PHOENIX GROUP

Phoenix Group Debt Investor Update

2 April 2015

Agenda

Introduction

Jim McConville

Introduction to the Phoenix Group

PHOENIX GROUP

- FTSE 250 and STOXX Europe 600 indices
- Market cap £1.9 billion(1)

Phoenix Life

- 5 million policyholders
- 3 UK life companies, 1 Irish life company
- Total life company assets of £52(2) billion
- Closed to new business

- Specialist insurance group focused on closed life consolidation and run-off
- Enhanced economic value from closed life portfolios
- Improved customer services and policyholder outcomes

(1) Market capitalisation as at 01 April 2015

(2) As at 31 December 2014

Phoenix Group has come a long way

Private equity

Early mid/00s	• Pearl and Resolution I undertake a series of closed life acquisitions
2008	• Pearl acquires Resolution I
2009	• Acquisition by Liberty and public listing

Public listing

2010	• Simplified capital structure and Premium Listing on LSE
2011/ 2012	• New management team
2013	• £250m equity raise and retermed bank debt
2014	• Sale of Ignis Asset Management for £390m • £300m 7-year senior bond issue • New single bank facility of £900m
2015	• 99% take up by bondholders, with new Solvency II Tier 2 capital notes maturing in 2025 • Further simplifies our funding structure by moving notes up to PGH Capital • Ambition to achieve an IG rating in 2015 • Consider opportunities for growth through M&A

Reducing complexity, strengthening balance sheet and normalising shareholder base

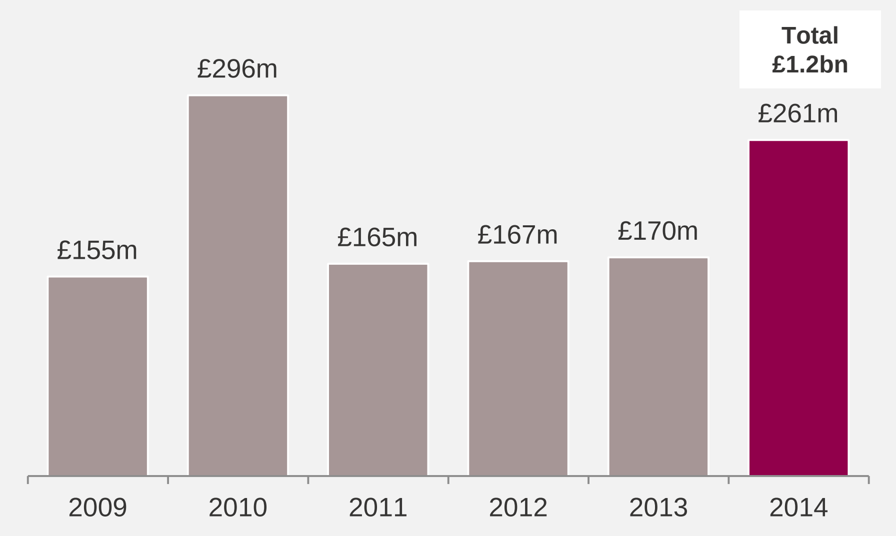
Target-beating financial performance in 2014

	Delivery	Target	
Cash generation	£567m	£500m to £550m in 2014(1)	✓ Exceeded the top end of the target range for 2014 ✓ On track to meet long term cash generation target of £2.8 billion between 2014-19
MCEV enhancement	£261m to date	£300m 2014 - 2016	✓ £261m of incremental value delivered through management actions in 2014 towards £300m cumulative target ✓ MCEV increased to £2.6bn
Gearing(2)	34%	40% by end 2016	✓ Gearing reduced to 34% at FY14 ✓ Bank margin reduced to 312.5bps from 350bps

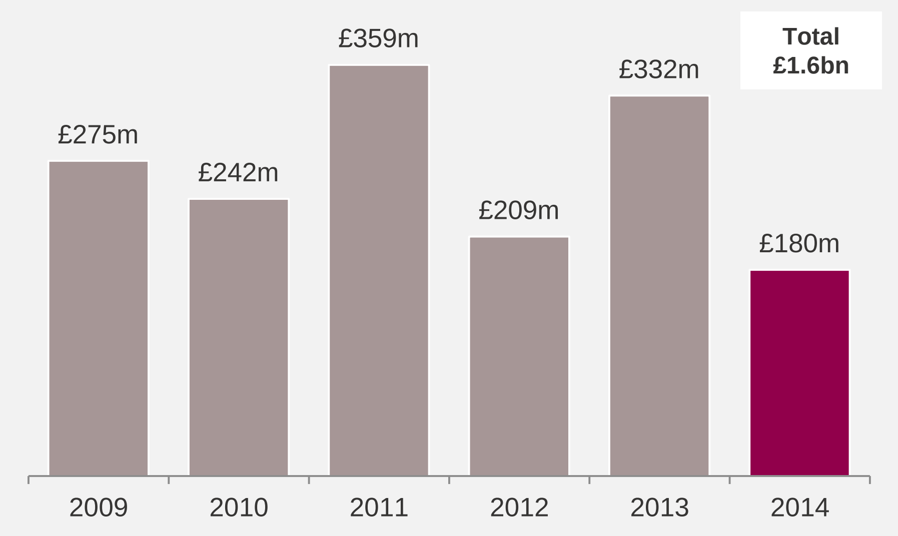
Notes: (1) Excludes £390m of proceeds from the Ignis divestment. Target of £2.8bn of cash generation over 2014 to 2019 includes proceeds from the Ignis divestment.
(2) Gross shareholder debt as a percentage of Gross MCEV. Company Gearing methodology includes the Tier 1 Bonds at 50% of IFRS Carrying Value.

We will build on our strong track record of management actions as we move to Solvency II

Incremental MCEV



Accelerated cashflow

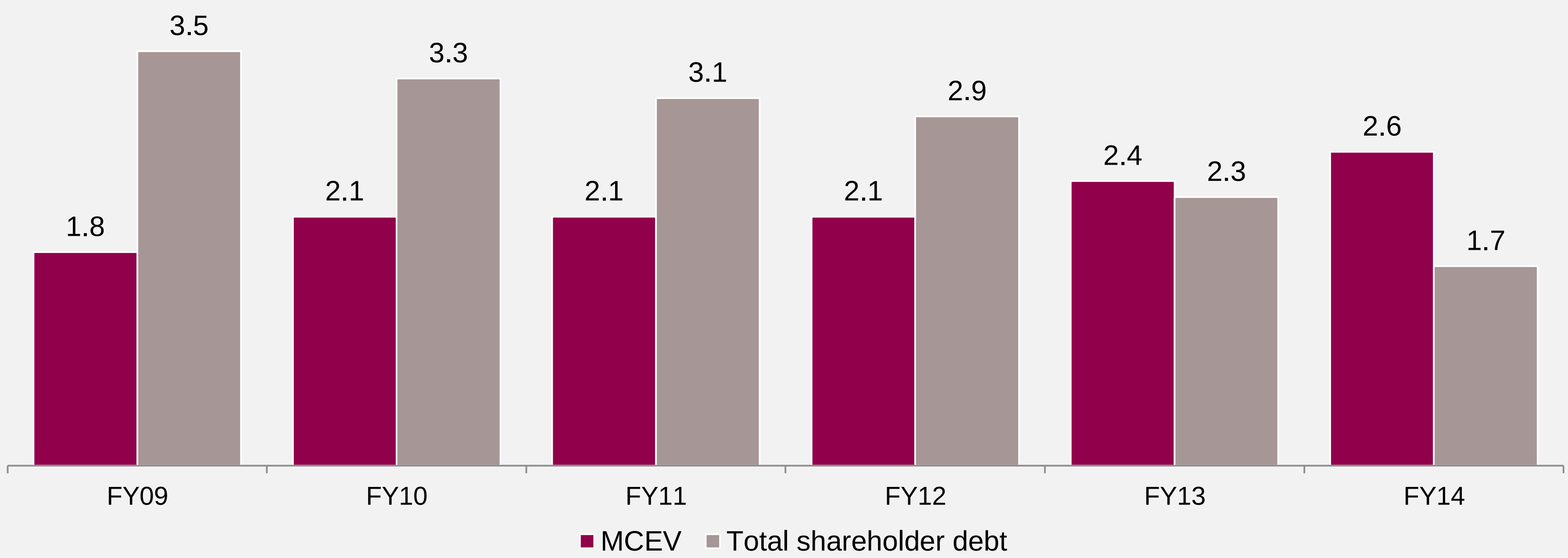


Examples of future actions

- National Provident Life Limited fund merger with Phoenix Life Assurance Limited (PLAL) expected to complete in 2015
- Phoenix Life Limited/PLAL fund merger would create a single UK life company
- Investment in new asset classes - portfolio of equity release mortgages acquired in early 2015

MCEV enhancement and debt reduction have resulted in a much stronger balance sheet

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



Gearing (%)

FY09	FY10	FY11	FY12	FY13	FY14
63%	58%	57%	55%	44%	34%

Notes (1) IFRS carrying value of total shareholder borrowings and IFRS carrying value of Tier 1 bonds. Total debt values here and in Company Gearing calculation are different because gearing calculation includes Tier 1 bonds at 50% of the IFRS carrying value to reflect their hybrid nature, and other shareholder debt at its IFRS carrying value (see Appendix IX).

