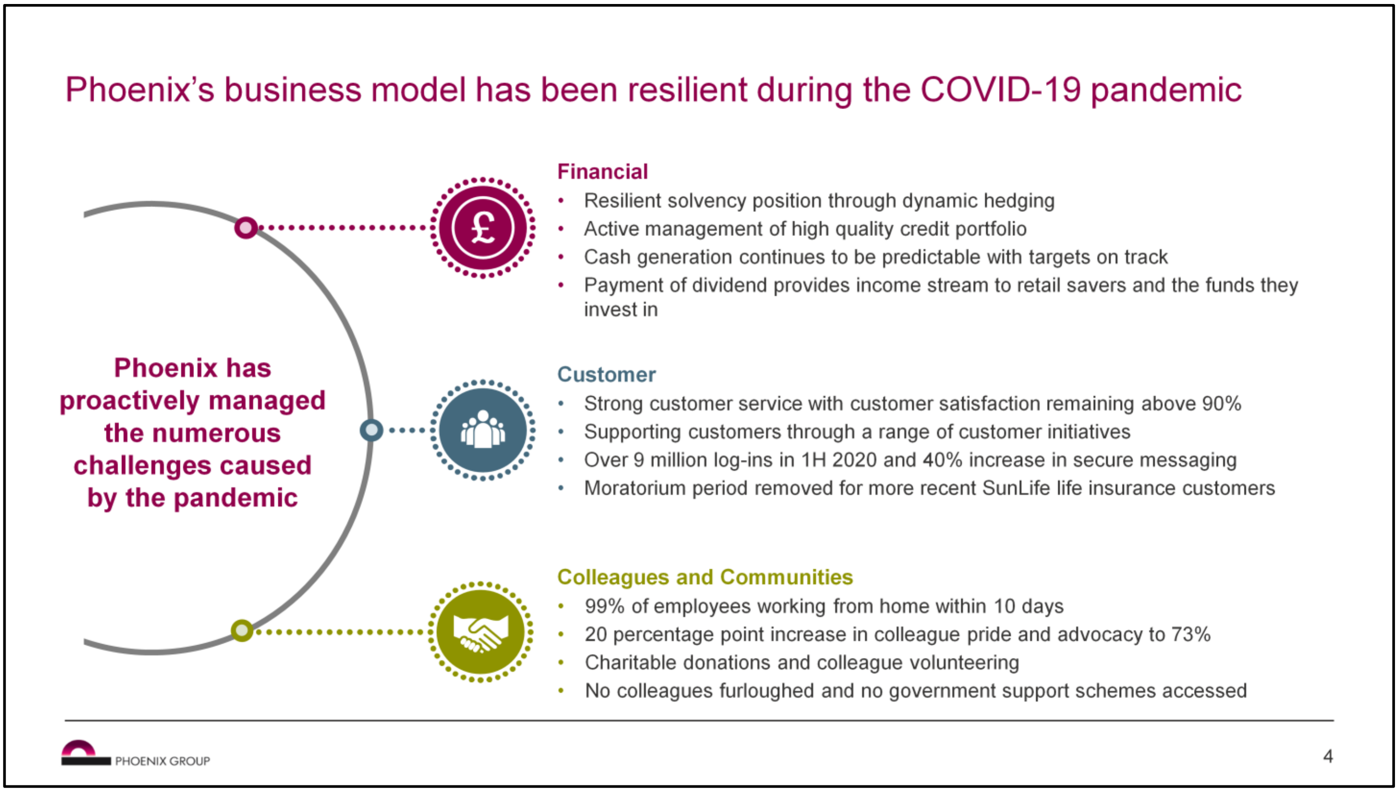
Our strategy remains clear, simple and unchanged. We do three things, which in turn drive delivery of the wedge.

First, Heritage, where we are the market leader in providing a safe home for customers in product lines which are no longer actively marketed. It delivers a steady flow of cash for shareholders, the bedrock of the wedge. It is also the major driver of one of our key growth areas within the wedge, management actions.

Second, we're the market leader in M&A, and successfully integrating those businesses.

And third, we are building a thriving and growing open business through our capital light workplace and retail pensions businesses, and through BPA. Together, these are the key drivers of growth within the wedge.

Our financial framework is also clear, simple and unchanged. We run a broad range of savings and retirement businesses, all to deliver cash, resilience and growth.



2020 has been dominated by COVID-19. It is a horrific virus that has severely impacted many families and many businesses. These difficult times have demonstrated the resilience of Phoenix's business model.

Financially we are very resilient. We paid our dividend as planned and reconfirmed our cash generation target. More from Rakesh on this later.

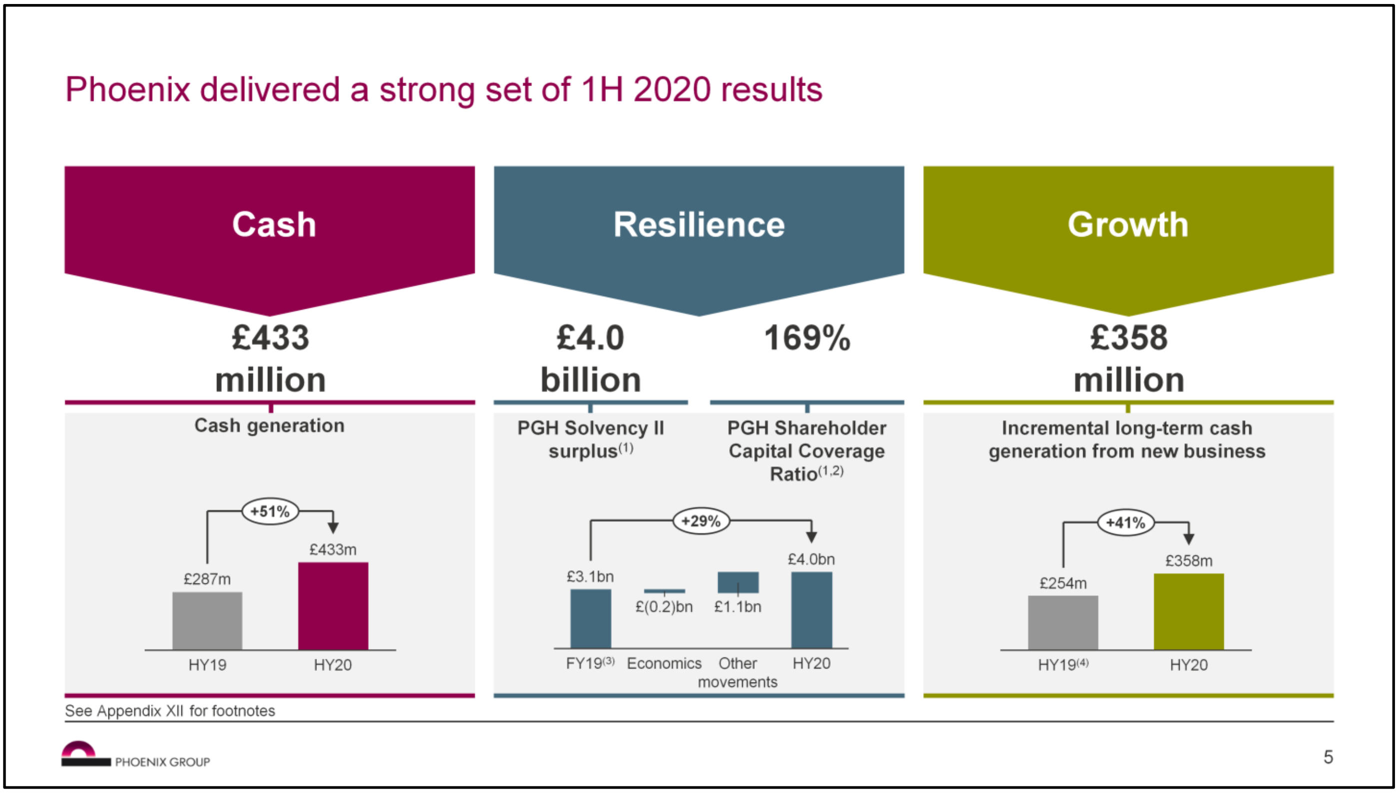
Alongside this, we championed ordinary savers and pensioners, many of whom are our customers, by making the case strongly why dividends should be paid when they can be afforded.

And we took no form of government support, and furloughed no staff.

But what I'm most proud of is how our colleagues have pulled together to deliver for our customers. We got 99% of our people working from home within 10 days of lockdown. Impressive, but what's even more impressive is that throughout that period we kept our phone lines open - our call answer rates were over 93%, which is close to pre-COVID levels, and we maintained customer satisfaction above 90%. Our People were determined to be there when our customers needed them most.

We implemented a range of other customer initiatives including waiving the moratorium on COVID related claims in our Sun Life business, helping customers who originally took cheques to get BACS payments, and providing a dedicated contact line for frontline care workers.

Alongside this we have a strong focus on the health and well-being of our colleagues, and our contribution to our broader communities. As a result both colleague pride and advocacy in Phoenix grew by 20 percentage points to 73%.



So in a volatile COVID environment, how did we do in the first half against our financial framework of cash, resilience and growth.

Cash generation is up 51% to £433 million.

We remain as resilient as ever, with a £4.0 billion Solvency II surplus, and a coverage ratio of 169%. And in particular, all the economic volatility in the first half only had a £0.2 billion impact on this £4.0 billion surplus.

In terms of growth, as ever our focus is value not volume, and is all about cash, so the long term cash we expect from new business. This is up 41% to £358 million.

A strong set of first half results.

ReAssure transaction completed in July and strengthens our key attributes

Transaction highlights

£76 billion	3.9 million	£7 billion
AUA[5]	Policies[5]	Cash generation[6]

- ✓ Regulatory approval granted with no conditions
- ✓ £800 million synergy target set
- ✓ Supports 3% increase in 2020 final dividend

Pro-forma 1H 2020 results

£1.1 billion
Cash generation

£4.4 billion
PGH Solvency II surplus[7]

150%
PGH Shareholder Capital Coverage Ratio[8]

New 2020 cash generation target of £1.5 - £1.6 billion

See Appendix XII for footnotes

PHOENIX GROUP 6

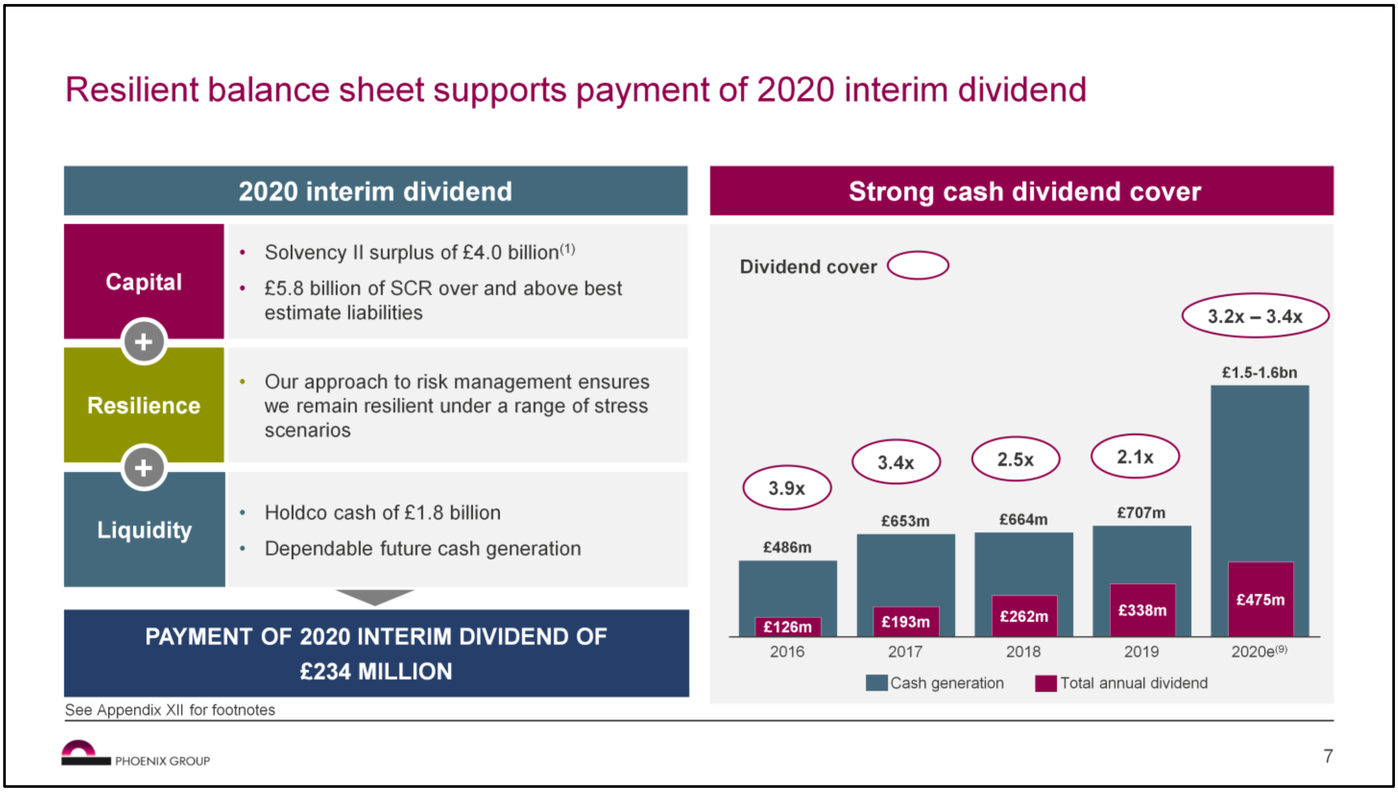
As well as new business, M&A is another key growth driver for us, and we completed on the ReAssure transaction two weeks ago.

With ReAssure, we are now the U.K.'s largest long-term savings and retirement business. ReAssure adds £76 billion to our assets under administration, taking the total to £324 billion. And it adds 3.9 million policies, taking our total to circa 14 million.

ReAssure also adds £7 billion to our total long-term cash generation, including £800 million of cost and capital synergies.

On a pro-forma basis, the first half cash generation is £1.1 billion, Solvency II surplus is £4.4 billion, with the shareholder capital coverage ratio at 150%.

And all of this enables us to increase our cash generation target for this year to £1.5 to £1.6 billion, demonstrating what a highly cash generative business the enlarged Phoenix group is.



Our focus on cash, resilience and growth turns into dividends for you, our shareholders.

With a £4.0 billion capital surplus, on top of the £5.8 billion of capital requirements that we maintain above our best estimate liabilities, we are well capitalised. And with our resilience and liquidity we will be paying our interim dividend of £234 million.

With Phoenix, you get real visibility of cash generation, with the gross cash coverage of the dividend this year expected to be 3.2 to 3.4 times.

Phoenix is delivering on its 2020 strategic priorities

Heritage	M&A and integration	Open
✓ £1.1 billion pro-forma cash generation from Combined Group	✓ ReAssure acquisition complete and £227 million of synergies delivered on Day 1	✓ £358 million incremental long-term cash generation from new business
✓ Dynamic hedging and active credit management ensured resilience of solvency position	✓ SLAL transition programme remains on track	✓ Launch of in-scheme draw down and passive core within Workplace schemes
✓ Exceeded all customer satisfaction metric targets	✓ Internal Model Harmonisation pre-application submitted	✓ Broadening proposition and illiquid asset origination underpinned strong BPA volumes

Investing in people ✓ New Executive Committee in place with market leading capabilities

Now the strength of our cash, resilience and growth is all down to the strength of our underlying businesses, and successful execution and delivery in those businesses. And it's this I'm most pleased with in the first half of this year.

Heritage is the engine of our £1.1 billion cash generation, and is also key to resilience, where some excellent work was done around hedging and active credit management. We've also done a first class job for our customers.

In terms of M&A and integration, again a busy first half, and I'm delighted to be able to confirm we already have banked £227 million of our £800 million synergy target from the ReAssure deal.

