



PHOENIX GROUP

Cash

Resilience

Growth

Europe's Largest Life and Pensions Consolidator

September 2019

A world of extremes



NO-DEAL BREXIT

MARKET VOLATILITY

CLIMATE CHANGE

CHANGING CUSTOMER PREFERENCES

BIFURCATING INSURANCE INDUSTRY

Phoenix is ready for a 'No-Deal Brexit'



CHALLENGE

- EU customers' policies written by branches of the UK based insurance company Standard Life Assurance
- Unclear whether possible to service EU policies from a UK branch in a no-deal scenario



SOLUTION

- EU policies were moved to an Irish subsidiary via Part VII transfer completed in March 2019



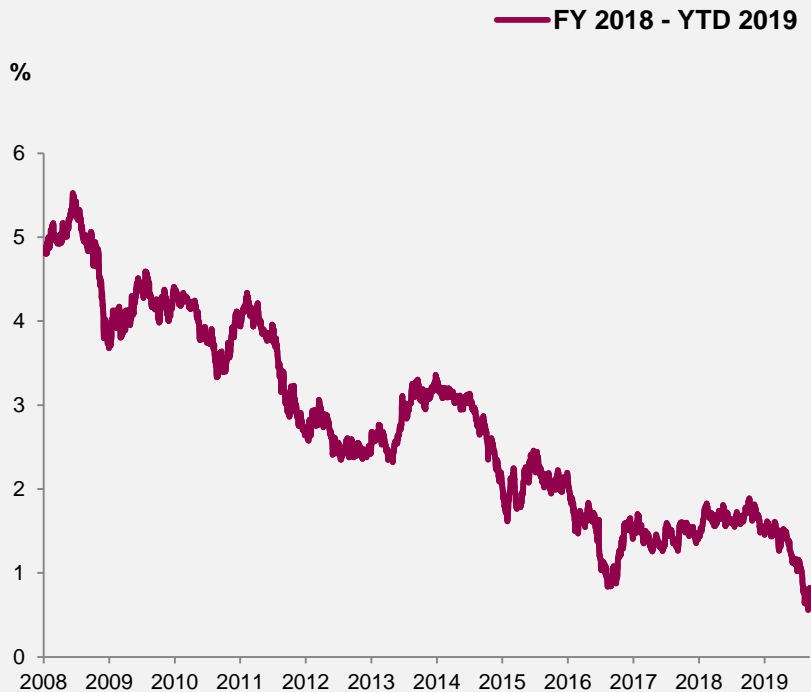
IMPLICATIONS

- £250 million capital injection into Irish subsidiary
- Anticipated in cash generation targets and expected to return over time

Markets continue to reach new extremes

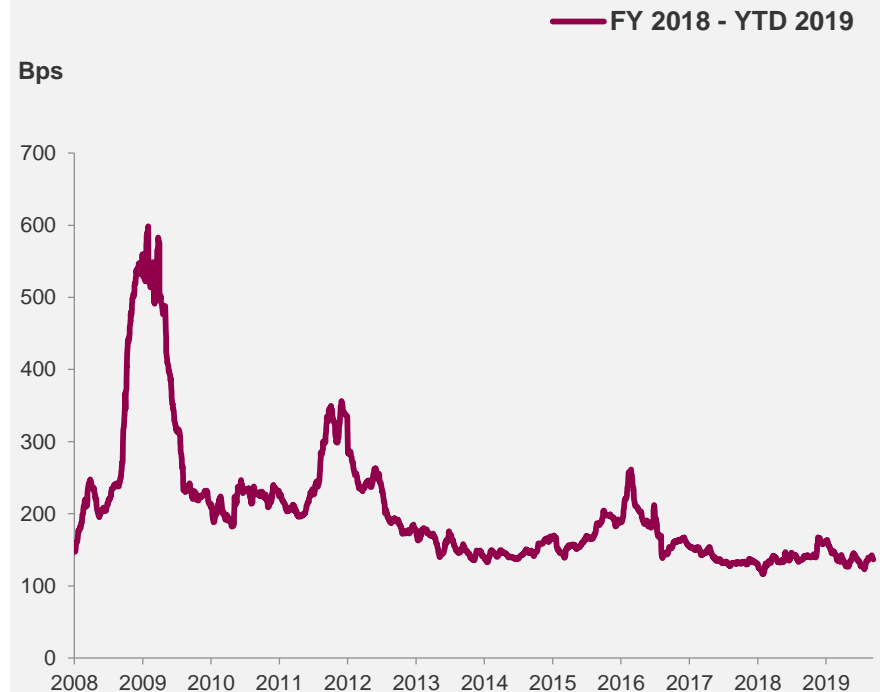
Interest rates are lower for longer⁽¹⁾...