Phoenix business model

Jim McConville

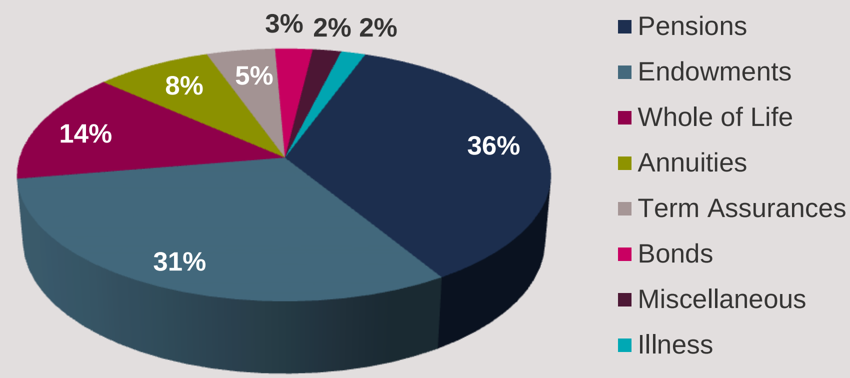
Phoenix is the solution for legacy book management

Phoenix's key advantages	2015 and beyond
✓ Size and scale across all product types	Ability to manage wide range of products gives significant economies in an acquisition environment
✓ Specialist operating model	Operating structure designed purely for closed life consolidation Established partners provide strong capabilities
✓ Management focus, skills and expertise	Enables the highest value to be extracted from a deal whilst ensuring our customers are not disadvantaged
✓ Scalability of operating model	Costs run off as the business runs off In M&A scenario, management action benefits of moving acquired business to our operating model

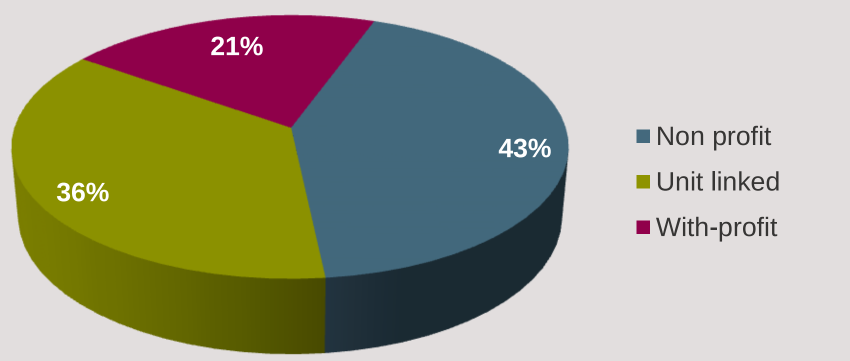
We manage a wide range of legacy products

- Full range of complexity of product structure from simple savings through to income protection and pensions drawdown products
- Largest categories are Pensions, Endowments and Whole of Life policies
- Typically products were purchased for a long term need – house purchase, pension or funeral planning which results in little need to engage for long periods
- We have built expertise in a wide range of products
- Our pensions book contains a high percentage of non-premium paying policies

Policy number by product type



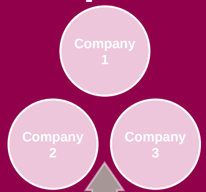
Policy number by fund type



Complex product set but limited exposure to any single product issue

Phoenix's focus on legacy management starts with an effective and targeted operating model

Life companies



- Consolidation of multiple life companies with separate processes
- Focus on improving customer outcomes and service levels
- Increasing regulation

"One" Service Company

- Service Companies established to provide competitive advantage through scale
- Platforms and systems are optimised to extract synergy benefits
- Operational risk is transferred to partners

Service Providers

- Financial strength to invest - multiple clients
- Scalable and efficient operating platforms
- Enhanced risk and control environment
- Enhanced customer services capability

Phoenix has an effective operating model already in place

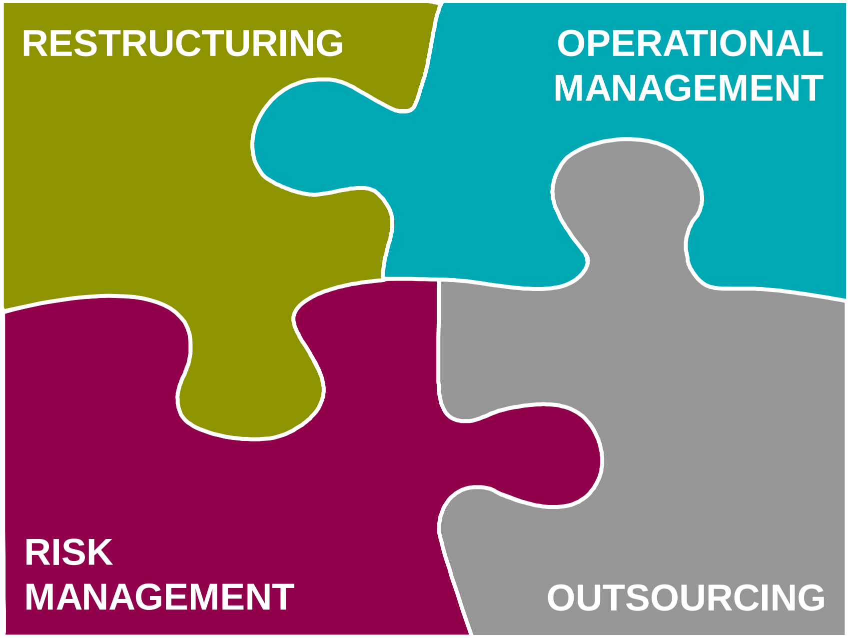
Ongoing focus on maximising operational efficiency

Costs reductions track policy run-off					
	2010 – 2011	2011 – 2012	2012 – 2013	2013 – 2014	Cumulative since 2010
Policy run-off	6.9%	6.7%	10.4%[2]	8.5%	28.8%
Costs[1] run-off	9.2%	7.2%	9.6%	9.8%	31.3%

- Underpinned by outsourcer variable cost model
- Enhanced by ongoing operational efficiency within retained business
- Cost pressures from regulatory change being managed

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

Management actions



Cash acceleration	Improved Group solvency
Incremental MCEV	Increased IFRS operating profits

Incremental MCEV

FY14 management actions	Type	£m
PGL Pension Scheme longevity arrangements	Restructuring	91
Actuarial Systems Transformation modelling improvements	Operational	27
Improvements to modelling of credit defaults	Operational	22
Use of MG-ALFA for NPLL	Operational	20
Release of legacy tax provision	Operational	19
Other management actions	Various	82
Total		**261**

Accelerated cashflow

FY14 management actions	Type	£m
PGL Pension Scheme longevity arrangements	Restructuring	68
Data cleansing	Operational	33
Sale of BA(GI)	Restructuring	21
Equity hedging	Risk management	15
Other management actions	Various	43
Total		**180**

Credit story

Rashmin Shah

Phoenix Group key credit strengths

Robust capital stable with low sensitivity to market movements actions

Conservative investment portfolio backing shareholder funds

Proactive balance sheet management

Investment grade ratings ambitions for 2015

Bondholder value creation

Capital management framework

Phoenix Group Holdings

UK holding companies[1]