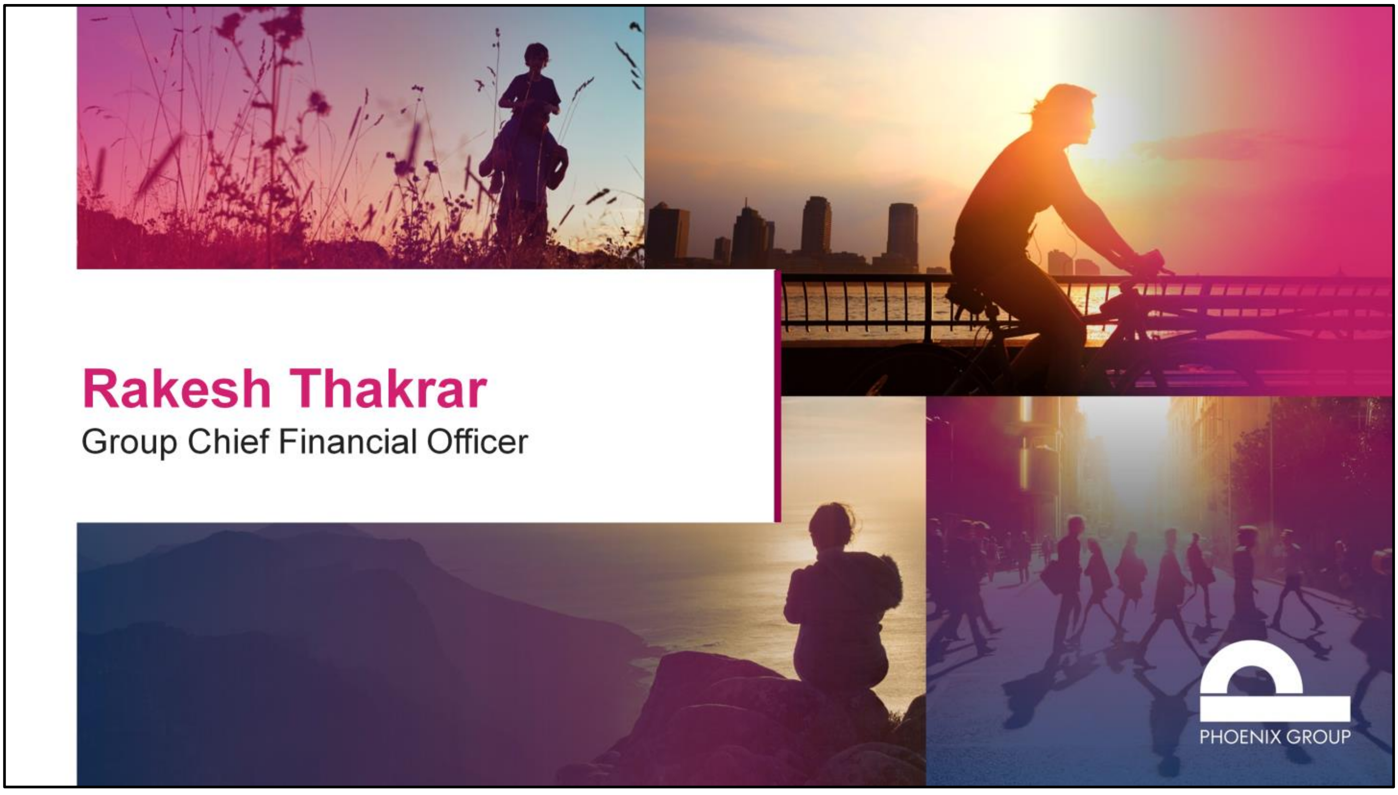
But what I am even more pleased about is how well Day 1 went and how great it is to have our new colleagues from ReAssure as a part of the Phoenix family.

Alongside this we are on track with the Standard Life transition programme.

And then in the open business, long-term new business cash is up by 41% at £358 million, in spite of the challenging markets. Key to this has been our investment in our proposition in both open business and in BPA, alongside strong asset origination.

Finally, we made good progress building our people capability. Matt Cuhls and Mike Eakins have joined the ExCo from ReAssure, Mike in the exciting new role of Group CIO. Following Susan’s retirement plans, Andy Curran is joining us to run the Open business - and we’re appointing some of our excellent internal talent to run the key Business Units in our Open business, supplemented by hiring Tom Ground externally, to run Annuities and Equity Release. And then Sara Thompson has joined as Group HR director, and Claire Hawkins was promoted to the ExCo, adding corporate affairs and brand to her investor relations remit, as we increase our external presence.

I’ll be back shortly to talk about the outlook, but first I’ll hand over to Rakesh, to talk through the numbers in more detail.



Thank you Andy and good afternoon

Financial highlights - Phoenix

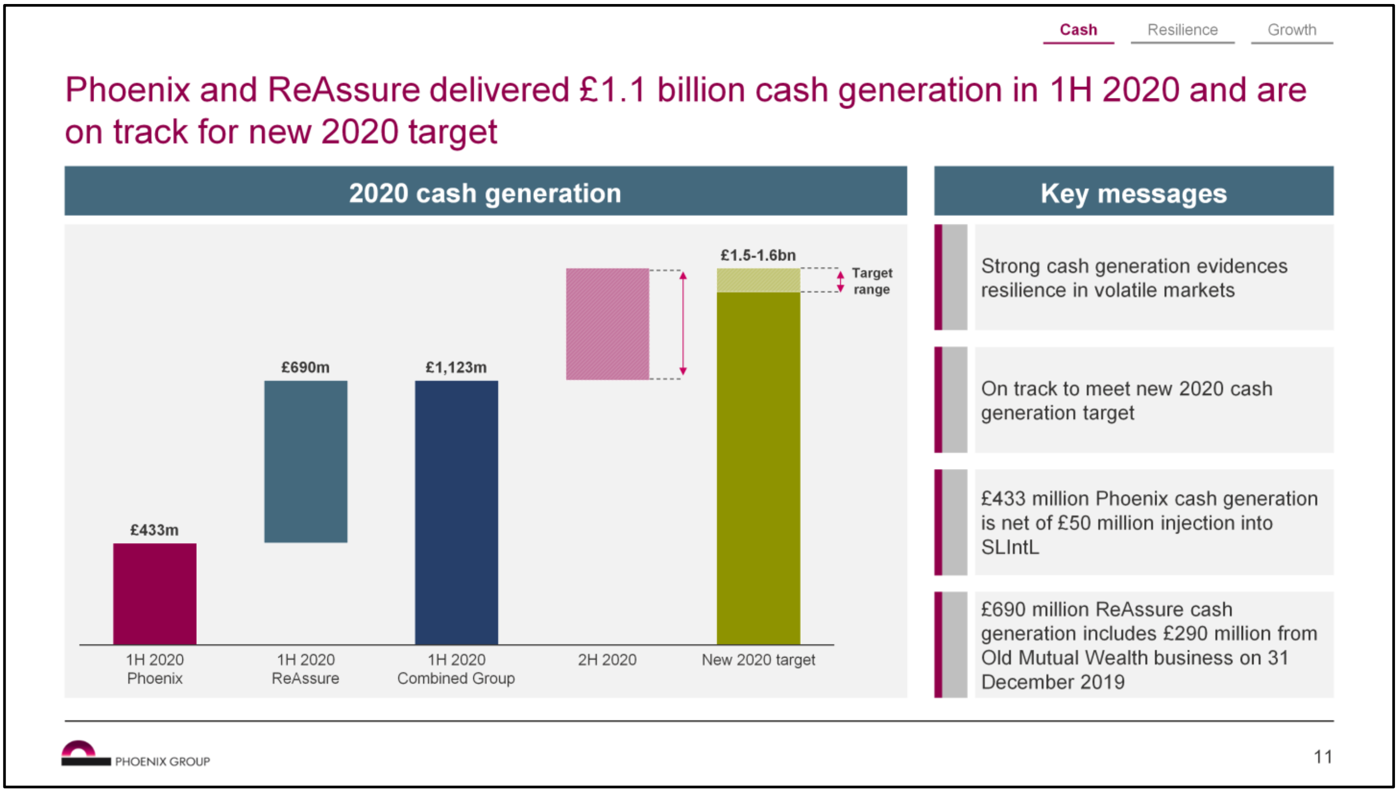
Financial performance:		HY20	HY19
Cash	Cash generation	£433m	£287m
Dividends	Dividend per share	23.4p	23.4p
IFRS	Operating profit before tax	£361m	£325m
New business	Incremental long-term cash generation	£358m	£254m[4]
	New business contribution[10] – UK Open and Europe	£70m	£119m[4]

Financial position:		HY20	FY19
Group capital	PGH Solvency II surplus[1]	£4.0bn	£3.1bn[3]
	Shareholder Capital Coverage Ratio[1,2]	169%	161%[3]
AuA	Assets under Administration (see Appendix II)	£248bn	£248bn
Leverage	Leverage ratio (see Appendix I)	27%	22%

See Appendix XII for footnotes

As Andy said, we have had a strong first half of the year despite the financial volatility driven by the pandemic.

These financial highlights demonstrate that we continue to manage our in-force business to ensure resilience, which leads to predictable cash generation and we are also focused on growth through new business.



Turning first to cash.

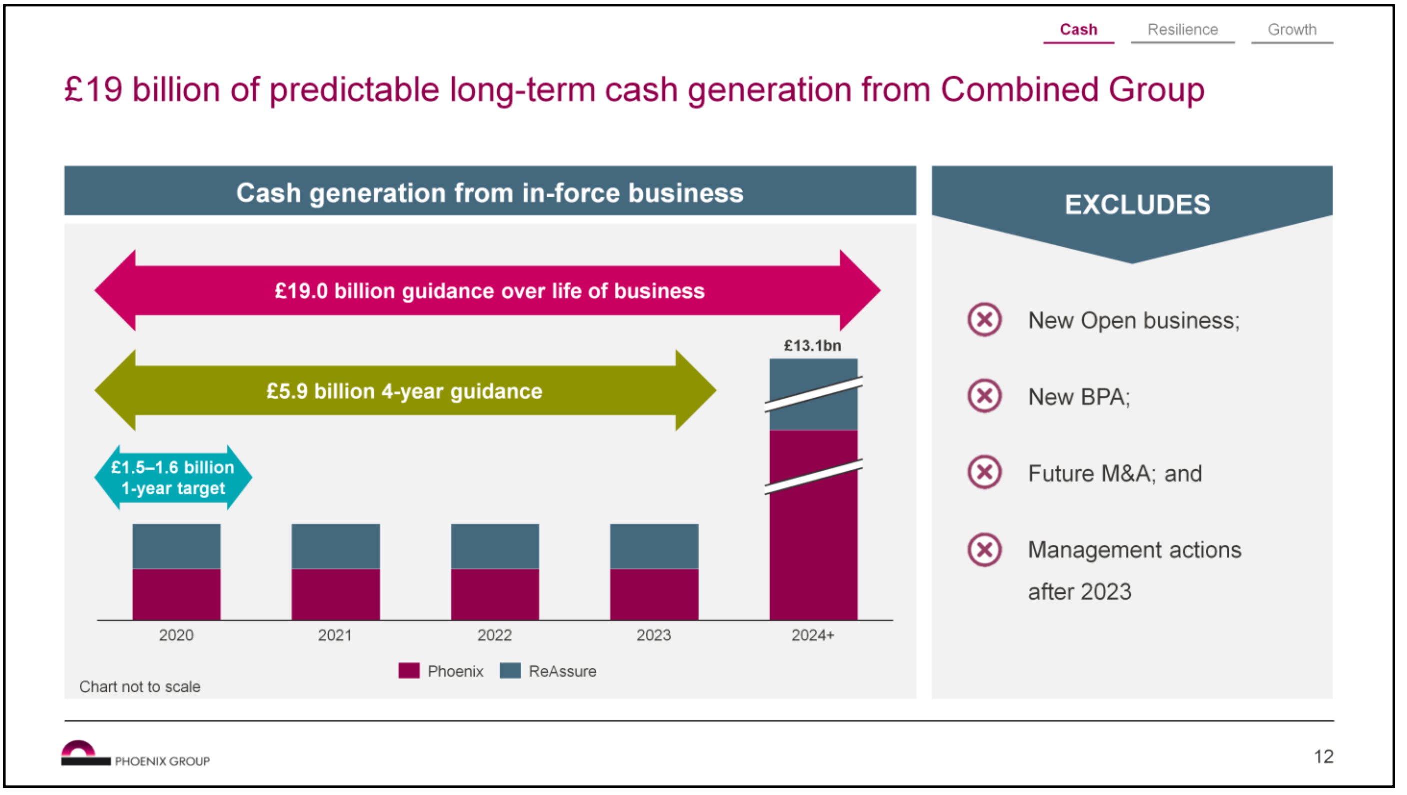
In the first six months of 2020, Phoenix's insurance entities remitted £433 million to Group. This is after the provision of £50 million of capital injected into our Irish domiciled subsidiary to strengthen its capital position following the fall in yields.

Alongside that, the newly acquired ReAssure business also delivered strong cash generation, remitting a further £690 million. As a reminder, our acquisition of ReAssure was made as if the transaction happened on 30 September 2019, and as such, the £690 million reflects cash generation since then, including £290 million from the Old Mutual Wealth businesses acquired from Quilter.

Together therefore, the Combined Group delivered £1.1 billion of pro-forma cash generation in the period.

Today we have announced an update to our 2020 cash generation guidance, increasing the Phoenix only target of £800 - £900 million to reflect the £690 million of cash generation delivered by ReAssure. Historically, ReAssure businesses remitted cash only once a year at the start of each year, so we aren't reflecting any further ReAssure cash flows in our 2020 target at this stage.

Our new target range is therefore £1.5 to £1.6 billion and we are firmly on track to meet this.

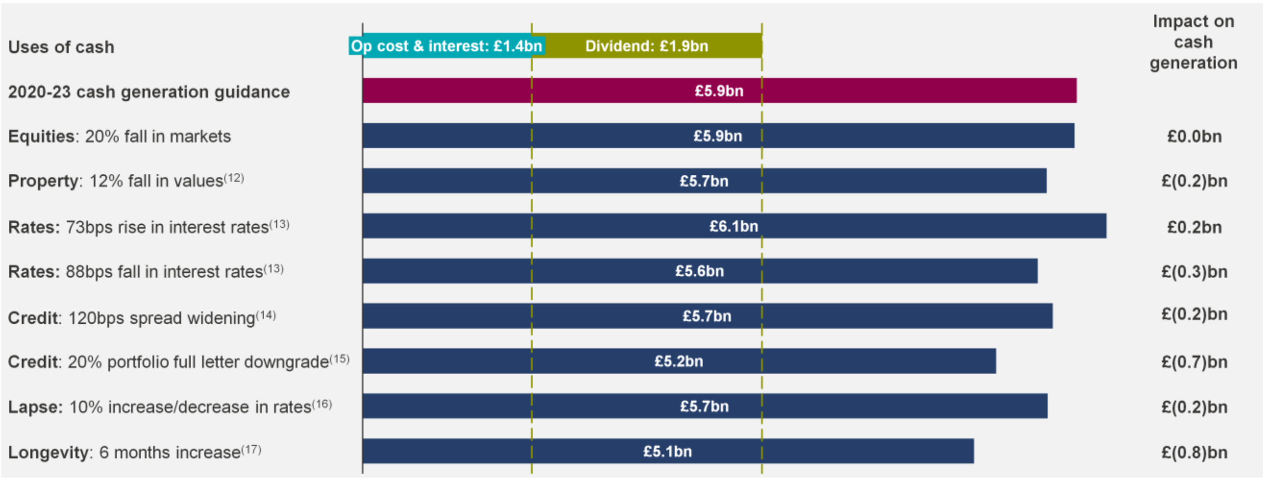


As a reminder, we expect the Combined Group to deliver £19 billion of cash generation over the long-term with £5.9 billion of this emerging over the next 4 years.

These cash generation targets reflect the business that is already in-force. They therefore exclude any new business written after 31 December 2019, whether this new business arises through BPA or through the Standard Life brand in the Open business. They also exclude any future M&A and exclude management actions after 2023.

Resilience of cash generation provides confidence in our dividend

Sensitivities for £5.9 billion 2020 - 2023 cash generation guidance(11)



See Appendix XII for footnotes

To demonstrate the resilience of our 4 year cash generation target, we have set out the sensitivity of this target to various stress events. These sensitivities are presented for the Combined Group and therefore include the ReAssure business.

As you will be aware, Phoenix has a low appetite to market risks and uses hedging to mitigate the majority of its exposure to equity and interest rates. We also have a lower exposure to credit risk than our peers due to the relative size of our shareholder business and maintain a high quality credit portfolio which we actively manage. This translates into the low sensitivities to market risks we present today and demonstrates that we would be able to continue to pay our dividend under all these scenarios.

