PHOENIX GROUP

Phoenix Group Holdings: Trading Update 29 November 2018

Phoenix Group announces a strong 2018 year to date trading update, exceeding upper end of two year cash generation target ahead of Capital Markets Day

Phoenix Group, Europe's largest life and pensions consolidator[1], announces a strong 2018 year to date trading update on the morning of its Capital Markets Day.

Trading update

- £664 million of cash generation[2] in 2018 (2017: £653 million). The Group has delivered £1.3 billion cash generation in 2017 and 2018, exceeding the upper end of its cash generation target of £1.0 billion - £1.2 billion for this period.
- Solvency II surplus of £3.1 billion[3] as at 30 September 2018 (£2.5 billion pro-forma as at 31 December 2017). Shareholder Capital Coverage Ratio of 164% as at 30 September 2018[4] (147% pro-forma as at 31 December 2017).
- Already delivered £400 million of capital synergies on the acquisition of the Standard Life Assurance Limited business against a total £440 million capital synergy target announced for the transaction.
- Assets under administration remain stable at £240 billion as at 30 September 2018 (31 December 2017 proforma: £240 billion) reflecting net business inflows of £3.3 billion by end Q3 on Open business in the UK and Europe.
- Two further bulk purchase annuity transactions completed during the second half taking total 2018 year to date transactions to £0.8 billion.
- Phoenix has selected Diligenta, the FCA regulated subsidiary of TCS, as its partner to deliver a single, digitally enhanced outsourcer platform that will improve customer outcomes and deliver cost savings for our legacy-Phoenix Life policies which is due to be complete by end 2021.
- Fitch Ratings affirmed the Group's ratings in July at A+[5]; "stable" outlook. Leverage ratio currently 22%[6], below the Fitch target range of 25-30%.

Commenting on the results, Group CEO, Clive Bannister said:

"The trading update we have announced today demonstrates Phoenix's strength in delivering and ability to exceed our targets. We have delivered £1.3 billion of cash generation in 2017 and 2018, exceeding the upper end of our target range of £1.0 - £1.2 billion and have significantly strengthened our Solvency II surplus position during the year to a Group surplus of £3.1 billion as at 30 September 2018.

We continue to deliver against our strategy with a further two bulk purchase annuity transactions completed in the second half of the year. Operationally, Diligenta will become our preferred outsource partner and enable us to deliver a single, digitally enhanced outsourcer platform to circa 5.5 million of our customers.

The acquisition of Standard Life Assurance Limited completed on 31 August 2018 and was transformational for Phoenix. I am delighted by the significant progress we have already made with the transition process and the £400 million of capital synergies delivered. I look forward to explaining how Phoenix has been re-defined by this acquisition at today's Capital Markets Day".

Presentation

There will be a presentation for analysts and investors today at 11.00am (BST) at:

Four Seasons Ten Trinity Square, London, EC3N 4AJ

A copy of the presentation will be available at www.thephoenixgroup.com

A replay of the presentation will also be available through the website.

Enquiries

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Notes

1. Phoenix Group is the largest life and pensions consolidator in Europe with 10.1 million policies and £240 billion of life company assets.
2. Operating companies' cash generation is a measure of cash and cash equivalents, remitted by the Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
3. Estimated 30 September 2018 Solvency II capital position assumes dynamic recalculation of transitionals as at 30 September 2018. Any references to Solvency II relate to the relevant calculation for Phoenix Group Holdings.
4. The Shareholder Capital Coverage Ratio of 164% excludes Solvency II Own Funds and Solvency Capital Requirements ("SCR") of unsupported with-profit funds and the PGL Pension Scheme.
5. Insurer Financial Strength rating of Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.
6. Current Fitch leverage ratio of 22% estimated by management.
7. This announcement 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.
8. Statements containing the words: 'believes', 'intends', 'will', 'may', 'should', 'expects', 'plans', 'aims', 'seeks', 'targets', 'continues' 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.
9. 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.

10. 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 announcement. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this announcement or any other forward-looking statements or data it may make or publish. Nothing in this announcement should be construed as a profit forecast or estimate.