Phoenix life companies

IGD

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

PLHL ICA calculation

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

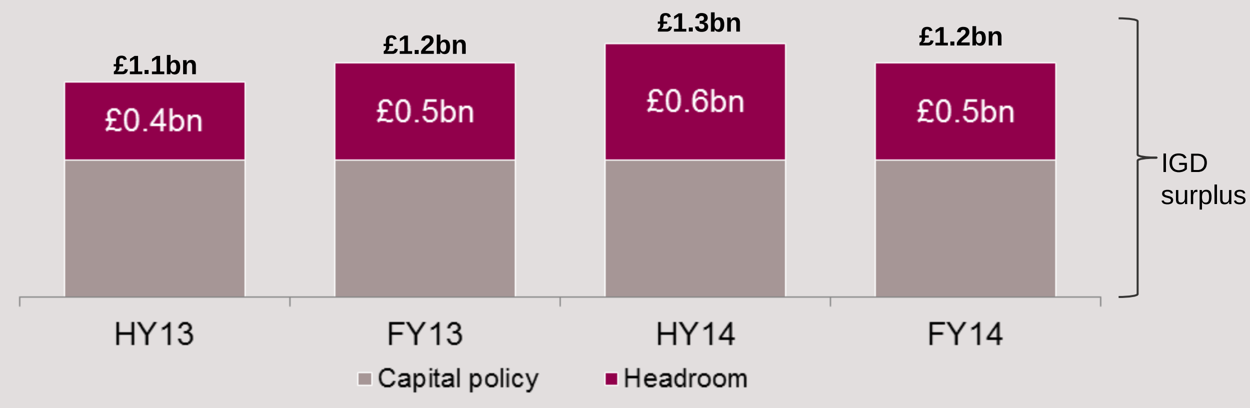
Individual life company solvency calculations

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

Note: (1) Headed by PLHL. Capital management framework as per Solvency I regulations. Solvency II calculation expected to also be at PLHL level

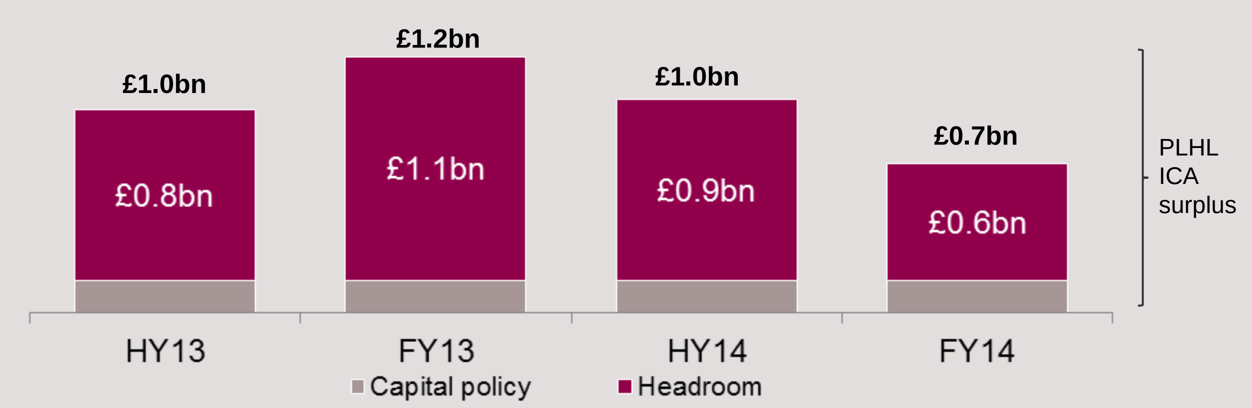
£1.2 bn IGD surplus; £0.7bn ICA surplus

IGD and sensitivities at FY14 (£bn)



IGD surplus sensitivities (£bn)(1)	
IGD surplus at 31 December 2014	1.2
Following 20% fall in equity markets	1.2
Following 15% fall in property values	1.2
Following 75bps increase in nominal yields	1.1
Following 75bps decrease in nominal yields	1.2
Following credit spread widening(2)	1.2

PLHL ICA and sensitivities at FY14 (£bn)



PLHL ICA surplus sensitivities (£bn)(1)	
PLHL ICA surplus at 31 December 2014	0.7
Following 20% fall in equity markets	0.6
Following 15% fall in property values	0.6
Following 75bps increase in nominal yields	0.8
Following 75bps decrease in nominal yields	0.6
Following credit spread widening(2)	0.5

Notes: (1) Assumes permanent deterioration of economic condition
(2) Based on 11 to 15 year term: AAA = 46bps, AA = 69bps, BBB = 144bps

Solvency II transition will be a key focus in 2015

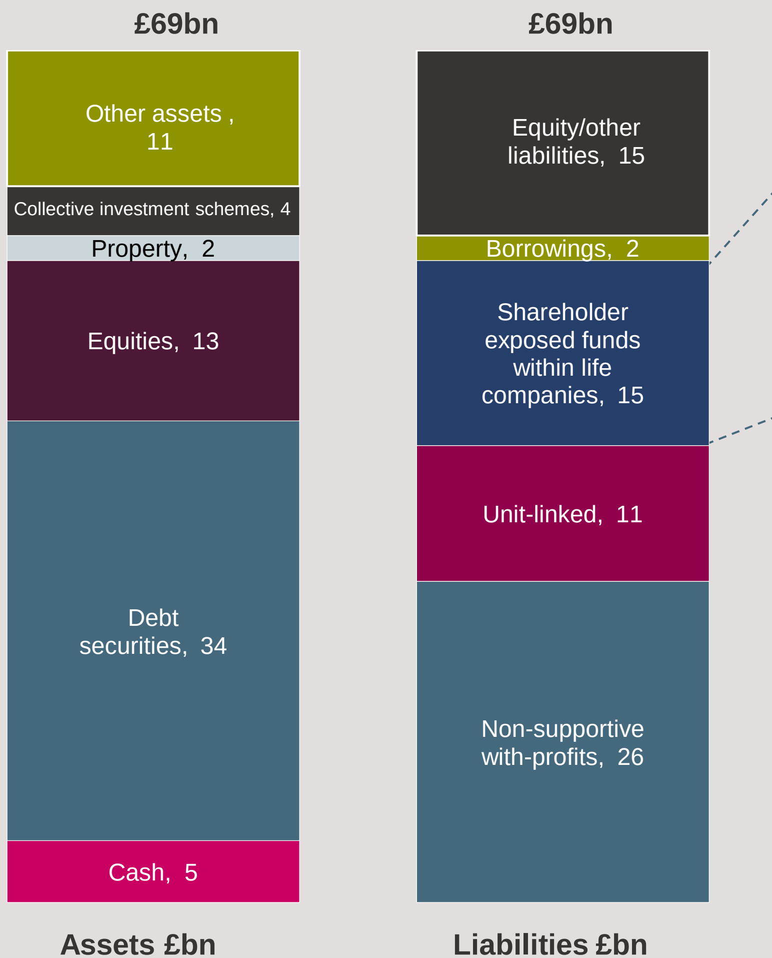
- Ongoing clarification of key issues - transitional provisions, matching adjustment and volatility balancer
- On track for Internal Model Approval Process (IMAP) application in June
- The Group expects to be well capitalised under the new Solvency II regime
- Group capital position under Solvency II expected to be in excess of the current PLHL ICA surplus, subject to regulatory approval
- One-off impact on 2015 cash generation due to prudent retention of capital in the life companies in the short term
- 2014 to 2019 cash generation target unchanged at £2.8bn

Future timeline

April 2015	Commitment Panel
Q2 2015	PRA feedback on outstanding issues
June 2015	Internal Model Application
January 2016	Solvency II regime go-live date