Strong HY20 operating profit of £361 million

	HY20	HY19
UK Heritage	£281m	£257m
UK Open	£58m	£43m
Europe	£20m	£28m
Service company	£19m	£13m
Group costs	£(17)m	£(16)m
Operating profit before tax	**£361m**	**£325m**
Investment return variances and economic assumption changes	£627m	£(84)m
Amortisation of intangibles	£(184)m	£(199)m
Other non-operating items	£(65)m	£(32)m
Finance costs	£(76)m	£(63)m
(Loss)/profit before tax attributable to non-controlling interest	£(20)m	£2m
Profit/(loss) before tax attributable to owners	**£643m**	**£(51)m**
Tax (charge)/credit attributable to owners	£(157)m	£90m
Profit after tax attributable to owners	**£486m**	**£39m**

Key messages

- Increased Heritage operating profit reflecting higher new business profits on BPA transactions
- Increased UK Open operating profit due to higher SunLife volumes and positive persistency assumption changes
- Investment returns reflect gains on equity hedges and the impact of falling yields
- Other non-operating items include £48 million of costs associated with the SLAL transition

Before we move on to talk about Resilience, I will walk you through our IFRS results.

We delivered operating profit of £361 million in the first half of 2020, 11% higher than the prior year. This increase is driven by strong performance in our Heritage and UK Open business segments which have seen higher new business profits for BPA and Sun Life respectively.

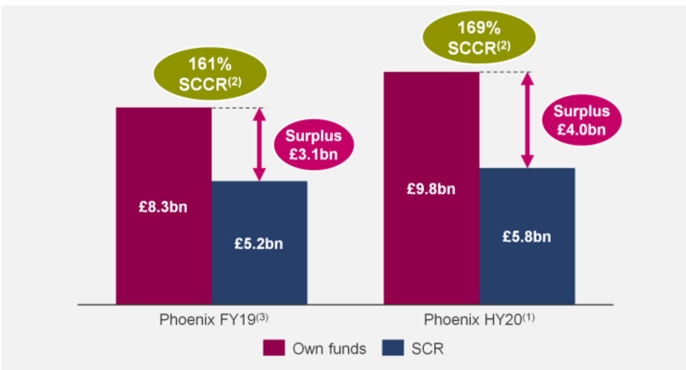
The impact of demographic assumption changes and experience variances has been small with positive longevity experience variances on our annuity business having been offset by negative mortality experience variances on our protection business.

The net positive investment return variances and economic assumption changes primarily arise as a result of gains on the equity hedges held by the life funds following equity market losses during the first half of the year, together with the impacts from falling fixed interest yields. These positive impacts have been partly offset by widening credit spreads.

Finally, our non-operating items include £48 million of costs incurred on the SLAL transition programme.

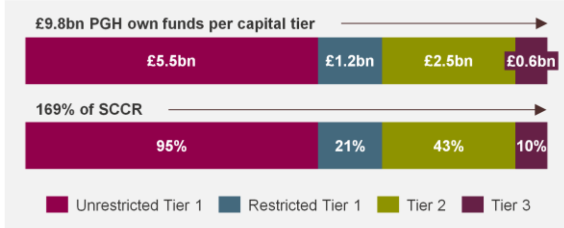
Phoenix maintains a strong capital position with a £4.0 billion Solvency II surplus

Estimated PGH Shareholder Capital Position



- £234 million 2020 interim dividend deducted from HY20 own funds
- £2.0 billion of surplus in unsupported with-profit funds and staff pension schemes is unrecognised

HY20 PGH own funds by capital tier



Shareholder own funds[18]	**£5.8bn**
Contract boundaries	£0.1bn
Shareholders share of with-profit estate	£0.2bn
Proxy to shareholder value	**£6.1bn**

Shareholder value per share: £8.45

See Appendix XII for footnotes

Maintaining Phoenix's capital resilience has been my key priority during this period of economic turbulence.

Our primary focus continues to be the overall quantum of surplus. This is because cash generation is made from surplus capital rather than from surplus ratios.

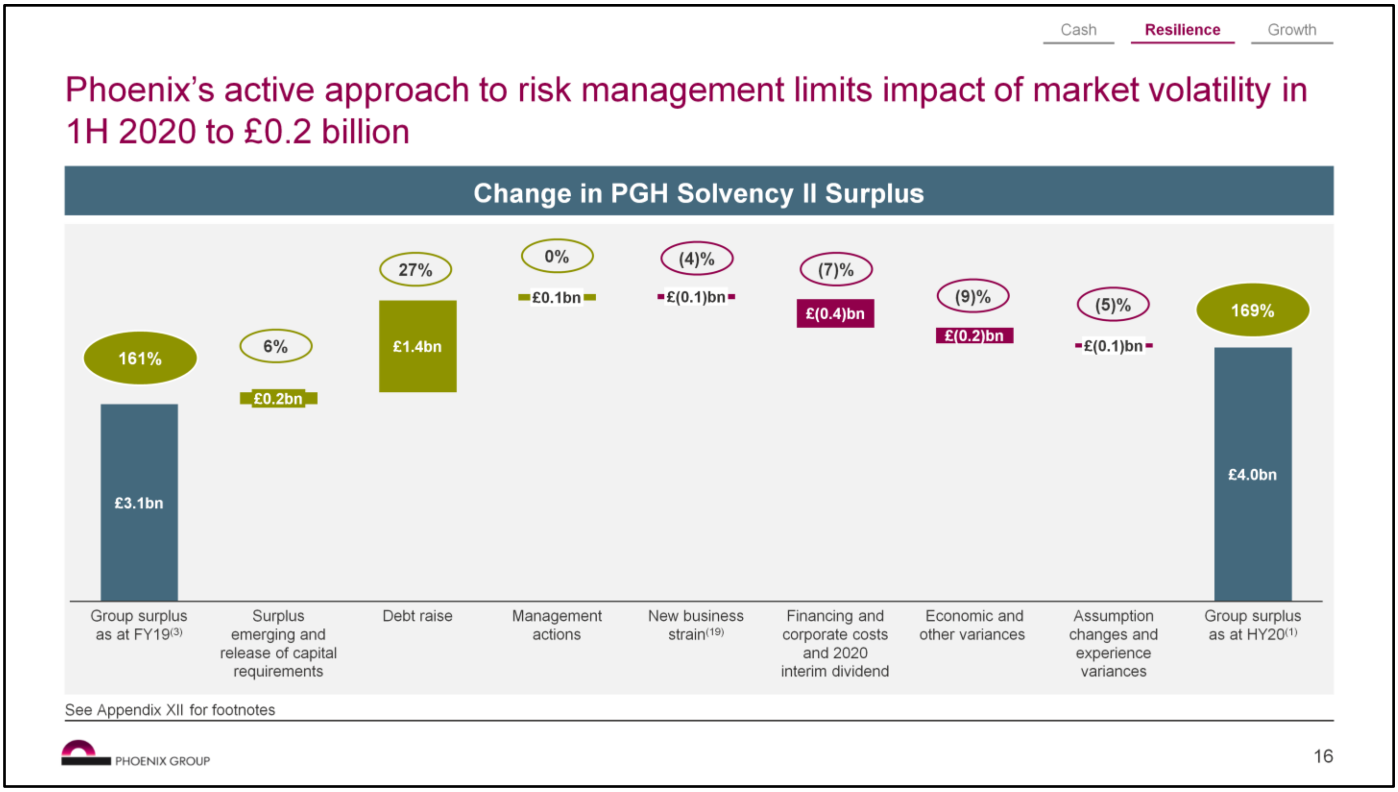
Therefore, whilst we have a target range for our shareholder capital coverage ratio, all of our hedging actions are taken to protect the overall quantum of surplus.

As at 30 June 2020, the standalone Phoenix Group had an estimated Solvency II surplus of £4.0 billion and a shareholder capital coverage ratio of 169%. This position is stated after recognition of the 2020 interim dividend of £234 million and excludes £2.0 billion of unrecognised surplus in the unsupported with-profits funds and staff pension schemes.

Shareholder Own Funds continues to be a good starting point for determining shareholder value but does not include a number of areas where value exists. These include contract boundaries, where the value of in-force on unit-linked business is restricted under Solvency II, and the shareholders share of our with-profit estate.

Adjusting for these items provides a proxy for shareholder value at 30 June 2020 of £6.1 billion, which equates to £8.45 per ordinary share.

This value proxy is effectively “ex-dividend”. It places no value on future new business from vesting annuities, BPA and open channels or management actions. It also excludes ReAssure.

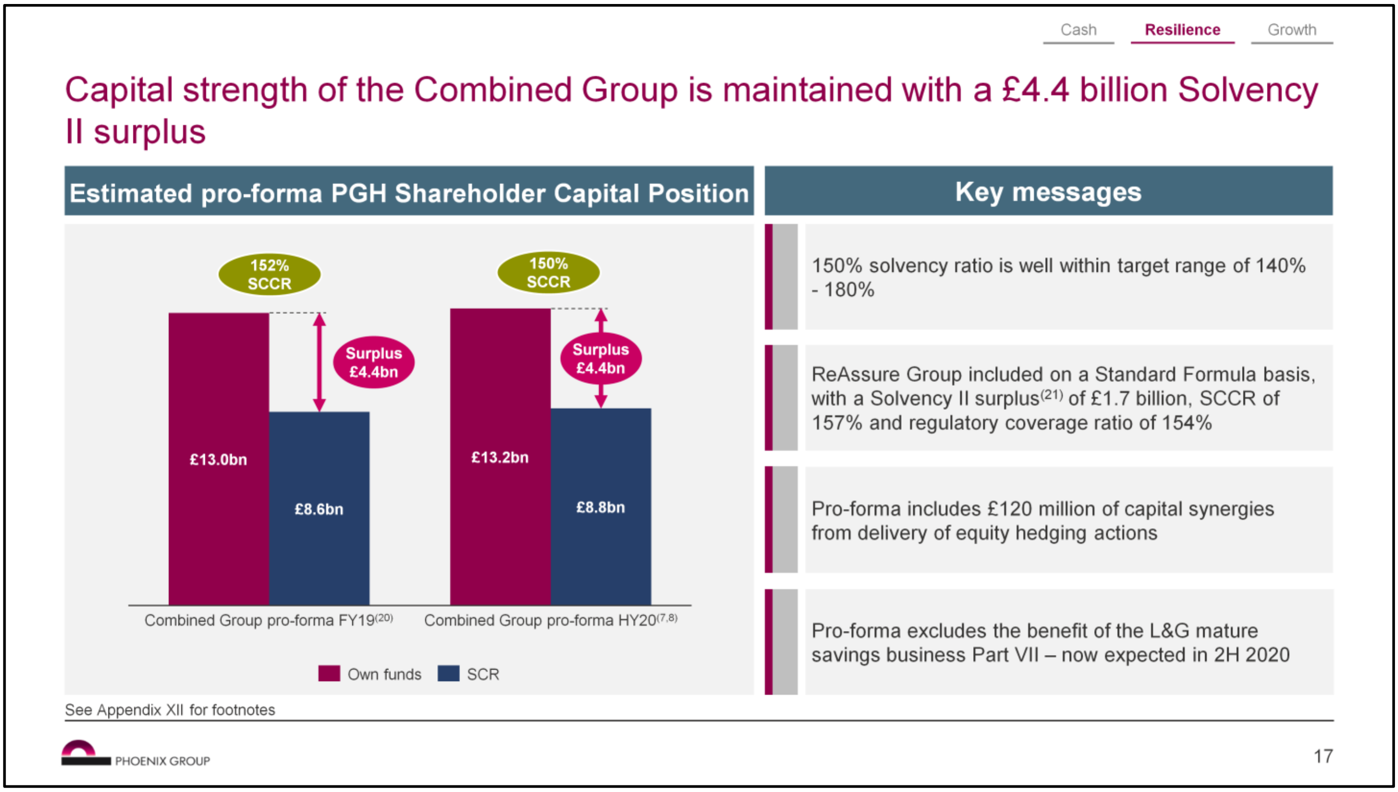


During the year we saw the PGH Group surplus increase from £3.1 billion to £4.0 billion.

The main driver of this increase was the raising of £1.4 billion of hybrid capital net of costs. This was largely undertaken to fund the acquisition of ReAssure, but we also took the opportunity to access the debt capital markets in May when they were particularly strong, with the proceeds providing additional flexibility for the refinancing of existing Phoenix borrowings.

As I mentioned, my priority in the period has been to preserve the resilience of the Group's capital position. Whilst we are not immune to economic volatility, our approach to risk management has provided significant protection to our financial strength as equities and rates fell and credit spreads widened. The £0.2 billion solvency strain resulting from economics reflects the impact of this volatility, post hedging, together with falls in property prices and the impact of downgrades experienced year to date. This movement is broadly in line with our published sensitivities.

The pandemic has also resulted in us making some changes to our underlying assumptions – particularly on the property assumptions that underpin our £3.1 billion Equity Release Mortgage portfolio where we have strengthened our assumptions on future inflation, prepayments and dilapidations. We have also strengthened our persistency assumptions of products with valuable guarantees in relation to late retirements. However, we have made no change to our longevity assumptions in the period and will complete our annual review of this assumption across the Combined Group in the second half of the year.



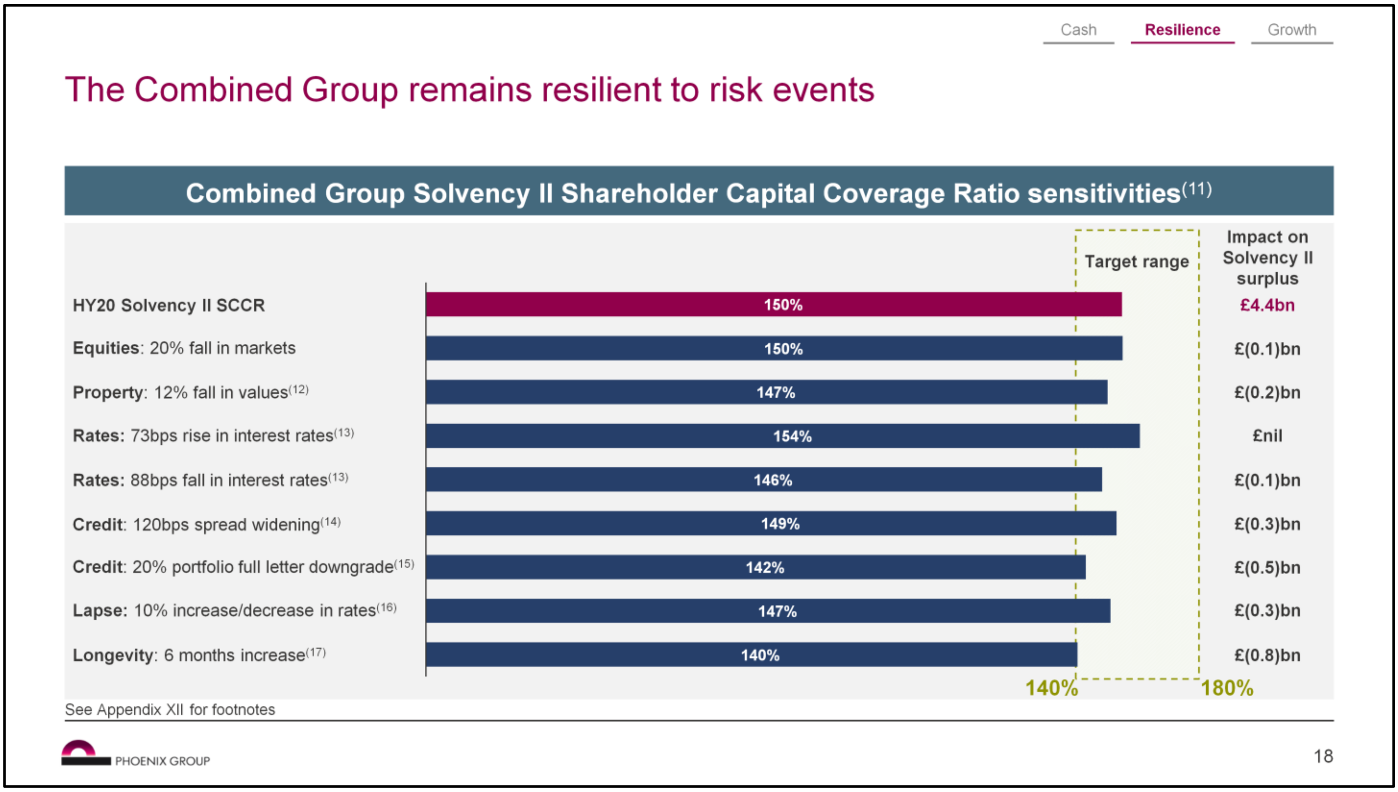
On 22 July we completed the acquisition of ReAssure.