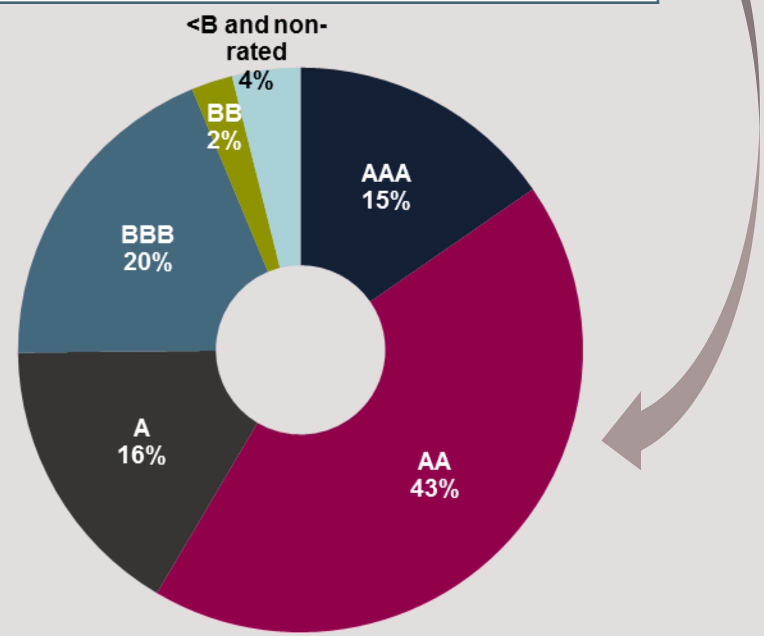
Shareholder exposed assets primarily held in cash and debt securities

IFRS Group assets and liabilities at FY14 (£bn)



Assets in shareholder funds and backing non-profit/supported with profit business

	£bn	%
Cash	2.2	17%
Debt	12.1	77%
Equity	0.4	3%
Property	0.3	1%
Other	0.4	2%
Total	15.4	100%

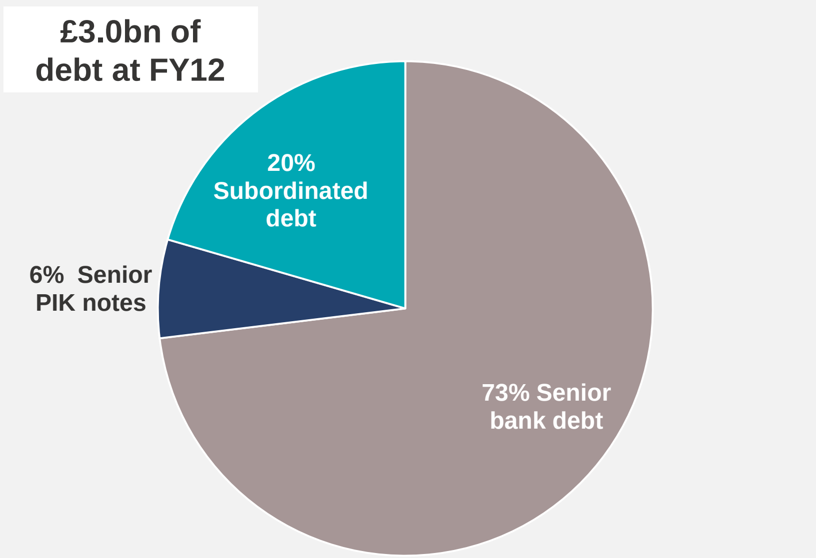


Comprehensive refinancing of Phoenix's debt structure

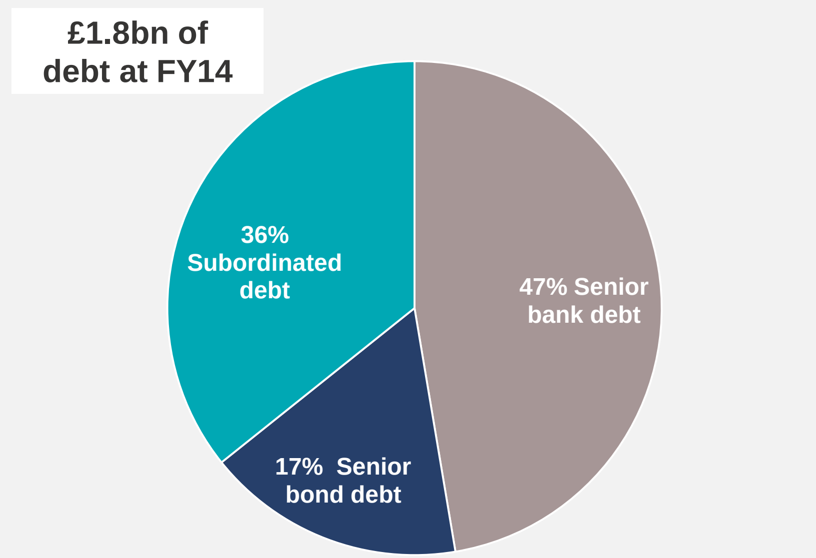
2013	Equity raise and debt re-terming	✓ £250m equity raising and £450m debt repayment ✓ Impala facility re-termed to June 2019
2014	Ignis divestment	✓ Proceeds used to repay £250m of Impala bank debt and reduce gearing
2014	£300m senior bond issue	✓ Re-established our relationship with the debt capital markets and diversified our funding structure – proceeds used to repay Impala bank debt
2014	Single bank facility	✓ Refinanced legacy silos (Pearl and Impala) into a single £900m facility ✓ Reduced margin, with opportunity for margin step downs in future
2014	Tier 2 bond consent solicitation	✓ Amended terms to ensure the bonds could be grandfathered into Solvency II as Tier 2 capital
2015	Tier 1 bond exchange	✓ 99% take up by bondholders - £428m of new subordinated notes, the terms of which meet the requirements of Tier 2 under Solvency II, maturing in 2025 ✓ Further simplifies our funding structure