As Andy outlined in his introduction, this is a deal that reinforces our key attributes of cash, resilience and growth.

On a Combined Group basis, the pro-forma solvency II surplus was £4.4 billion at 30 June 2020 with a shareholder capital coverage ratio of 150%. This ratio is well within our target range of 140% to 180%.

The pro-forma includes an estimated Solvency II surplus of £1.7 billion for the ReAssure business on a standard formula basis and reflects £120 million of capital synergies from equity hedging actions completed by Day 1.

Moving forwards, delivery of management actions and integration synergies will further strengthen this solvency position.

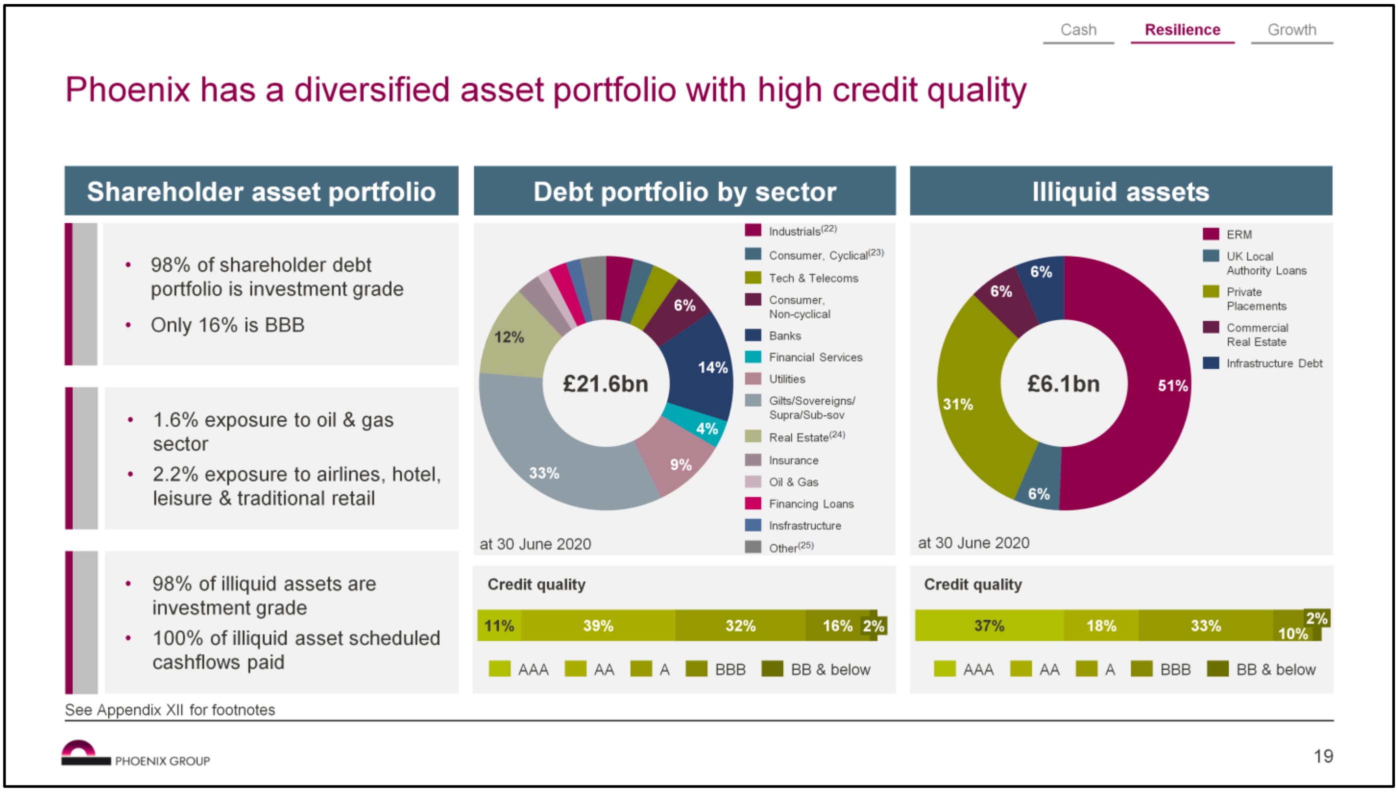


Here we present the sensitivities of the Combined Group. The sensitivities reflect the equity and interest rate hedging and the longevity reinsurance currently in place within the ReAssure business and illustrate that our enlarged group remains resilient to risk events.

We have modelled the impact of our usual range of scenarios on both our Solvency II surplus and ratio and added a separate credit downgrade sensitivity in response to investor feedback.

I must stress that these scenarios are being applied to a capital position which already reflects the economic environment as at 30 June 2020 which saw 15 year swap rates sitting at 44bps, 5-10 year swap margins at around 130 bps and the FTSE100 at circa 6,200.

The fact that the Combined Group remains within our target shareholder capital coverage ratio range of 140-180% under all scenarios applied to this already strained solvency position is evidence of our ongoing resilience.



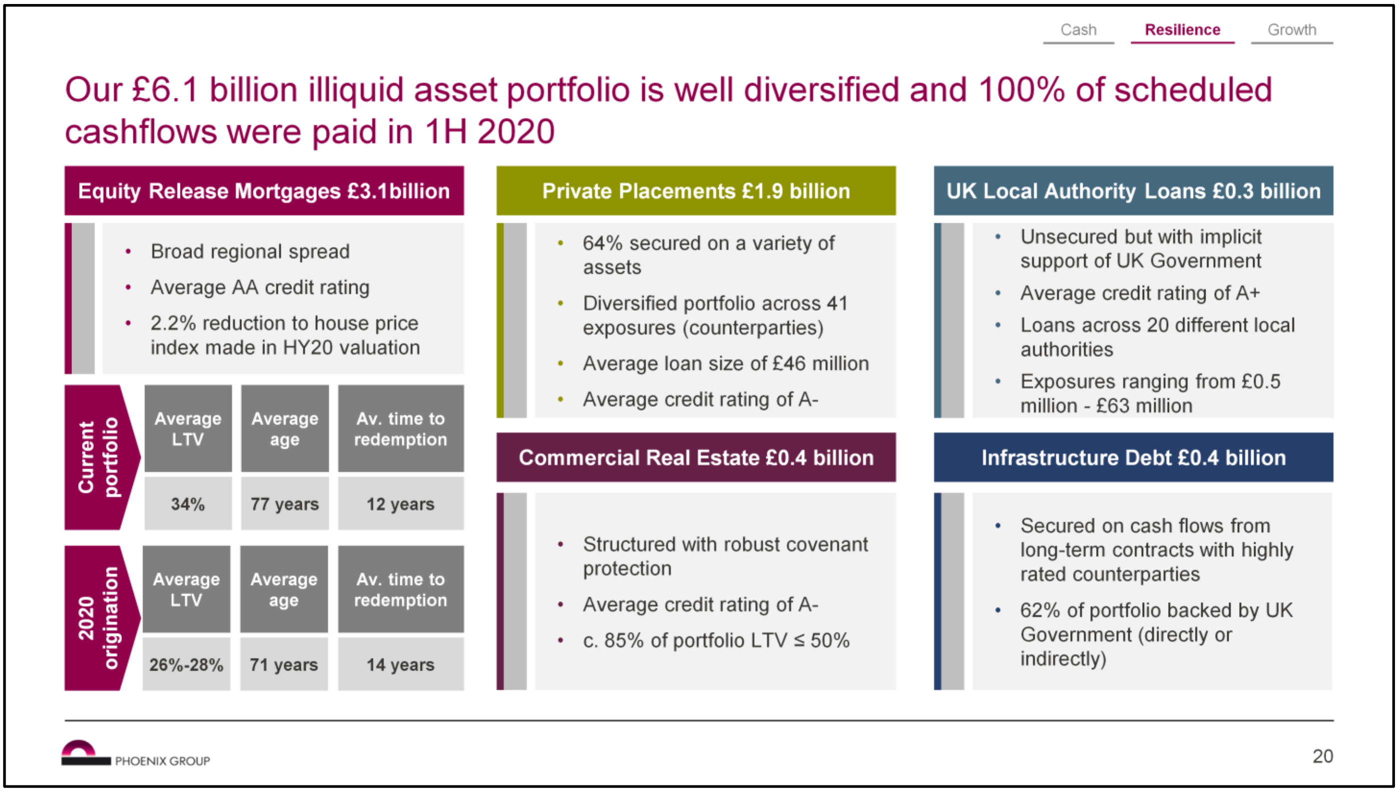
Phoenix has a diversified, high credit quality shareholder asset portfolio.

98% of our £21.6 billion shareholder debt portfolio is investment grade with only 16% held in BBB’s.

We also have a low exposure to those sectors more at risk from the pandemic, with only 1.6% exposure to the oil and gas sector and 2.2% exposure to airlines, hotel, leisure and traditional retail.

As at 30 June, our portfolio of illiquid shareholder assets was £6.1 billion.

The credit quality of this illiquid asset portfolio mirrors that of our debt portfolio, with 98% investment grade.



Our illiquid asset portfolio continues to be well diversified across 5 main asset categories. For this portfolio, we are particularly focused on whether scheduled cashflows are met as this is a key indicator of the resilience of the underlying investment. As at 30 June, 100% of scheduled cashflows had been paid.

The largest category is equity release mortgages where we have an average loan to value of 34% and an average age of 77 years. In our 30 June 2020 valuation of this asset class we have applied a one-off 2.2% reduction to the quarterly house price index to reflect the lower volume of property transactions in May and June.

Our £1.9 billion portfolio of private placement loans has an average credit rating of A- and is diversified across 41 exposures with over 64% of the portfolio secured on a variety of assets. And over 85% of our Commercial Real Estate portfolio has a loan to value lower than 50%.

We continue to manage this portfolio very closely, and our focus on maintaining a high credit quality is reflected in the experience during the first half of the year.

Active management of credit portfolio has led to limited downgrade experience

Average credit rating by sector (HY20 vs FY19)

Sector	HY20	AA	A	BBB	Δ vs FY19
Industrials[22]	£0.7bn		● FY19	● HY20	↓
Consumer, Cyclical[23]	£0.6bn		● FY19 ● HY20		↔
Tech and Telecoms	£0.8bn			● FY19 ● HY20	↔
Consumer, Non-cyclical	£1.3bn		● FY19 ● HY20		↔
Banks	£3.1bn		● FY19 ● HY20		↔
Financial Services	£0.8bn		● FY19 ● HY20		↔
Utilities	£2.0bn		● FY19	● HY20	↓
Gilts /Sovereign/Supra/Sub-sov	£7.2bn	● FY19 ● HY20			↔
Real Estate[24]	£2.5bn		● FY19 ● HY20		↔
Insurance	£0.7bn		● FY19 ● HY20		↔
Oil and Gas	£0.3bn		● FY19 ● HY20		↔
Financing Loans	£0.5bn	● FY19 ● HY20			↔
Infrastructure	£0.4bn			● FY19 ● HY20	↔
Other[25]	£0.7bn		● FY19 ● HY20		↔

Key: FY19 ● HY20 ● See Appendix XII for footnotes

Key messages

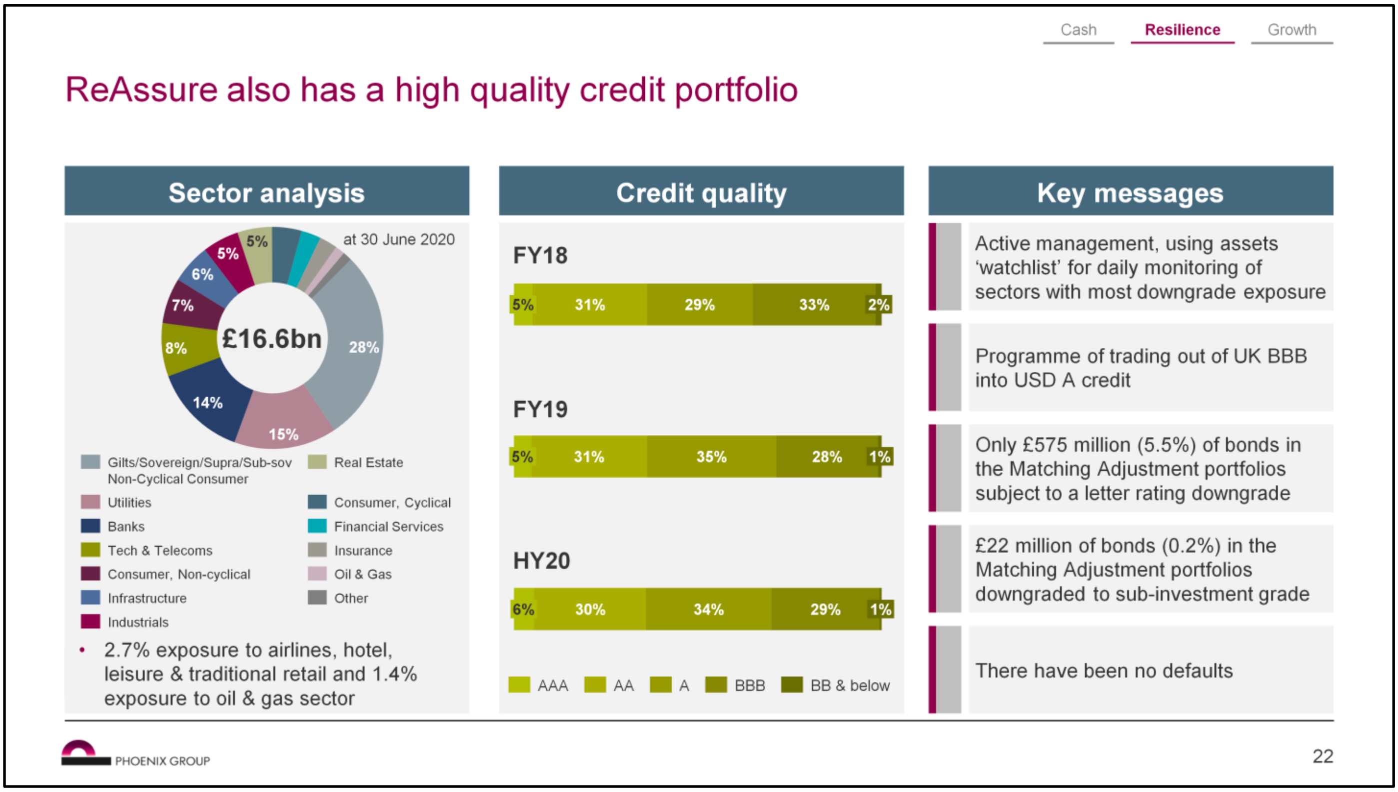
- ✓ GBP to USD block trade prevented £60 million Solvency II strain from forecast downgrade
- ✓ Proactive rotation out of assets on ASI downgrade forecast and internal Watchlist
- ✓ Only £860 million (6.5%) of bonds in the Matching Adjustment portfolios subject to a letter rating downgrade
- ✓ £16 million of bonds (0.1%) in the Matching Adjustment portfolios downgraded to sub-investment grade
- ✓ There have been no defaults

We have worked extremely closely with Aberdeen Standard Investments during the period to actively manage the credit quality of our debt portfolio, and rotate out of assets at risk of downgrading where possible.

Integral to this active management was a block trade which replaced £0.5 billion of sterling corporate credit by market value on the ASI 'hit list' with US dollar denominated corporate credit. 75% of this trade related to moving BBB sterling credit to single A US credit. This trade avoided a £60 million solvency strain which would have crystallised had the bonds downgraded and generated a £30 million solvency benefit recognised within management actions. It also increased diversity by individual issuer, sector allocation and geographic region.

Despite this active management, we have still experienced some downgrades during the period, with £860 million, or 6.5% of bonds in the matching adjustment portfolio being subject to a letter downgrade. However, only £16 million, or 0.1% of bonds have downgraded to sub-investment grade and there have been no defaults.

The maintenance of the credit quality of our debt portfolio is evidenced by the lack of average rating migration that we have experienced over the first six months of 2020, with only the industrial and utilities sectors seeing a decrease in average rating over the period.



ReAssure also has a well diversified credit portfolio and made significant progress during 2019 to improve the quality of this portfolio, trading out of UK BBB bonds and into US Dollar A credit. It is pleasing to see this credit quality maintained year to date, reflecting the active approach to credit management taken by the ReAssure team, despite the downgrades experienced in these volatile markets.

The downgrade experience across the ReAssure portfolio is similar to our own with £575 million, or 5.5% of bonds in the matching adjustment portfolio subject to a letter rating downgrade and £22 million, or 0.2% of bonds downgraded to sub-investment grade. There have also been no defaults.