Our sources of debt funding have been diversified

Breakdown of £3.0bn debt at FY12



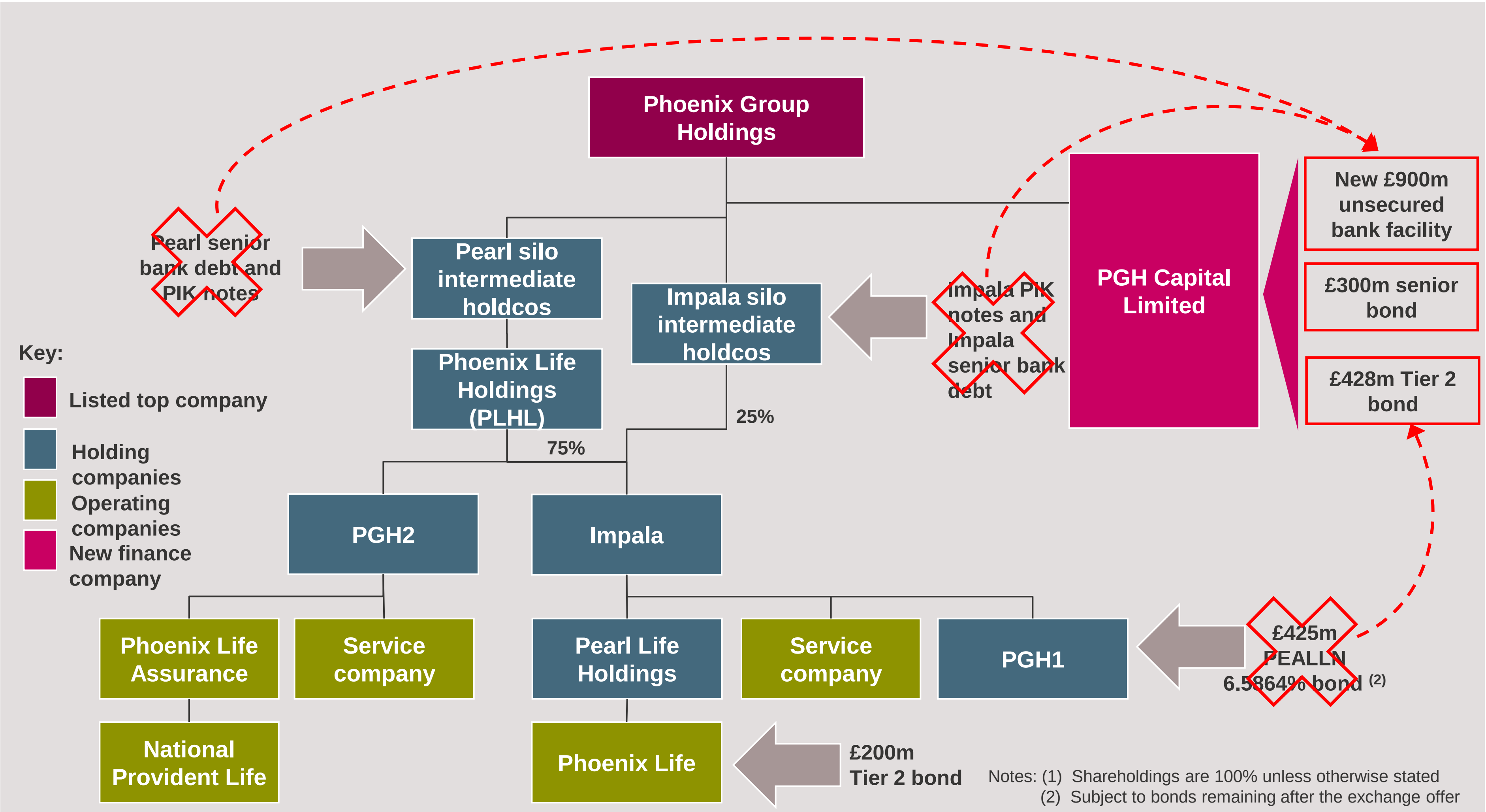
Breakdown of £1.8bn debt at FY14



Note: Debt amounts based on notional value of outstanding debt (including internal holdings). FY14 amounts include impact of Tier 1 bond exchange completed in January 2015.

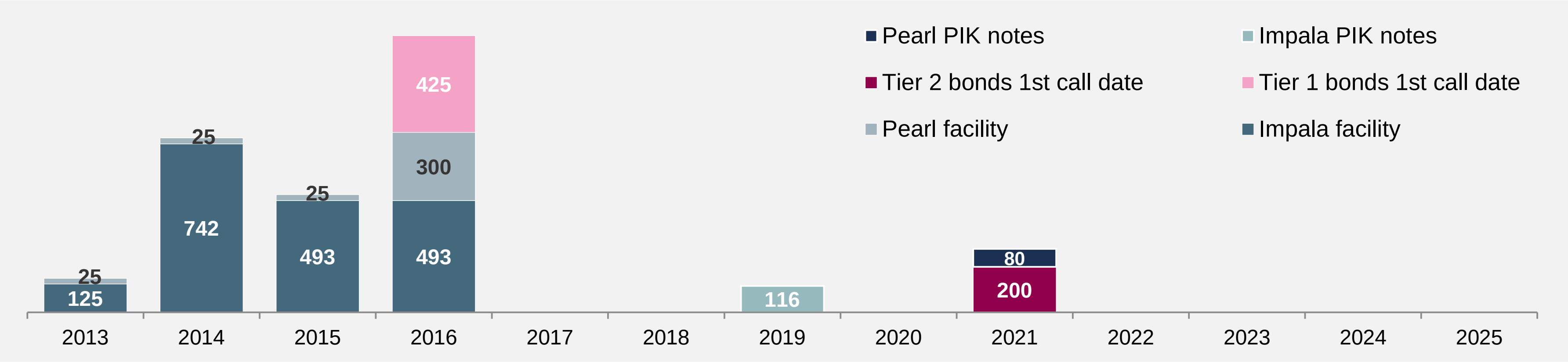
- At the end of 2012, almost three quarters of our funding was senior bank debt
- Following the refinancing undertaken during 2014, this has been reduced to under 50%, with the remainder sourced from the debt capital markets
- An increasing proportion is funded with subordinated debt, improving balance sheet strength

Summary group structure: simplification of legacy senior debt

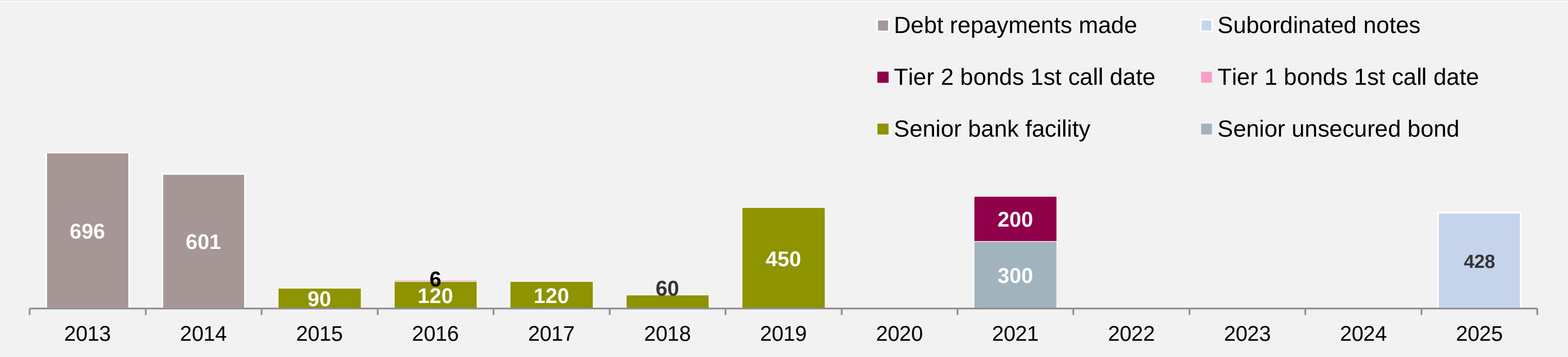


Debt amortisation profile smoothed and extended…

Amortisation schedule as at 31 December 2012[1] (£m)



New amortisation schedule[2] (£m)

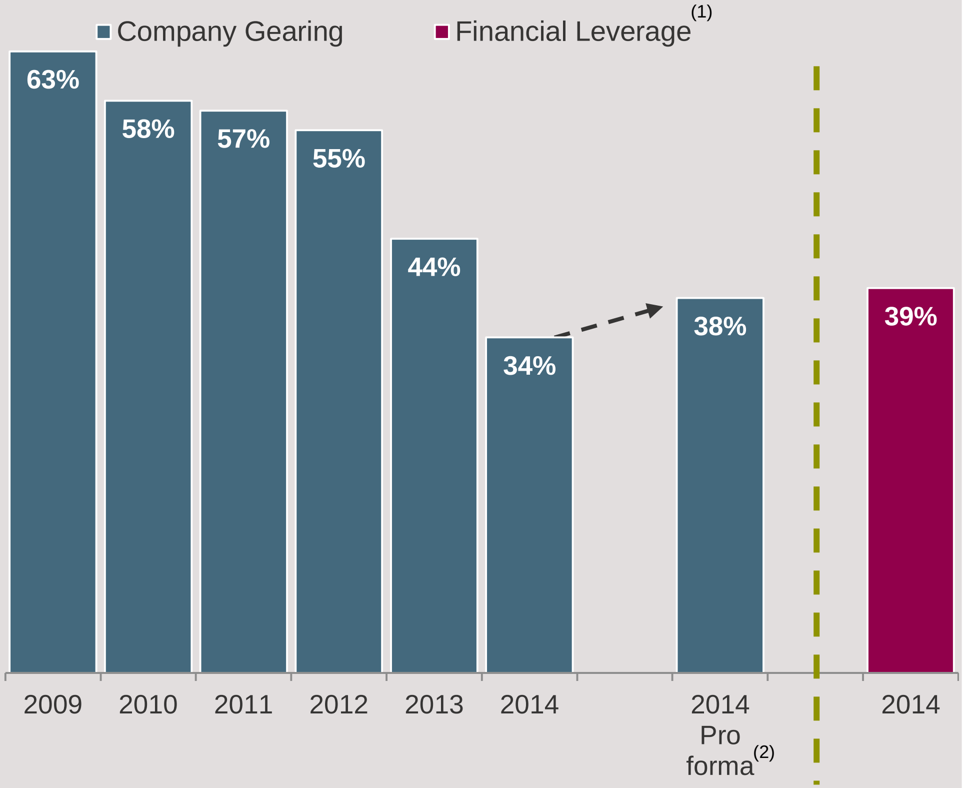


Notes (1) Impala PIK notes and Pearl PIK notes included capitalised interest up to 31 December 2012.

(2) Includes the impact of the Tier 1 bond exchange completed in January 2015. Includes £32m of new Subordinated Notes held internally by the Group.