28% of synergy targets delivered for ReAssure on Day 1

	Standard Life Transition			ReAssure Integration		
	Delivered	Target	% of target	Delivered	Target	% of target
1 Capital synergies (net of costs)	£645m	£720m	90%	£120m	£450m	27%
2 Cost synergies(26) (per annum)	£36m	£75m	48%	£11m	£40m	28%
3 One-off cost synergies	£38m	£30m	127%	N/A	N/A	N/A
4 Transition / integration costs(26) (net of tax)	£35m	£150m	23%	£3m	£50m	6%
Total value(26)	**£946m**	**£1,220m**	**78%**	**£227m**	**£800m**	**28%**

See Appendix XII for footnotes

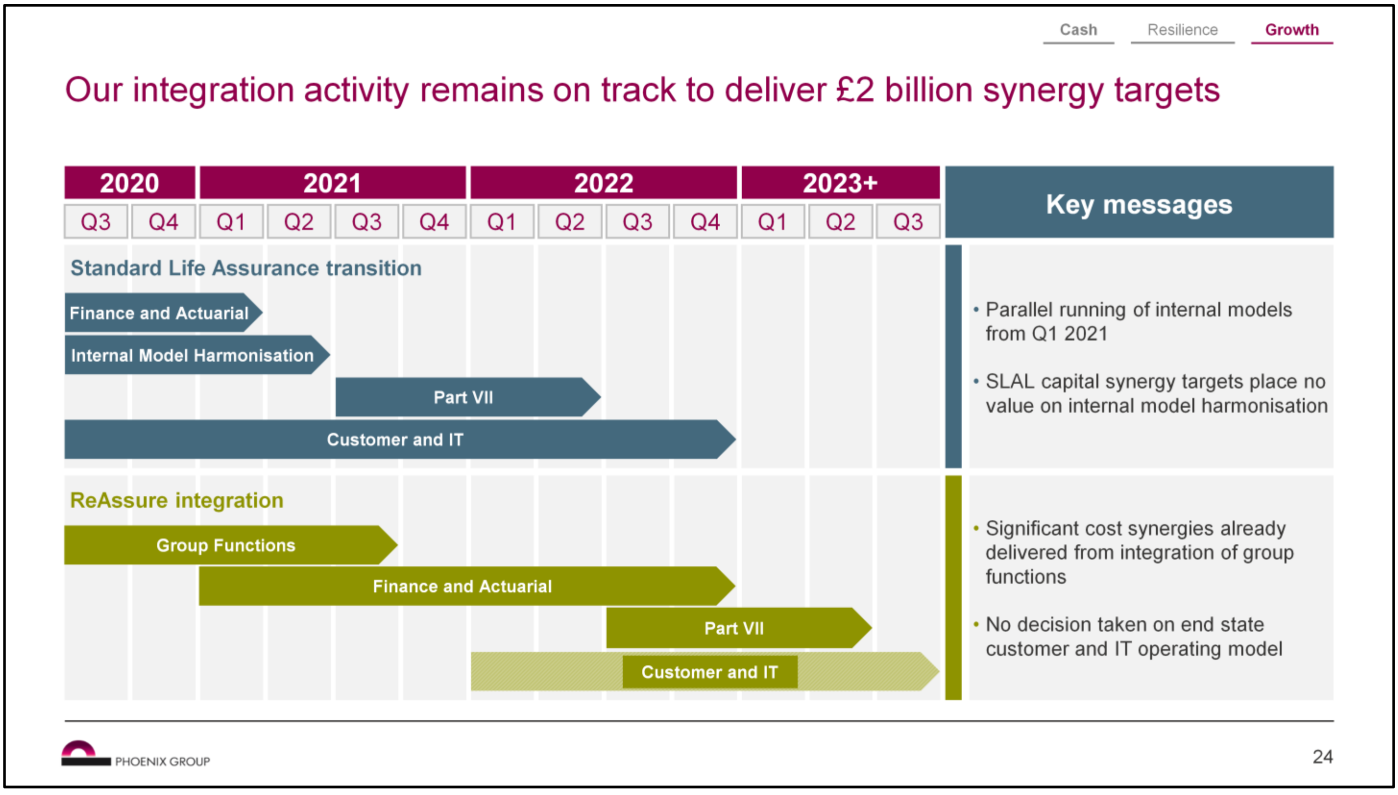
Turning now to growth.

Phoenix has three key growth options: M&A, BPA and Open business. First let me deal with M&A and integration.

With a combined synergy target of £2 billion across Standard Life and ReAssure, our market leading integration activities continue to be a real driver of shareholder value.

As you are aware, the nature of the ReAssure business being acquired has enabled us to deliver significant synergies on day 1. From a cost perspective, the £11 million per annum of cost synergies come from removing duplication from head office functions, most notably the costs associated with running ReAssure Group plc. And from a capital perspective, the implementation of hedging which protects 85% of the shareholders exposure to equity risk has delivered capital synergies of £120 million.

Alongside this we are on track to deliver our synergy targets for the Standard Life transition programme.



Our focus during the pandemic has been to prioritise the protection of our customers, colleagues and the communities in which we operate.

It is therefore not surprising that we have seen some strain on our transition activity. However, we were able to limit this strain to a 3-4 week delay in plans and we remain on track to deliver our synergy targets on time.

We have talked before of the complexity associated with bringing together the Standard Life and Phoenix Internal Models. Submission of our pre-application in June was a significant milestone in this programme and we are on track to make our final application by the end of the year. Any capital benefits that emerge from this harmonisation will therefore emerge in our half year 2021 results, although we have not anticipated any such benefits in our capital synergy targets.

Integration of the ReAssure business will follow Standard Life transition activity, as we continue to promote enterprise stability. No decision has been taken on the end state customer and IT operating model of the ReAssure business and we have therefore made no estimate of potential savings in our cost synergy target.

Cash | Resilience | Growth

2020 new business has increased long-term cash generation by £358 million, enhancing the sustainability of our dividend

	HY20				HY19 Total
	BPA	UK Open	Europe	Total	
Long-term cash generation	**£236m**	**£108m**	**£14m**	**£358m**	**£254m**[(4)]
Gross inflows (on new business)	£1.1bn	£2.6bn	£0.5bn	£4.2bn	£4.0bn
Capital strain	£90m	£2m	£11m	£103m	£40m[(4)]

Key messages

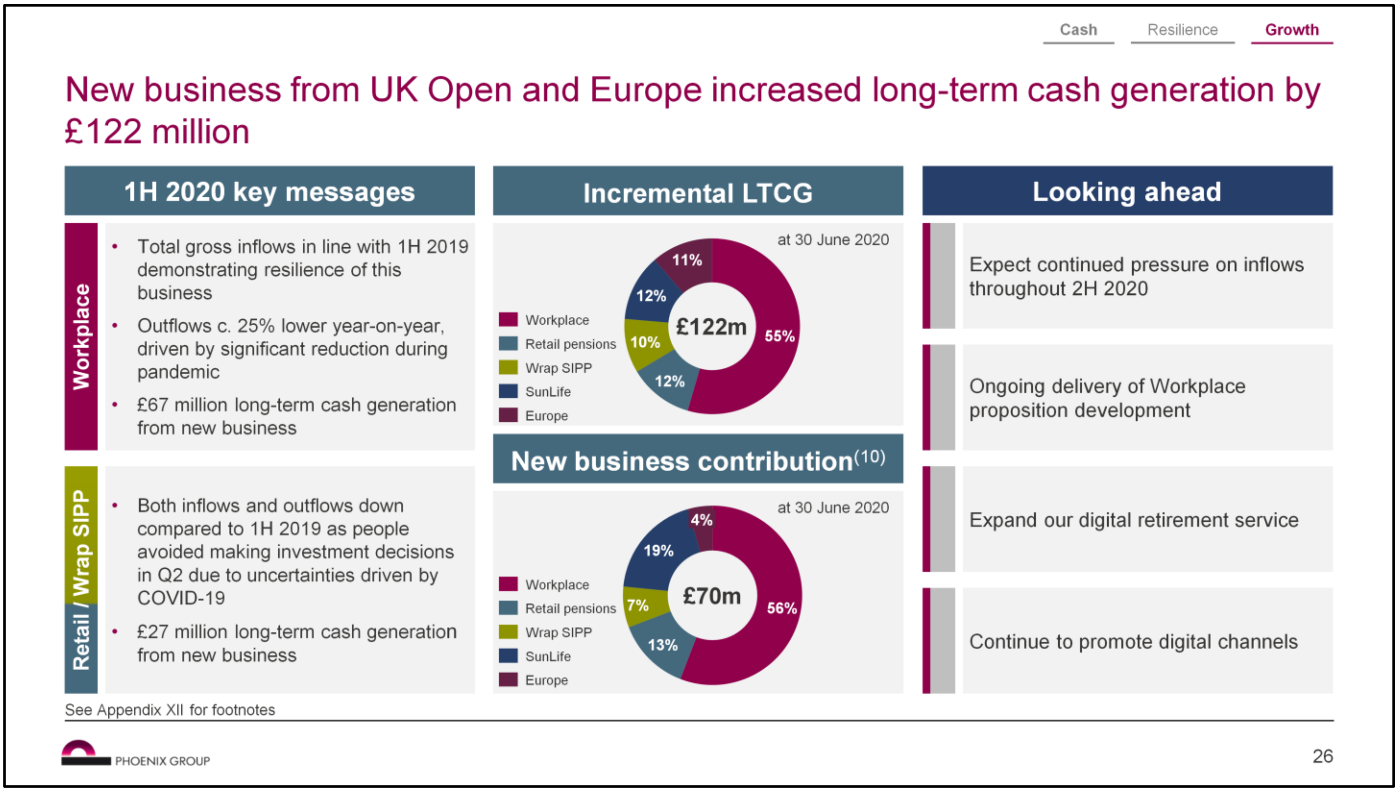
1. New business cash generation is incremental to £19 billion guidance
2. 41% increase in long-term cash generation year-on-year
3. Additional cash generation from new business c. 1.5x 2020 interim dividend
4. Small capital strain financed from surplus capital generation

Phoenix does not include new business in its long-term cash generation guidance.

New business, whether through BPA or through the sale of Open products is therefore incremental to cash generation and brings further sustainability to our dividend.

In first half 2020, Phoenix saw gross inflows on new business across its three business segments of £4.2 billion.

We estimate that this new business will generate £358 million of incremental long-term cash generation, circa 1.5 times the 2020 interim dividend.



Phoenix's Open business is capital light and growing, despite the challenges of COVID-19.

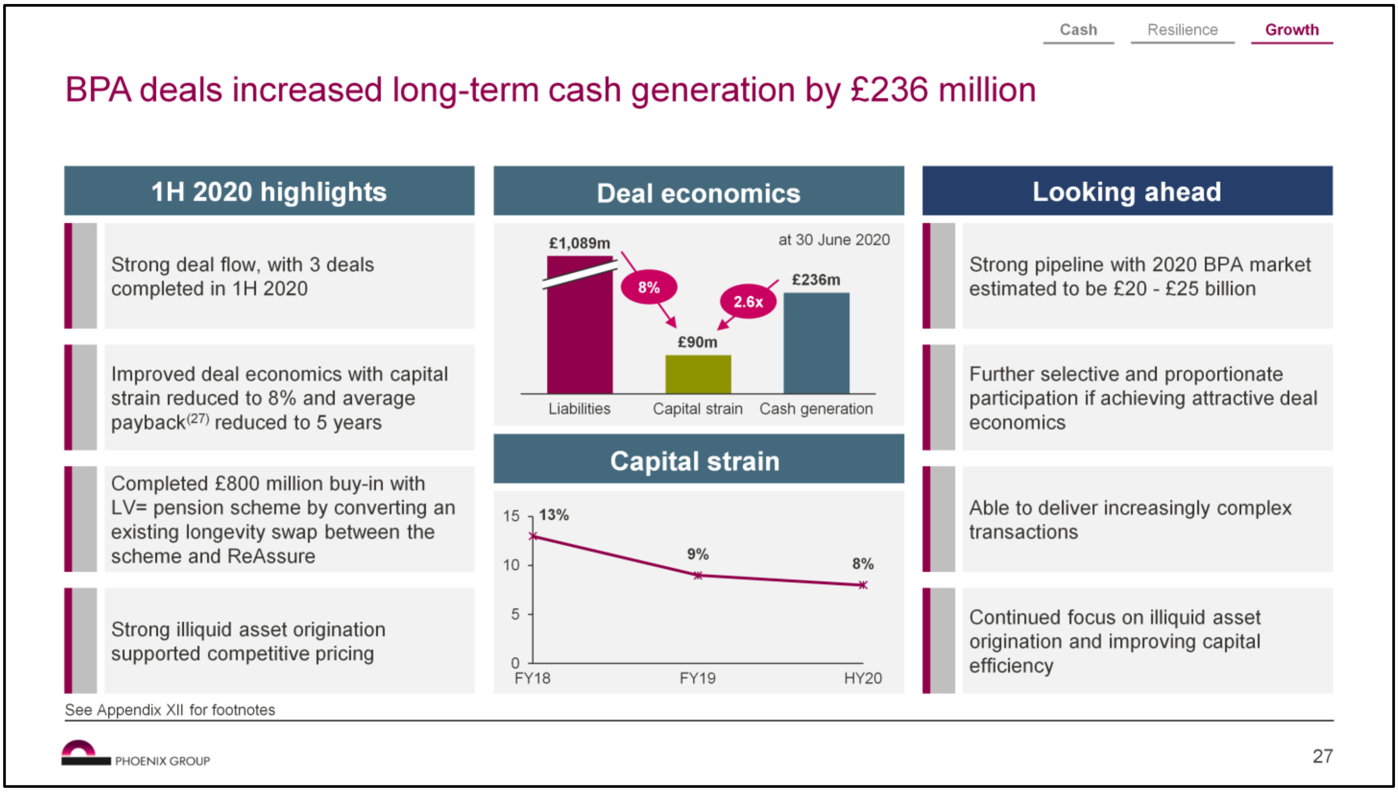
In first half of 2020, our Open business in the UK and Europe delivered gross inflows of £3.1 billion from new business and £122 million of incremental long-term cash generation.

Workplace continues to be our engine for growth and total gross inflows in line with 1H 2019 demonstrate the resilience of this business.

Our Open business has also benefitted from reduced outflows compared to last year as both employers and customers delay making financial decisions.

Overall, it was a tale of two quarters with strong performance across all product lines during Q1 falling back during Q2 as people began to deal with the uncertainties resulting from the pandemic.

Looking forward, it is clear that the second half of 2020 will continue to be challenging. As you heard from Andy, we have made significant progress in our Workplace proposition and will continue to do so as we look forward to the launch of our ESG passive default fund later this year. We continue to promote the use of digital, building on the significant progress make in this space so far this year and will continue to build out our retirement service seeking to generate flows into our retail product lines.



Our BPA business has had a very successful start to the year, putting £90 million of surplus capital to work across 3 deals which will generate incremental long-term cash generation of £236 million.

The largest of these deals was an £800 million buy-in with the LV= pension scheme. This was a complex transaction that included the conversion of an existing longevity swap and illustrates our ability to undertake increasingly complex opportunities in the future.

Our deal economics are also continuing to improve with the capital strain reduced from 9% in 2019 to 8% in 2020 and thereby reducing the average payback (excluding capital policy) from 6-7 years in 2019 to 5 years in 2020.

We have previously guided to allocating circa £100 million of surplus capital per annum to BPA. The success of the team in the first half of the year means that we have the opportunity to do more – especially as the pipeline of opportunities continues to be strong. However, we will only allocate additional capital if deals present attractive economics. We will therefore continue to participate on a selective and proportionate basis in this market place, seeking to deliver value and not volume.

Phoenix continues to have a strong pipeline of management actions

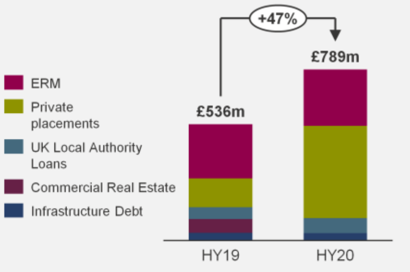
1H 2020 management actions increased surplus by £0.1 billion

- £0.2 billion increase in Own Funds
- £0.1 billion increase in SCR

Investment of annuity backing assets in illiquid asset classes

Swapping credit/gilts for US municipals to take advantage of a higher spread

H1 2020 illiquid investment origination



- Illiquid investments comprise 27% of asset backing annuity liabilities
- Target of 40% illiquid assets backing annuity liabilities
- Average credit rating of HY20 origination: A+
- £340 million of ESG investments

2H 2020 management actions

- Part VII transfer of L&G mature savings business to ReAssure
- Circa 1.2 million legacy Phoenix policies to be transferred to Diligenta
- Securitisation of c. £600 million of ERM portfolio
- Origination of illiquid investments
- Matching Adjustment approval of Infrastructure loans
- Further credit trades

Management actions also deliver growth.