Investment grade rating ambition for 2015

Gearing ratios (%)



Investment Grade process

1. Commenced discussions with rating agencies
2. Formal ratings process with one or more chosen agencies
3. Aim to complete rating process during 2015

Notes: (1) Financial Leverage differs from the Company Gearing measure as the debt instruments are included at their notional face values as opposed to their IFRS carrying values and the Tier 1 bonds are included at 100% of their face value – see Appendix IX.
(2) Pro forma 2014 Company Gearing assumes Tier 1 bonds exchange and associated coupon payment occurred on 31 December 2014.

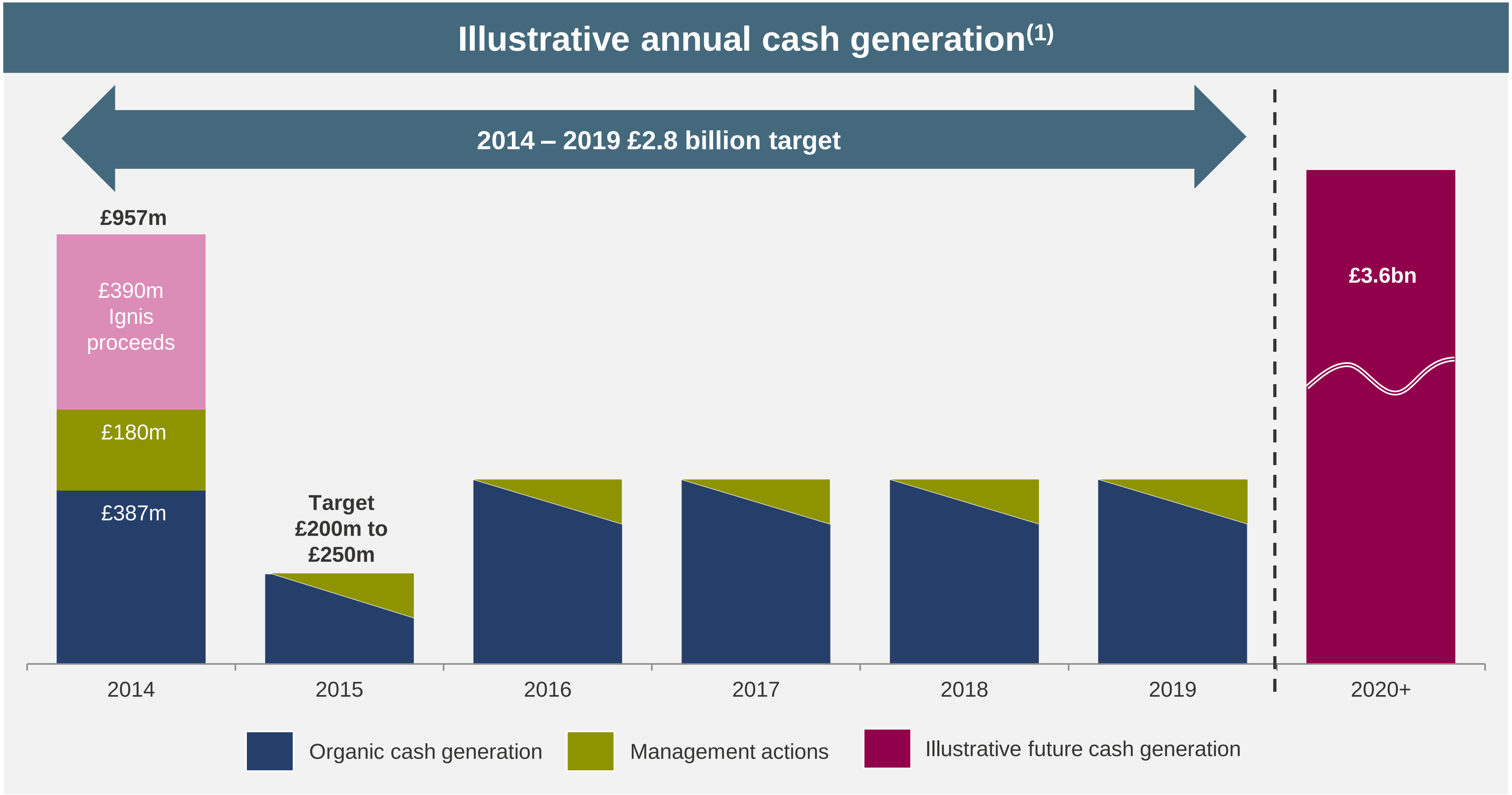
The future

Jim McConville

Financial targets support stable and sustainable dividend policy

Cash generation	• 2015 target of £200m to £250m given Solvency II transition and retention of capital in life companies in short term • Cumulative target of £2.8 billion between 2014 and 2019 remains unchanged
MCEV	• £100m increase in 2014-16 target of incremental MCEV from management actions to £400 million
Gearing	• Going forward, will manage leverage to achieve and maintain an investment grade credit rating • Will report Financial Leverage ratio in future to align with bank facility margin reductions

£200m-£250m cash target in a transitional Solvency II year – set within an unchanged longer term £2.8bn target



Notes: (1) Not to scale

Phoenix position on key regulatory and legislative challenges

	Annuities	FCA thematic review	Workplace pensions cap
Industry impact	▪ Compulsory annuitisation scrapped from 6 April ▪ Need for new products	▪ Review of customer communications ▪ Exit charges ▪ Allocation of expenses between open and closed books	▪ 0.75% cap as charges for qualifying schemes ▪ Further downward pressure on charges
Phoenix response	✓ Guidance Guarantee should support GARs but provided for £15m MCEV impact ✓ New business value from non-GARs was £11m in 2014 ✓ Continue to write annuities and provide access to alternative products	✓ Strong product governance framework ✓ Back-end charges less than 1% of funds under management ✓ No new business	✓ Cap does not apply to conventional with-profit schemes ✓ Approximately 90% of membership non-premium paying ✓ £20m MCEV impact assumed at FY14

Key industry challenges do impact but we predict are of a manageable scale

The UK life sector is evolving

- Annuity writers impacted by recent reforms
  - Potential to result in "effective" closure for some
- Back books could consolidate given high fixed costs to manage
- SIPP and income drawdown expected to grow substantially

Niche insurers

Closed fund operators
Phoenix Group, Swiss Re, Guardian Financial Services, Chesnara

Individual annuity providers
partnership, just retirement

Pension insurance companies
Pension Corporation, Rothesay life

Waterfront providers

Open life insurers
Standard Life, Prudential, Aviva, Friends Life, Canada Life, Scottish Widows, Old Mutual, Legal & General, Aegon

Mutuals
Royal London, LV= Liverpool Victoria

Savings specialists

Specialist savings providers

Wealth
Quilter Cheviot, Towry

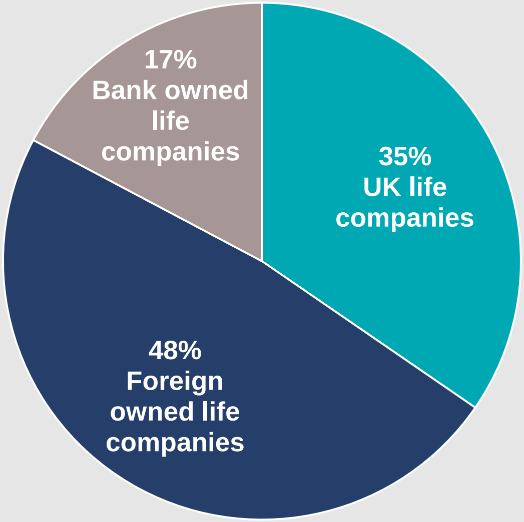
B2C
Hargreaves Lansdown, nutmeg, rplan, Alliance Trust Savings, Money on toast

IFAs
sesame, St. James's Place Wealth Management, Intrinsic, Openwork

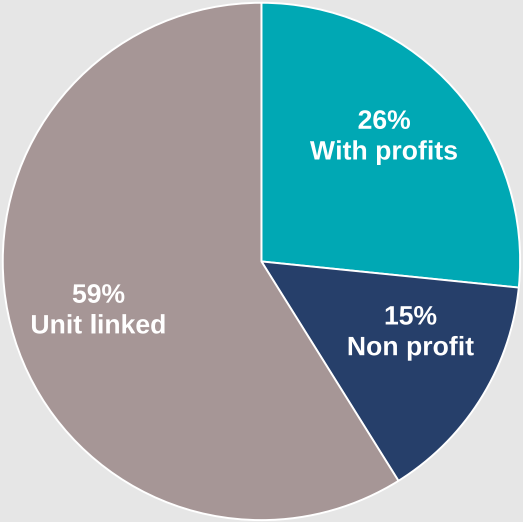
B2B
nucleus, skandia Platform, cofunds

Potential opportunities of up to £340 billion are held by various types of owners across a range of product types

Potential market opportunities by owner



Potential market opportunities by product type



Source: Company. Analysis based on 2013 FSA returns. Excludes Phoenix Group.

Phoenix Group now repositioned for future growth

2009 – 2014	2015 and beyond
✓ Cumulative cash generation of £4.7bn	• Stable and sustainable dividend policy supported by long-term cashflow target
✓ Incremental MCEV generated of £1.2bn	• Enhanced financial flexibility through achievement of investment grade credit rating
✓ Total debt repayments of £1.8bn	• Growth through M&A
✓ Accessed debt capital markets	
✓ Refinanced bank debt into single facility and materially reduced restrictions	

Q&A

Appendices

I Executive team

II Outline of current debt structure

III Credit rating analysis of debt portfolio

IV MCEV sensitivities

V Cash generation sensitivities

VI Maturity profile of business

VII Asset mix of life companies

VIII Total debt exposure by country

IX Calculation of leverage ratios

Appendix I:
Chairman and Executive Committee

Sir Howard Davies Chairman	• Sir Howard Davies was appointed Chairman of the Board of Directors of the Company on 1 October 2012. Howard is the Chair of the British Government's Airport Policy Review. He also is a Professor of Practice at the French School of Political Science in Paris (Sciences Po). He was previously a Director of the London School of Economics and Political Science from 2003 until May 2011. Prior to this appointment he was chairman of the UK Financial Services Authority from 1997 to 2003. From 1995 to 1997 he was Deputy Governor of the Bank of England, after three years as the Director General of the Confederation of British Industry. Earlier in his career he worked in the Foreign and Commonwealth Office, the Treasury, McKinsey and Co, and as Controller of the Audit Commission.
Clive Bannister Group CEO	• Clive Bannister joined the Group in February 2011 as Group Chief Executive Officer. Prior to this, he was Group Managing Director of Insurance and Asset Management at HSBC. He joined HSBC in 1994 and held various leadership roles in Planning and Strategy in the Investment Bank (USA) and was Group General Manager and CEO of HSBC Group Private Banking. He started his career at First National Bank of Boston and prior to working at HSBC was a partner in Booz Allen Hamilton in the Financial Service Practice providing strategic support to financial institutions including leading insurance companies, banks and investment banks. Mr Bannister was appointed to the Board of Directors of the Company on 28 March 2011.
Jim McConville Group CFO	• Jim McConville was appointed to the Board of Directors of the Company as Group Finance Director on 28 June 2012. During 2011/2012, Mr McConville was a non-executive director of the life business of Aegon UK. Between April 2010 and December 2011, he was Chief Financial Officer of Northern Rock plc. Prior to that, between 1988 and 2010, he worked for Lloyds Banking Group plc (formerly Lloyds TSB Group plc) in a number of senior finance and strategy related roles, latterly as Finance Director of Scottish Widows Group plc and Director of Finance for the Insurance and Investments Division. Mr McConville qualified as Chartered Accountant whilst at Coopers and Lybrand.
Simon True Group Chief Actuary	• Simon joined the Phoenix Group on 1 May 2013 as Group Chief Actuary. Before joining the Group, Simon ran the M&A team within Resolution Limited, having joined in 2008, and was actively involved in its creation through to it inclusion in the FTSE 100 following the acquisitions of Friends Provident, AXA UK (Life), and Bupa Health. • Prior to Resolution Limited, Simon was the Group Actuary at Resolution plc until the acquisition by Pearl Group Limited in 2008. Simon had initially joined the Resolution Life Group in February 2005. • Preceding his involvement with Resolution, Simon spent 7 years at Commercial Union (now part of Aviva), latterly in the International Division, followed by a further 7 years as a senior consultant at Tillinghast-Towers Perrin.

Appendix I:
Executive Committee

Andy Moss Phoenix Life CEO	• Andy Moss is the CEO for the Phoenix Life Division, having been appointed in May 2014. • Previously he was the Finance Director for Phoenix Life Division and a member of the Phoenix Management Board, heading a team of some 250 staff within Phoenix Life Finance. Andy is ACCA and CPFA qualified and has been with the Group since 2004. During this time he has led the successful integration of all our Finance functions to Wythall. • Prior to joining the Group Andy was Finance Director of Nationwide Life Limited and Nationwide Unit Trust Managers.
Fiona Clutterbuck Head of Strategy, Corporate Development and Communications	• Fiona Clutterbuck was appointed Head of Corporate Development in June 2010, and subsequently Head of Strategy, Corporate Development and Communications in March 2012. • Fiona joined Phoenix Group in June 2008. Prior to working in the Phoenix Group, she was Head of Financial Institutions Advisory at ABN AMRO between 2001 and 2008, where she advised on the acquisition of Pearl, and Pearl on the acquisition of Resolution plc. • Prior to that, Fiona worked at both HSBC Investment Bank and Hill Samuel. Fiona is a qualified Barrister.
Wayne Snow Chief Risk Officer	• Wayne became Chief Risk Officer in July 2013. In May 2010 Wayne joined the risk function as Financial Risk Director responsible for oversight over Financial and Operation Risk, design and implementation of the group's Risk Management Framework and the function's responsibilities under Solvency II. • Wayne joined the Phoenix Group in March 2005 as a member of the M&A team that acquired the insurance businesses of Britannic and Abbey National. Following the acquisition by Pearl, he took up the role of Head of Shareholder Value Management. Prior to joining Phoenix Group, Wayne worked as a Consultant with Tillinghast-Towers Perrin where he advised UK and US insurance and reinsurance clients on M&A and financial restructuring initiatives.

Appendix I:
Executive Committee and selected management team

Steve Fawcett HR director	• Steve Fawcett was appointed Group Human Resources Director in May 2014, subject to regulatory approval. Previously Steve was Deputy Group HR Director and Head of HR Strategic Change for the Group with responsibility for the delivery of HR services and major people change programmes. Prior to this Steve held a number of senior HR and consulting roles at Norwich Union (now Aviva) and is a Fellow of the Charted Institute of Personnel and Development.
Quentin Zentner General Counsel	• Quentin Zentner was appointed as General Counsel in December 2014, having previously held the role of Director, Life Legal since August 2010. Quentin was previously General Counsel at Nikko Principal Investments Ltd, a Japanese private equity company and before that was a Corporate Partner at Pinsents Curtis. Quentin is a qualified solicitor.
Rashmin Shah Group Treasurer	• Rashmin Shah joined Phoenix in 2010 as Group Treasurer with responsibility for our Group's Treasury functions. Rashmin bought with him his experience in Capital Management, Funding, Risk Management and Treasury Operations in the UK insurance industry. Previously Rashmin spent 11 years at Old Mutual where he was Group Treasurer and, prior to that ,12 years at the Eagle Star Group. • Rashmin qualified as a Chartered Accountant with Deloitte in 1986 and is an Associate Member of the Institute of Corporate Treasurers. He graduated from the University of Leeds in 1983 with a BA Hon, Economics (Accounting).
Tony Kassimiotis Managing Director of Operations	• Tony joined the AMP Group in March 2001 as Director of Global Technology Strategy and then held a number of operational roles in the UK across the Group's Life and Pensions businesses, before taking on the role as Director of Information Technology, for AMP's UK Life and Pension businesses, in 2003. In 2006, Tony was promoted to the role of Chief Operating Officer at Pearl following the acquisition by Sun Capital and TDR. Tony is now Managing Director of Operations for the Life and Pension businesses, encompassing the management of long-term BPO outsourcing contracts, the development of the group's IT strategic and operating platforms along with the delivery of the business transformation agenda.