Our success in the BPA market is underpinned by strong illiquid asset origination.

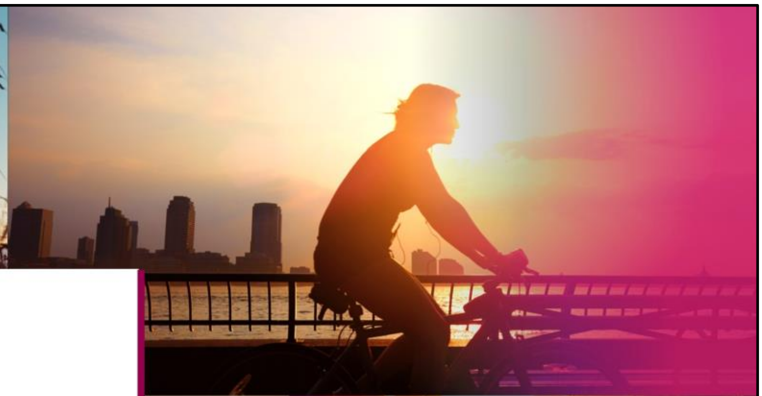
During the first six months of 2020 we originated £789 million of illiquid assets across a range of asset classes, a 47% increase on the same period in 2019. We continue to prioritise credit quality in our portfolio and first half 2020 origination had an average credit rating of A+. Just under half of this origination was into ESG investments including social housing, renewable energy and sustainable development. With illiquid assets now comprising 27% of assets backing annuity liabilities, we continue to make good progress towards our target allocation of 40%.

Illiquid asset origination continues to be one of our key management actions and together with the benefits arising from active management of our credit portfolio, increased our solvency II surplus by £0.1 billion during the period. This increase comprises a £0.2 billion increase in own funds which is a direct increase in shareholder value.

Whilst our first half management actions have been focused on asset origination, we are on track to deliver a broad range of management actions in the second half of the year. These include the Part VII transfer of the L&G mature savings business to ReAssure, scheduled to complete during Q3, the transfer of circa 1.2 million legacy Phoenix policies to Diligenta and the securitisation of a further circa £600 million of our ERM portfolio.

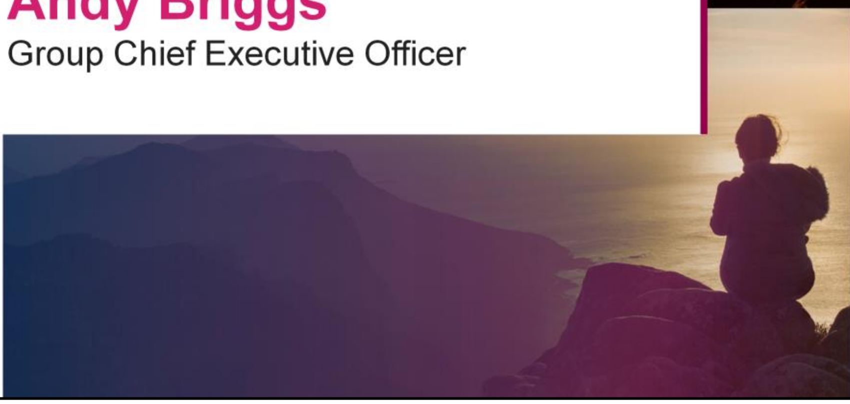
Together, these management actions will increase the Group’s Solvency II surplus and improve the shareholder capital coverage ratio.

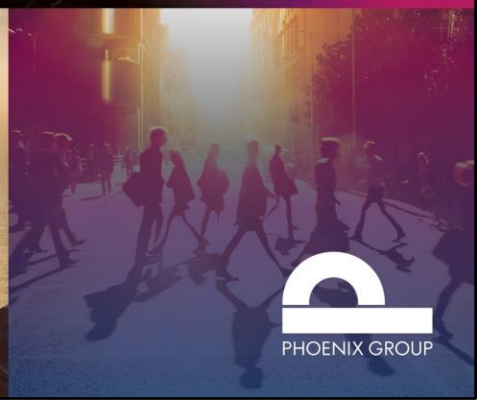
I will now hand you back to Andy.



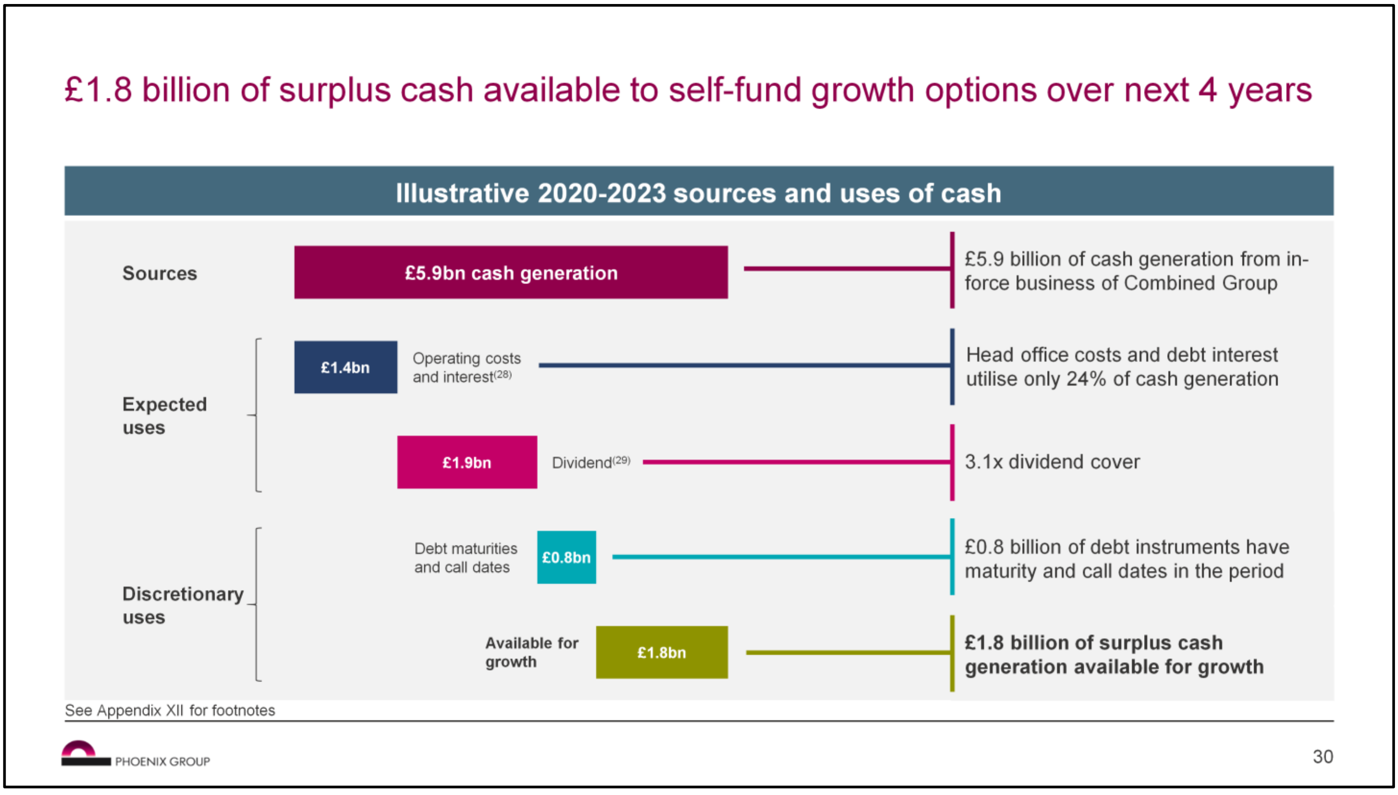
Andy Briggs

Group Chief Executive Officer





PHOENIX GROUP



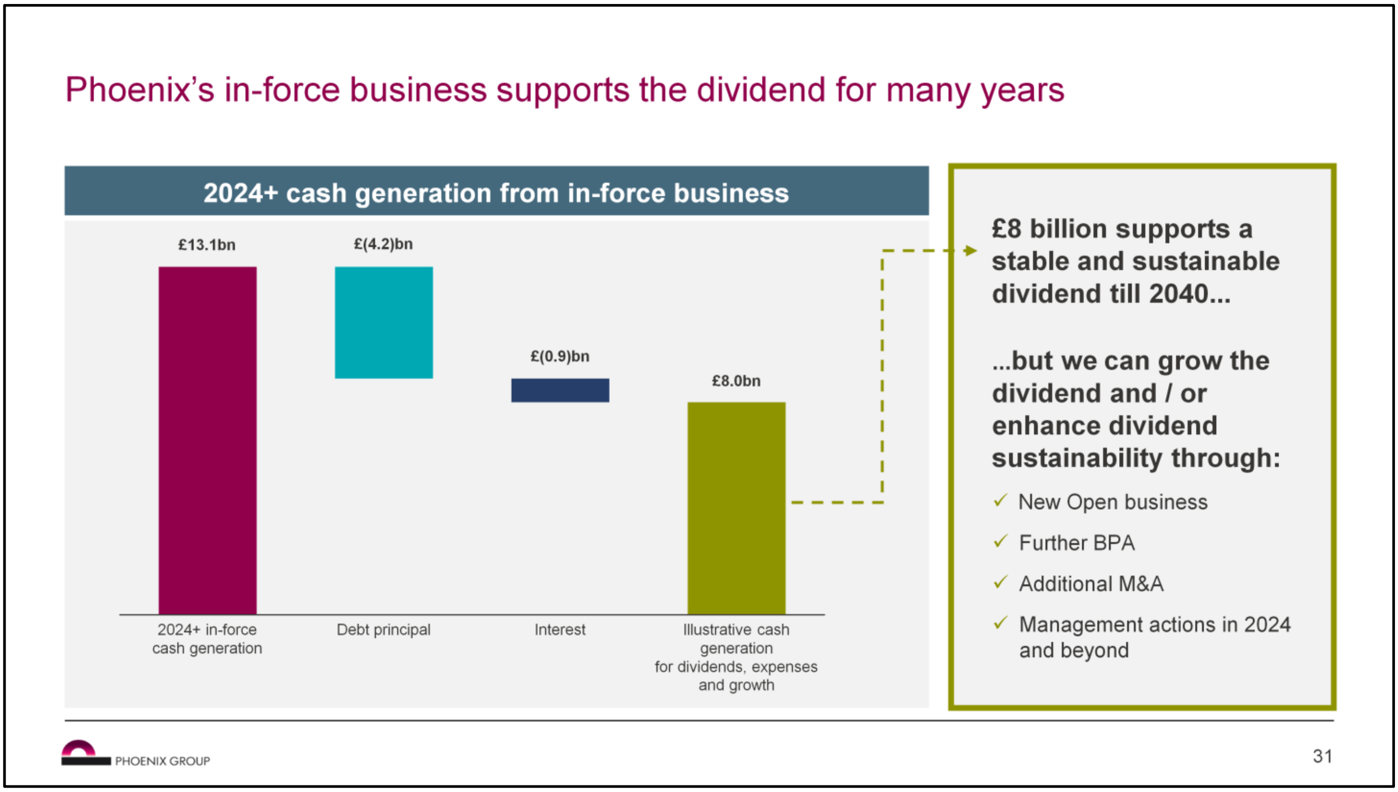
Thank you Rakesh.

I will now focus on Outlook, before we move to Q&A. We've already talked about resilience, and it's more of the same going forward. So I will cover the outlook for cash and growth.

Starting with Cash. As Rakesh said, we expect our in-force business to deliver £5.9 billion of cash generation between now and the end of 2023. If we take off operating costs, interest and dividends, the excess is £2.6 billion.

So if we use £0.8 billion of that to reduce debt, where there are maturities and call dates, that leaves a further £1.8 billion, as surplus available for growth, which we will use for the highest value option at the time.

This clearly shows that Phoenix is a highly cash generative business. This means that the dividend is very safe, with a gross coverage ratio of 3.1 times, and that we can fund the range of growth options we now have.

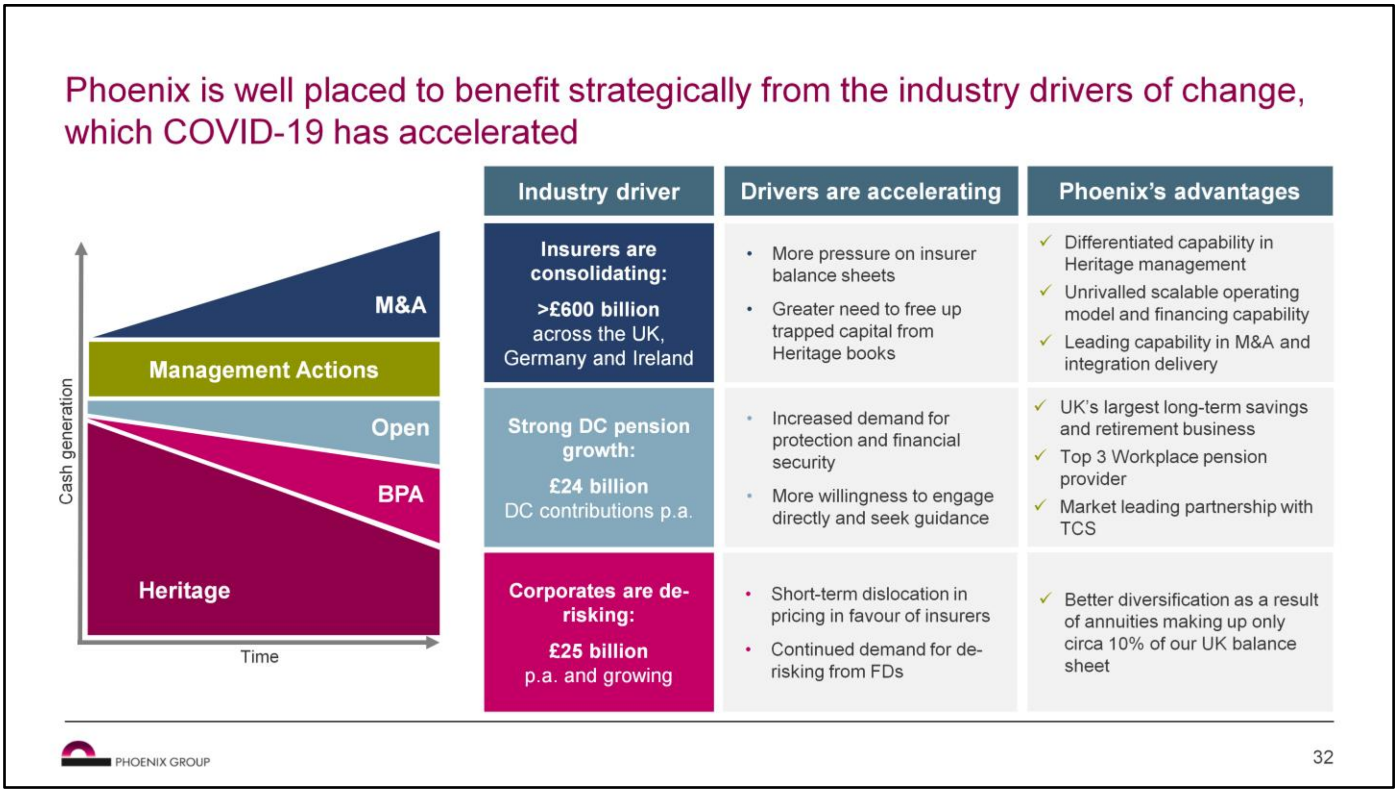


If we then look longer term, we get the balance of our £19 billion cash generation from existing business, so after the £5.9 billion to 2023, a further £13.1 billion from 2024 onwards.

After debt and interest that leaves an £8 billion excess, enough to cover the dividend for a further 16 years, out to 2040.

But we expect to do much better than this. We will add to our cash generation through new open business, further BPA, additional M&A and management actions which can be funded through the £1.8 billion of surplus cash generation emerging over the next four years.

This will enable us to enhance the sustainability of the dividend and will, over time, allow us to grow the dividend.