Appendix II:
Outline of current debt structure

Instrument	Held by	Face value £m	Maturity
Unsecured bank debt - **Revolving credit facility** - **Term loan**	 PGH Capital Limited PGH Capital Limited	 £450m £390m	 July 2019 July 2019
Unsecured senior bond	PGH Capital Limited	£300m	July 2021
Subordinated notes	PGH Capital Limited	£428m	December 2025
Tier 2 bond	Phoenix Life Limited	£200m	March 2021 (first call date)
Tier 1 bond (PEALLN 6.5864%)	Pearl Group Holdings No.1 Limited	£6m	April 2016 (first call date)
		£1,774m	

Appendix III:
Credit rating analysis of debt portfolio

At 31 December 2014 £m	Total shareholder, non-profit and supported with-profits[1]	Policyholder funds[1]		Total Policyholder	Total assets[1]
		Non-supported with-profits funds	Unit-linked		
AAA	1,867	1,769	62	1,831	3,698
AA	5,238	10,130	775	10,905	16,143
A	1,987	1,392	137	1,529	3,516
BBB	2,294	2,043	207	2,250	4,544
BB	287	129	17	146	433
B and below	284	191	2	193	477
Non-rated	191	184	276	460	651
As at 31 December 2014	**12,148**	**15,838**	**1,476**	**17,314**	**29,462**

Notes: (1) Shareholder includes non-profit and supported with-profits. Policyholder includes non-supported with-profits and unit linked

Appendix IV:
MCEV sensitivities

£m	FY14
Base (MCEV of covered business)	2,856
1% decrease in risk-free rates	59
1% increase in risk-free rates	(68)
10% decrease in equity market values	(46)
10% increase in equity market values	46
10% decrease in property market values	(46)
10% increase in property market values	45
100 bps increase in credit spreads(1)	(164)
100 bps decrease in credit spreads(1)	157
25% increase in equity/property implied volatilities	(9)
25% increase in swaption implied volatilities	(9)
25% decrease in lapse rates and paid-up rates	(30)
5% decrease in annuitant mortality	(140)
5% decrease in non-annuitant mortality	15
Required capital equal to the minimum regulatory capital(2)	16

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

Appendix V:
Cash generation sensitivities

Cash sensitivities[1]	
	1 Jan 2014-31 Dec 2019
Base case – 6 year target	£2.8bn
20% fall in equity markets	£2.7bn
15% fall in property values	£2.8bn
Following 75bps increase in nominal yields[2]	£2.9bn
Following 75bps decrease in nominal yields[2]	£2.7bn
Credit spreads widening with no change in expected defaults[3]	£2.5bn

Notes: (1) Assumes stress occurs 1 January 2015 and there is no recovery during the target period
(2) Represents a real yield reduction of 25bps, given a 75bps increase/decrease in nominal yields
(3) Based on 11 to 15 year term: AAA = 46bps, AA = 69bps, A = 102 bps, BBB = 144 bps

Appendix VI:
Maturity profile of business

£m	1-5 years	6-10 years	11-15 years	16-20 years	20+ years	Total
MCEV present value of future profits						
31 December 2014	859	556	387	250	186	2,238
31 December 2013	997	576	344	212	172	2,301
31 December 2012	1,058	596	369	231	196	2,450
31 December 2011	1,135	683	455	291	282	2,846
31 December 2010	1,147	848	488	271	268	3,022

Appendix VII:
Asset mix of life companies

At 31 Dec 2014 £m unless otherwise stated	Total shareholder, non-profit and supported with-profits[2]	%	Policyholder funds[3]		Total Policyholder	Total assets[1]
			Non-supported with-profits funds	Unit linked		
Cash deposits	2,157	14	2,861	1,176	4,037	6,194
Debt securities						
Debt securities – gilts	3,833	25	8,756	661	9,417	13,250
Debt securities – bonds	8,315	54	7,082	815	7,897	16,212
Total debt securities	**12,148**	**79**	**15,838**	**1,476**	**17,314**	**29,462**
Equity securities	**434**	**3**	**5,613**	**7,787**	**13,400**	**13,834**
Property investments	**258**	**2**	**997**	**346**	**1,343**	**1,601**
Other investments[4]	**380**	**2**	**806**	**-**	**806**	**1,186**
Total	**15,377**	**100**	**26,115**	**10,785**	**36,900**	**52,277**

Notes:
(1) The analysis of the asset portfolio comprises assets held by the Group's life companies including stock lending collateral. It excludes other Group assets such as cash held in holding companies and service companies, the assets held by non-controlling interests in collective investment schemes and UKCPT and is net of derivative liabilities. This information is presented on a look through basis to underlying holdings where available
(2) Includes assets where shareholders of the life companies bear the investment risk
(3) Includes assets where policyholders bear most of the investment risk
(4) Includes policy loans of £12m, other loans of £24m, net derivatives of £362m and other investments of £788m

Appendix VIII:
Total debt exposure by country

At 31 Dec 2014 £m	Sovereign and Supranational		Corporate: Financial Institutions		Corporate: Other		Asset backed securities		Total debt securities		Total debt
	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder[1]	Policyholder	
UK	4,029	9,870	1,482	1,054	1,288	1,372	839	543	7,638	12,839	20,477
Supranationals	898	685	-	-	-	-	-	-	898	685	1,583
USA	10	145	481	434	507	249	43	5	1,041	833	1,874
Germany	688	809	49	44	242	172	2	23	981	1,048	2,029
France	99	64	136	125	259	220	2	-	496	409	905
Netherlands	-	6	268	303	53	40	19	30	340	379	719
Portugal	-	-	-	-	-	1	-	-	-	1	1
Italy	-	4	3	13	44	64	-	5	47	86	133
Ireland	-	-	-	-	-	-	-	8	-	8	8
Greece	-	-	-	-	3	-	-	-	3	-	3
Spain	5	3	2	20	30	30	-	2	37	55	92
Other[2]	53	379	270	395	314	186	30	11	667	971	1,638
Total debt exposure	**5,782**	**11,965**	**2,691**	**2,388**	**2,740**	**2,334**	**935**	**627**	**12,148**	**17,314**	**29,462**
of which Peripheral Eurozone	**5**	**7**	**5**	**33**	**77**	**95**	**-**	**15**	**87**	**150**	**237**
At 31 Dec 2013 £m											
Total debt exposure	**5,087**	**11,735**	**2,564**	**3,633**	**2,634**	**2,677**	**926**	**1,115**	**11,211**	**19,160**	**30,371**
of which Peripheral Eurozone	**4**	**5**	**32**	**23**	**100**	**111**	**17**	**42**	**153**	**181**	**334**

Notes: (1) Shareholder includes non-profit and supported with-profits. Policyholder includes non-supported with-profits and unit linked

(2) Other mainly includes Australia, Switzerland and Japan

Appendix IX:
Calculation of leverage ratios

Metric (£m)	FY14 Company Gearing[1]	FY14 Financial Leverage[2]
Unsecured bank debt – revolving credit facility	441	450
Unsecured bank debt – term loan	387	390
Unsecured senior bond	298	300
PLL subordinated debt (Upper Tier 2 instrument)	149	200
Perpetual Reset Capital Securities (Tier 1 instrument)	204[3]	394[3]
Gross shareholder debt	**1,479**	**1,734**
Group MCEV	2,647	2,647
Gross shareholder debt	1,479	1,734
Difference between gross shareholder debt and MCEV carrying values of debt	282	27
Gross MCEV	**4,408**	**4,408**
As at 31 December 2014	**34%**	**39%**

Notes:
(1) Gross shareholder debt (Company Gearing basis) is defined as the sum of the IFRS carrying value of the shareholder debt and 50% of the IFRS carrying value of the Tier 1 bonds given the hybrid nature of that instrument. Gross MCEV is defined as the sum of Group MCEV and the value of the shareholder and hybrid debt as included in the MCEV.
(2) The definition of gross shareholder debt (Financial Leverage basis) differs from that used in the Company Gearing ratio, as the debt instruments are included at their notional face values as opposed to their IFRS carrying values. The Tier 1 bonds are included at 100% of their face value. Gross MCEV is calculated on a consistent basis to the gearing ratio calculation.
(3) Excludes internal holdings of £31m

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