So let's move on to look at the outlook for growth, aligning this to the wedge. As the U.K.'s largest long-term savings and retirement business, we need to understand the major drivers of change in UK savings and retirement. And we see three of them, as shown on the slide.

First, insurers are consolidating, to release trapped capital, and to deal with cost inefficiencies due to legacy systems and regulatory change. And I would argue that in a post COVID-19 world, where some companies are struggling with their balance sheets, their valuations, and struggling to pay dividends, the pace of consolidation will increase.

The combined Phoenix and ReAssure group is clearly the unrivalled market leader in both running heritage businesses, and in delivering M&A and integration. And it remains an important part of our strategy going forward.

The second driver is strong defined contribution pensions growth. There are two key elements to this.

The first is auto enrolment, coupled with a shift from defined benefit to defined contributions. This has tripled contributions since 2012. At Phoenix, we are a top three player in workplace pensions, through our Standard Life branded business. This is a market where scale and cost efficiency are critical. And this is a good example of where the whole, across our group, is more than the sum of the parts. We have a market leading partnership with TCS, built originally around the Heritage business, and as a result of our scale, we are able to secure a market leading digital customer experience, and also a market leading cost efficiency, as we migrate from the Standard Life mainframe platform to BANCS.

The other driver of strong DC pensions growth is the ageing population, and pension freedoms. As the U.K.'s largest long-term savings and retirement business, with over £300 billion of assets and 14 million customers, we have more of these 50+ year old customers than anyone else. And they need help and support to think about consolidating, and journeying into and through retirement. This is a further benefit of having both Heritage and Open businesses together. And in terms of the impact of COVID-19 here, through previous recessions we've tended to see the savings rate increase, and people have a greater focus on their finances.

The third key driver of change is that corporates are de-risking. I've often said that I'm yet to meet the finance director of a manufacturing business, who is pleased to have a large pension scheme attached. So imagine if you're the finance director of that manufacturing business, during COVID-19, and you're worried about socially distanced manufacturing, and how you retail in the very different world of COVID-19. And imagine that you then get the email, from your pension scheme actuary, saying you need to worry about credit risk within your pension fund. You are going to want, more than ever, to de-risk and offload that pension scheme, and focus on your manufacturing. So again I see COVID-19 accelerating this driver of change.

At Phoenix, we will continue to take a selective and proportionate approach to BPA. One of our key advantages here is that shareholder credit, and annuities, only make up about 10% of our UK balance sheet, compared to a much higher proportion at most of our competitors. We can therefore afford to grow our Annuity business, in a selective and proportionate way, and benefit from better diversification in doing so, whilst keeping this to a similar proportion of our total balance sheet.

In summary, I believe Phoenix is very well placed to benefit from the strategic drivers of change in UK savings and retirement whilst maintaining the financial discipline that has served Phoenix so well in the past.

Phoenix has a clear set of strategic priorities for 2H 2020

Heritage	M&A and integration	Open
Deliver new 2020 cash generation target range of £1.5 - £1.6 billion	Submit Internal Model Harmonisation final application	Deepen illiquid asset origination capabilities and further improve BPA capital efficiency
Focus on delivery of key management actions and ongoing capital resilience	Complete L&G mature savings business Part VII	Expand our digital retirement service for customers
Exceed customer satisfaction metric targets and improve customer outcomes	Complete integration of ReAssure group functions	Launch of ESG passive default fund in Workplace proposition

Sustainability	Deliver for our customers	Foster responsible investment	Reduce our environmental impact	Be a good corporate citizen

So what are our priorities for the second half of this year, to turn those strategic opportunities into reality?

For Heritage, the priority is delivering the cash and the management actions, which are weighted to the second half of this year, with continued strong focus on customers.

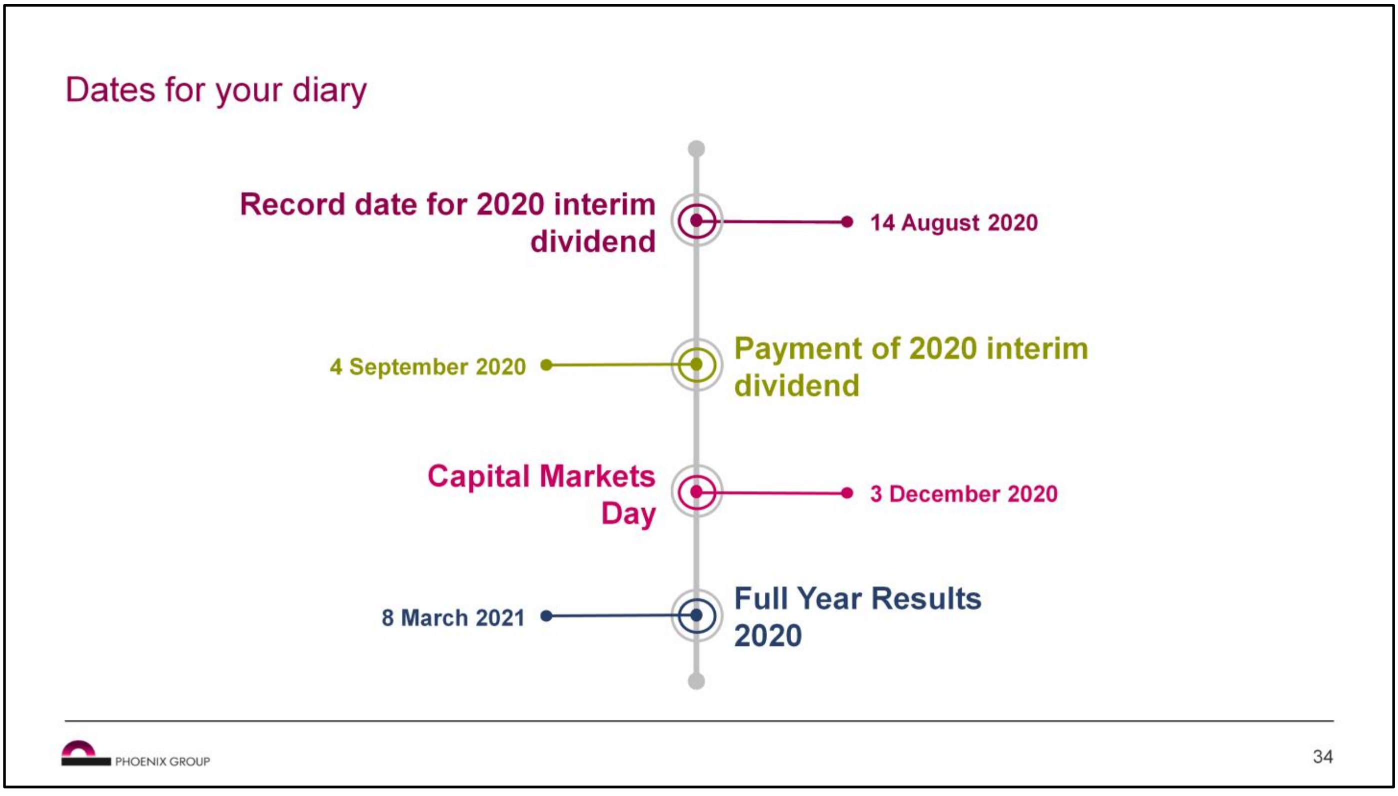
For M&A and integration, the agenda is clear.

On open business, the BPA focus is asset origination and further improving the capital efficiency, where we have made some progress, but there's much more to be done.

And then for our 14 million customers. Expanding our digital retirement service is another priority.

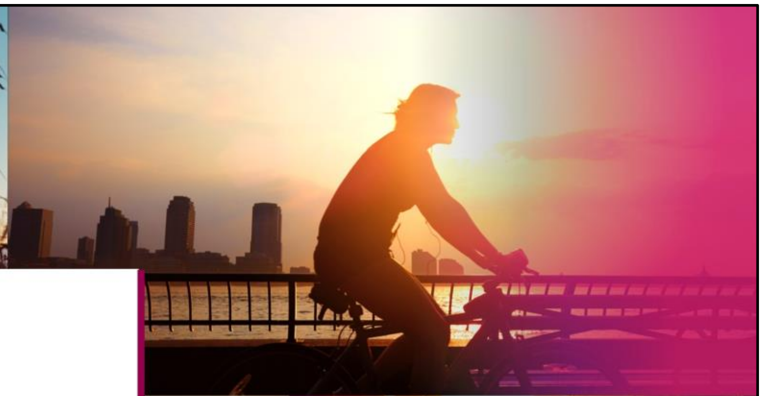
In workplace, it's the launch of our ESG passive default fund.

I also want to emphasise the importance of sustainability. With our scale now, we are much more than just a financial engineering consolidator. We have a much broader core social purpose. And I see sustainability at the centre of that. Championing sustainability, in the way that we run our business, as we invest a third of a trillion pounds, on behalf of our 14 million customers.

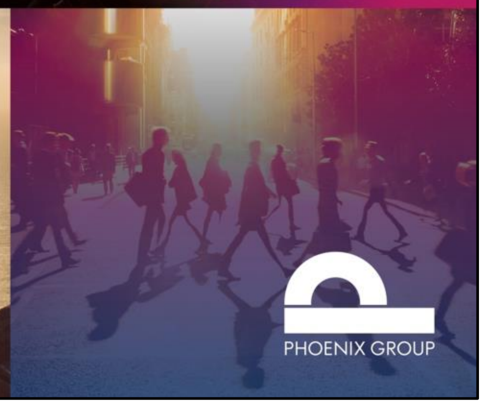


And finally, our future calendar. The only point I'll draw out here is that we are planning a capital markets day, on the 3rd of December. This will be very much as we usually do, a working session, where we will deep dive into each business area, and give you more colour on our plans. So this isn't some big strategic review, it continues very much as evolution not revolution.

And with that we will move to questions.



Q&A



Appendices

PHOENIX GROUP

Appendix I: Leverage ratios

Fitch leverage ratio(1)

HY20 leverage ratios

Fitch basis(1)	27%
IFRS basis(2)	44%
SII leverage(3)	33%

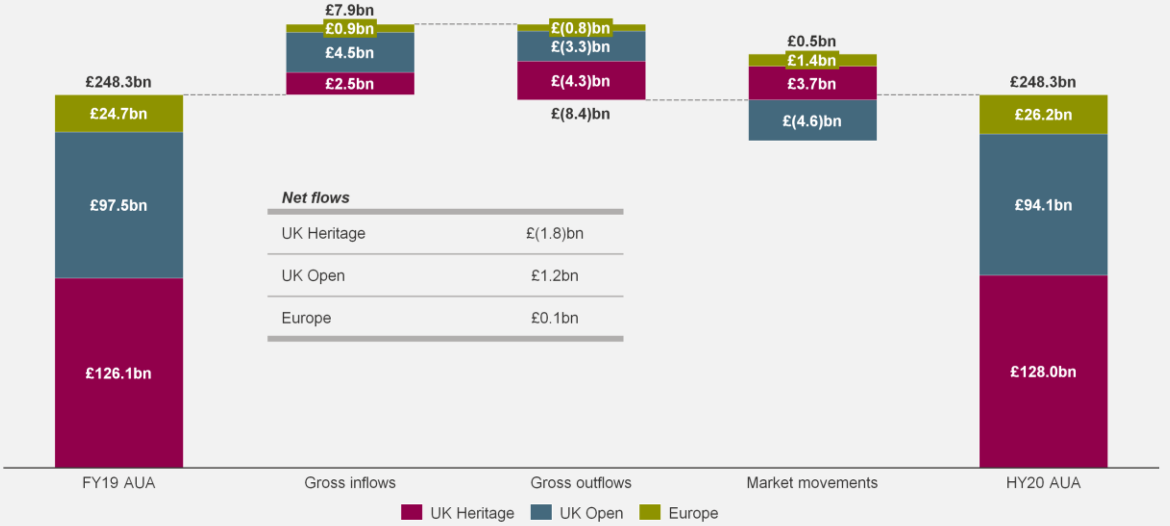
- IFRS leverage ratio classifies RT1 as debt

Funding capacity

- Our funding capacity is driven by a combination of own cash, leverage capacity and our target solvency range
- We estimate a funding capacity for inorganic growth as at FY21 of c. £1.6 billion

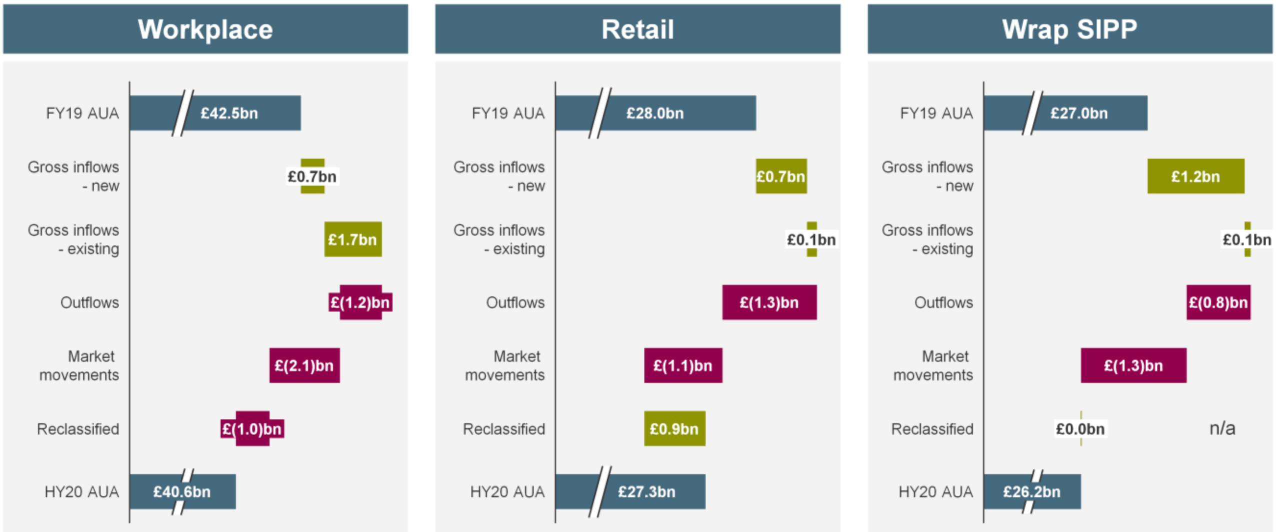
(1) The Fitch leverage calculation = debt (senior debt + RCF + T2 bonds + T3 bonds) / debt + equity (Shareholder equity + Unallocated surplus + RT1)
(2) IFRS leverage calculation = debt (all debt including RT1) / debt + equity (Shareholder equity only)
(3) SII leverage calculation = debt (all debt including RT1) / SII regulatory own funds
(4) Phoenix calculated

Appendix II: Movement in assets under administration



Net flows	
UK Heritage	£(1.8)bn
UK Open	£1.2bn
Europe	£0.1bn

Appendix III: UK Open – movement in AUA by product type



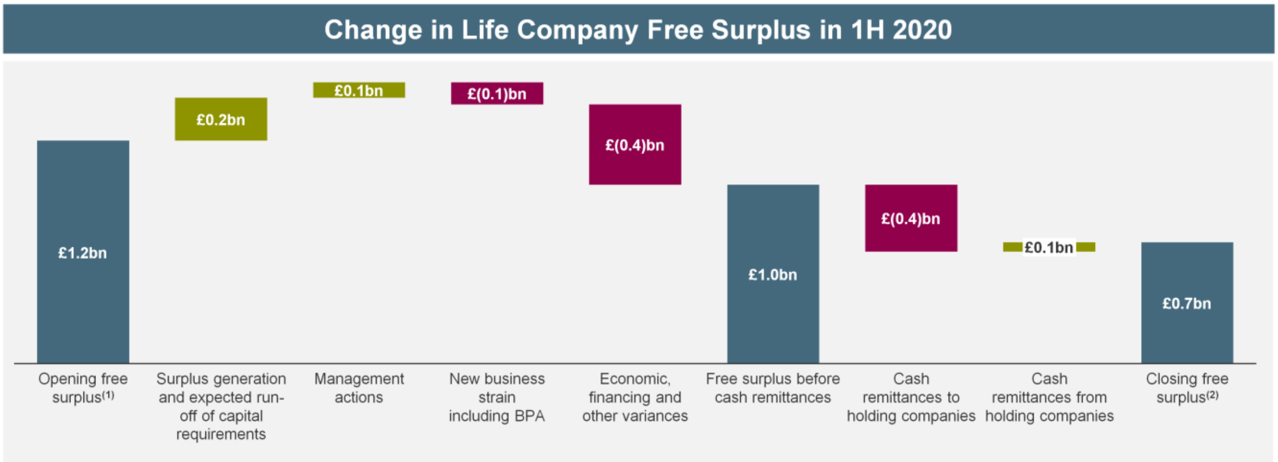
Appendix IV: Movements in holding company cash and cash equivalents

£m	HY20	HY19	FY19
Opening cash and cash equivalents	**275**	**346**	**346**
Total cash receipts	**433**	**287**	**707**
Uses of cash			
Operating expenses	(19)	(19)	(43)
Pension scheme contributions	(23)	(23)	(50)
Non-operating cash inflows/(outflows)	50	(41)	(137)
Debt interest	(56)	(34)	(112)
Shareholder dividend	(169)	(169)	(338)
Total cash outflows	**(217)**	**(286)**	**(680)**
Equity and debt raisings (net of fees)	1,445	-	-
Support BPA activity	(90)	(32)	(98)
Closing cash and cash equivalents	**1,846**	**315**	**275**

Non-operating net cash inflows include:

- £54 million from the close out of derivative instruments entered into by the holding companies to hedge the Group's exposure to currency risk as well as equity risk arising from the Group's acquisition of the ReAssure Group;
- £61 million of favourable movement on currency and equity risk hedges;
- £2 million of net other inflows; and
- Was offset by £67 million of recharged staff costs and Group expenses associated with corporate related projects.

Appendix V: Change in Life Company Free Surplus

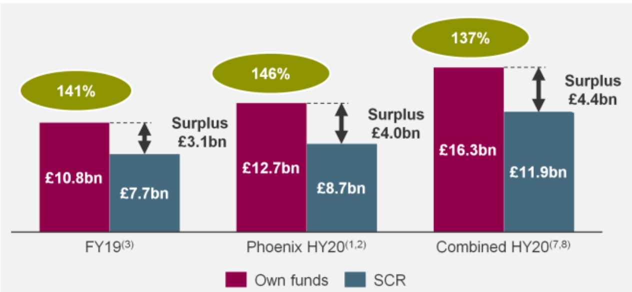


(1) The opening Life Company Free Surplus reflects the impact of a regulator approved recalculation of transitionals as at 31 December 2019.

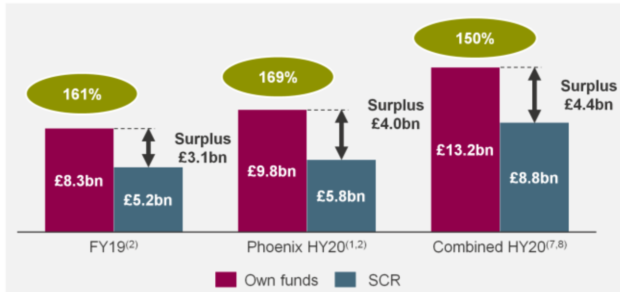
(2) The closing Life Company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would decrease by £0.4bn.

Appendix VI: Estimated PGH Solvency II surplus and coverage ratios

PGH Solvency II coverage ratio



PGH Shareholder capital coverage ratio

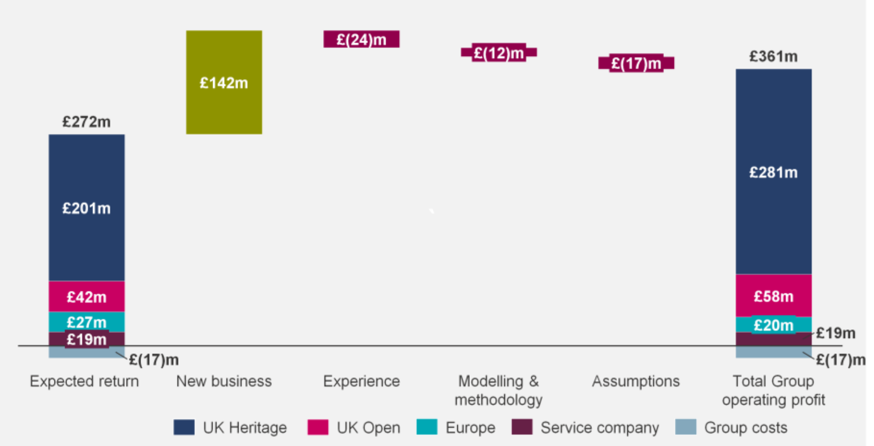


£bn	Combined Group HY20	Phoenix HY20	Phoenix FY19
PGH Solvency II own funds	16.3	12.7	10.8
Less: Unsupported with-profit funds	(2.6)	(2.5)	(2.0)
Less: Unsupported pension schemes	(0.5)	(0.4)	(0.5)
PGH Shareholder own funds	13.2	9.8	8.3

See Appendix XII for footnotes

Appendix VII: Operating profit analysis

1H 2020 operating profit drivers



Key messages

- New business profits driven by 1H 2020 BPA deals and higher volumes in SunLife business
- Favourable longevity experience more than offset by negative mortality and expense experience
- Assumption changes include strengthening of late retirement assumptions on products with valuable guarantees

Basic operating earnings net of financing costs per share(1) — **31.1p**

(1) Basic operating earnings net of financing costs per share is calculated using the weighted average number of ordinary shares in issue during the year.

Appendix VIII: Asset mix of life companies

At 30 June 2020 £m	Total shareholder, non-profit and supported with-profits[2]	Policyholder funds[3]			Total assets[1]
		Non-supported with-profits funds	Unit-linked	Total policyholder	
Cash deposits	5,898	5,766	8,012	**13,778**	**19,676**
Debt securities					
Debt securities – gilts	4,907	13,981	5,344	19,325	24,232
Debt securities – other bonds	14,065	24,032	29,215	53,247	67,312
Debt securities – illiquid assets	2,643	135	17	152	2,795
Total debt securities	**21,615**	**38,148**	**34,576**	**72,724**	**94,339**
Equity securities	152	14,391	69,422	83,813	83,965
Property investments	113	1,591	5,087	6,678	6,791
Commercial real estate loans	389	-	-	-	389
Equity release mortgages	3,111	-	-	-	3,111
Other investments[4]	1,196	5,354	9,388	14,742	15,938
Total	**32,474**	**65,250**	**126,485**	**191,735**	**224,209**

(1) The analysis of the asset portfolio comprises assets held by the Group's life companies. It excludes other Group assets such as cash held in holding companies and service companies, 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.

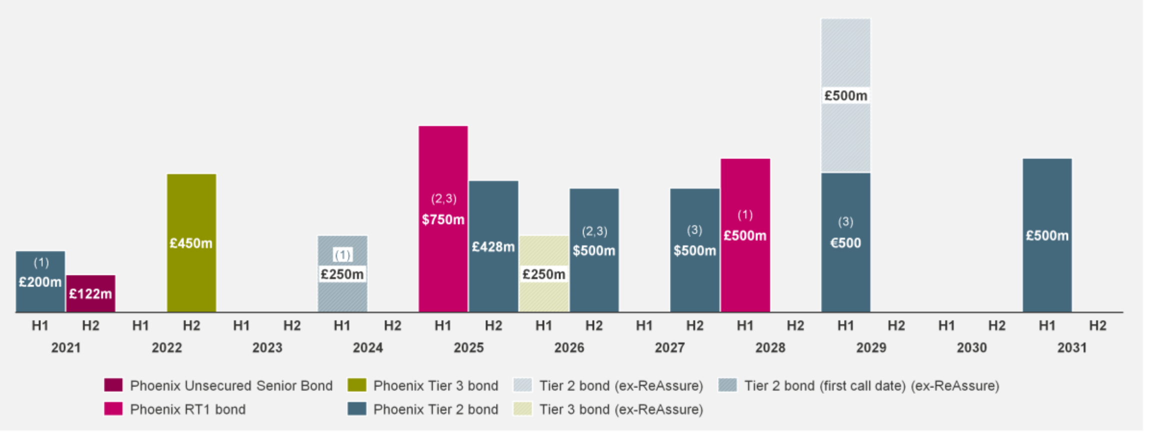
(4) Includes policy loans of £9 million, other loans of £309 million, net derivative assets of £5,827 million, reinsurers' share of investment contracts of £8,523 million, income strips of £693 million and other investments of £577 million.

Appendix IX: Credit quality by sector for shareholder debt portfolio

At 30 June 2020 £m	AAA	AA	A	BBB	BB & below and unrated	Total	
Industrials[22]	-	148	116	460	21	**745**	3%
Consumer, Cyclical[23]	-	209	177	167	21	**574**	3%
Tech and Telecoms	44	154	183	362	28	**771**	4%
Consumer, Non-cyclical	123	209	570	317	33	**1,252**	6%
Banks	525	429	1,492	589	79	**3,114**	14%
Financial Services	66	253	360	84	7	**770**	4%
Utilities	28	33	1,181	751	48	**2,041**	9%
Gilts/Sovereign/Supra/sub-sov	1,160	5,743	270	2	51	**7,226**	33%
Real Estate[24]	33	123	2,062	229	62	**2,509**	12%
Insurance	-	346	232	51	24	**653**	3%
Oil and Gas	-	121	135	82	13	**351**	2%
Financing Loans	-	450	49	-	-	**499**	2%
Infrastructure	-	-	59	311	21	**391**	2%
Other[25]	422	109	126	49	13	**719**	3%
Total	**2,401**	**8,327**	**7,012**	**3,454**	**421**	**21,615**	**100%**
Total %	**11%**	**39%**	**32%**	**16%**	**2%**	**100%**	

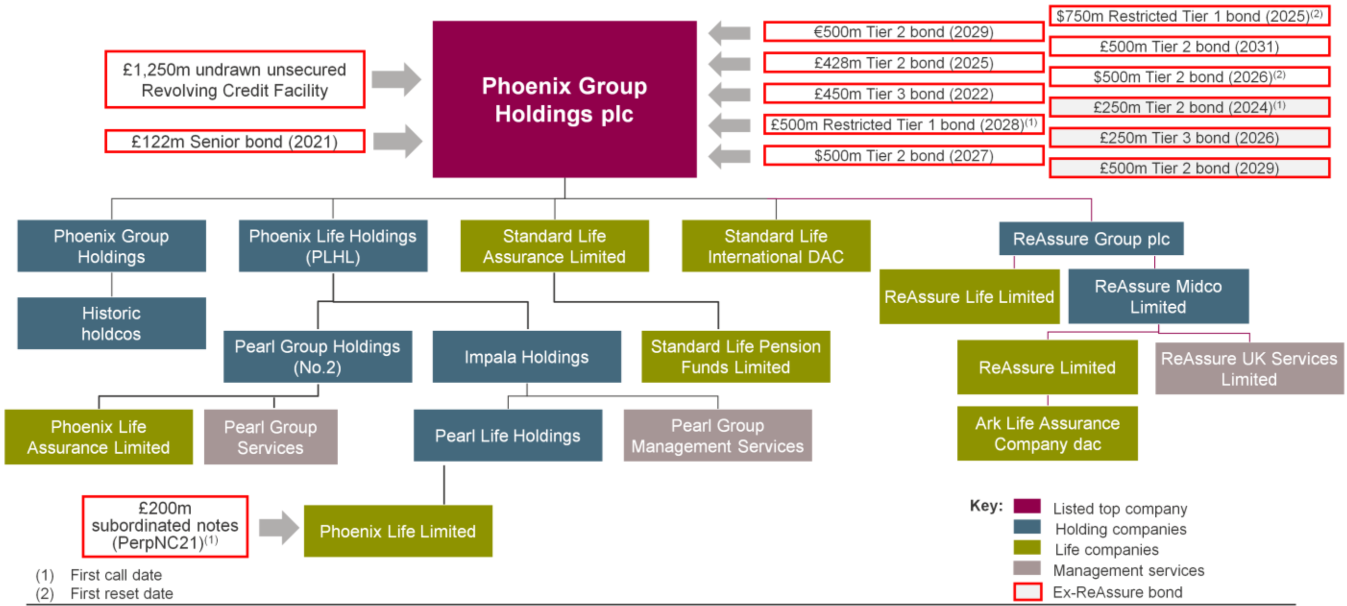
See Appendix XII for footnotes

Appendix X: Outline of debt maturity profile as at 6 August 2020



(1) First call date
(2) First reset date
(3) All currency debt converted into GBP based on the closing 30 June 2020 exchange rates

Appendix XI: Corporate structure as at 6 August 2020



(1) First call date
(2) First reset date

Appendix XII: Footnotes

(1) The HY20 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £0.3 billion and 6% respectively.
(2) The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL and Pearl Pension Schemes.
(3) The FY19 Solvency II capital position reflects a regulator approved recalculation of transitionals as at 31 December 2019.
(4) HY19 figures have been restated to include SunLife new business contribution of £3 million, incremental long-term cash generation of £4 million and capital strain of £3 million.
(5) ReAssure's assets under administration and number of policies as at 30 June 2020 assume completion of the Part VII transfer of the mature savings business of the L&G Group.
(6) Incremental cash generation arising from the acquisition of ReAssure is calculated using Phoenix's assumptions and reporting bases.
(7) The pro-forma position for the Combined Group assumes the acquisition of ReAssure and the novation of equity hedging instruments from the Group's holding companies to ReAssure Assurance Limited took place on 30 June 2020.
(8) The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of the unsupported with-profit funds and the unsupported pension schemes of the Combined Group.
(9) 2020e reflects expected dividend based on application of proposed 3% increase announced for ReAssure transaction.
(10) "New business contribution" is the increase in Solvency II own funds arising from new business written in the period excluding risk margin and contract boundary restrictions and stated net of taxation.
(11) Sensitivity assumes stress occurs on Day 1 and that there is no market recovery.
(12) Property stress represents an overall average fall in property values of 12%.
(13) Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.
(14) Credit stress varies by rating and term and is equivalent to an average 120bps spread widening (full range of spread widening is 49bps to 204bps). It assumes the impact of a dynamic recalculation of transitionals and makes no allowance for the cost of defaults/downgrades.
(15) Impact of an immediate full letter downgrade across 20% of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A, etc). This sensitivity assumes no management actions are taken to rebalance the annuity portfolio back to the original average credit rating and makes no allowance for the spread widening which would be associated with a downgrade.
(16) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.
(17) Applied to the annuity portfolio.
(18) Shareholder Own Funds is defined as Group Solvency II eligible own funds, adjusted to exclude own funds related to unsupported with profit funds and Group pension schemes, and is stated after deduction of the principal value of the Group's capital qualifying debt.
(19) New business strain comprises BPA £(90) million, vesting annuities £nil, UK Open business £(2) million and European business £(11) million.
(20) The pro-forma position for the Combined Group assumes the acquisition of ReAssure took place on 31 December 2019.

Appendix XII: Footnotes (continued)

(21) The HY20 Solvency II capital position for ReAssure is an estimated position and reflects a dynamic recalculation of transitionals for the ReAssure Life companies. It also reflects a change in methodology in the transitionals recalculation that is subject to regulatory approval. Had this not been assumed, the Solvency II surplus and Shareholder Capital Coverage Ratio would decrease by £0.1 billion and 1%.
(22) Industrials: Includes £237 million exposure to airports and £4 million to leisure.
(23) Consumer, cyclical: Includes £266 million exposure to traditional retail, £34 million to airlines, £13 million to leisure and £184 million to automobiles.
(24) Real estate: Includes £18 million exposure to shopping malls, £54 million to shopping centres and £82 million to leisure.
(25) Other: Includes Basic Materials, Structure Finance, Diversified, Investment Companies and CDOs.
(26) Cost synergies delivered to date reflect actual reduction in underlying cost base. Transition costs incurred to date excludes amounts provided for and reflects actual costs incurred to date. Total value includes the capitalised amount of per annum cost synergies calculated on a net of tax basis.
(27) Average payback is stated excluding capital management policy.
(28) Illustrative combined group operating expenses of £45 million p.a. over 2020 to 2023. Phoenix pension scheme contributions estimated in line with current funding agreements, comprising £70 million in respect of the Pearl Scheme and £39 million in respect of the Abbey Life Scheme. Assumes integration costs of c. £200 million net of tax, split c. £150 million on Standard Life integration and c. £50 million on Reassure integration. Includes interest on the combined Group's listed debt and senior debt, but excludes interest on the PLL Tier 2 bond which is incurred directly by Phoenix Life Limited.
(29) Illustrative dividend allowing for the issue of equity and 3% increase.

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- This presentation in relation to Phoenix Group Holdings plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements and other financial and/or statistical data about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.
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