UK 15 year swap curve



...whilst credit spreads have been stable at lower levels⁽²⁾

UK A-rated corporate spreads to swaps

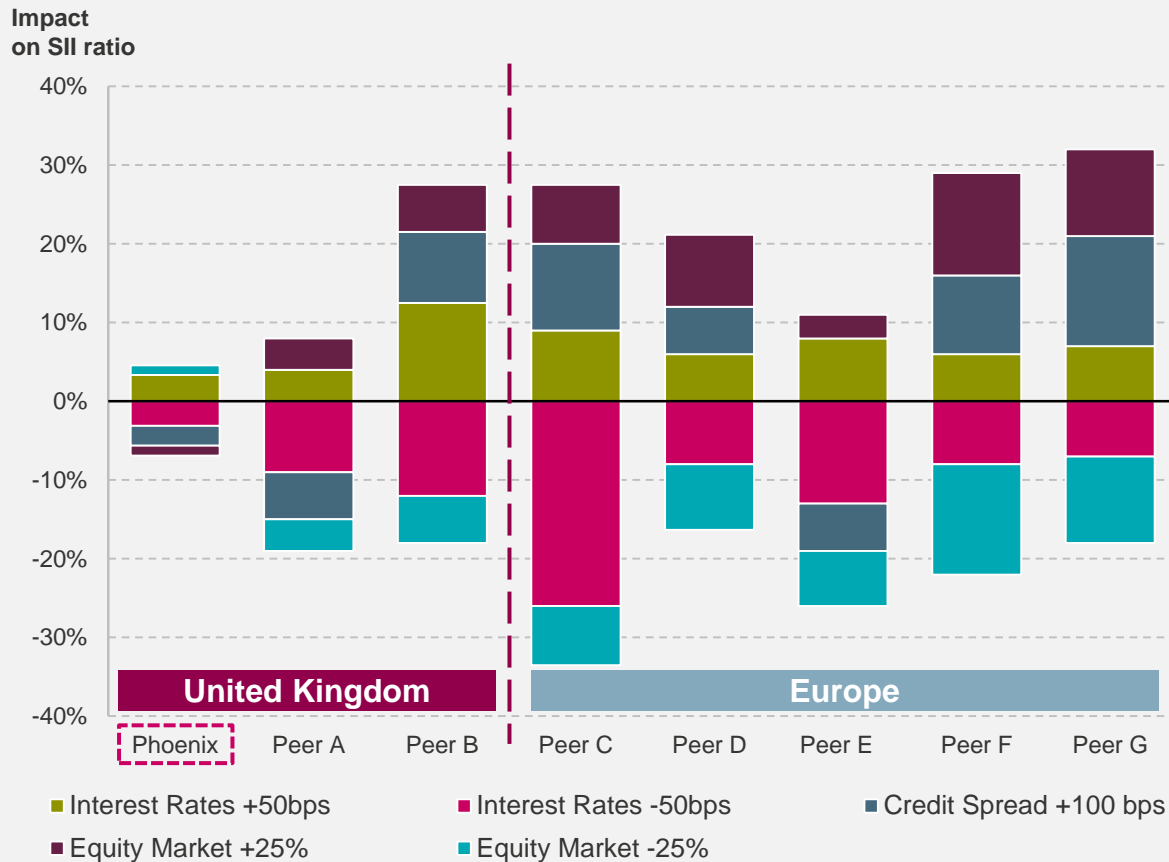


(1) Source: Iboxx, 9 September 2019

(2) Source: Iboxx, 9 September 2019

Phoenix is resilient to market volatility

HY19 market risk sensitivities^(1,2)



Key messages

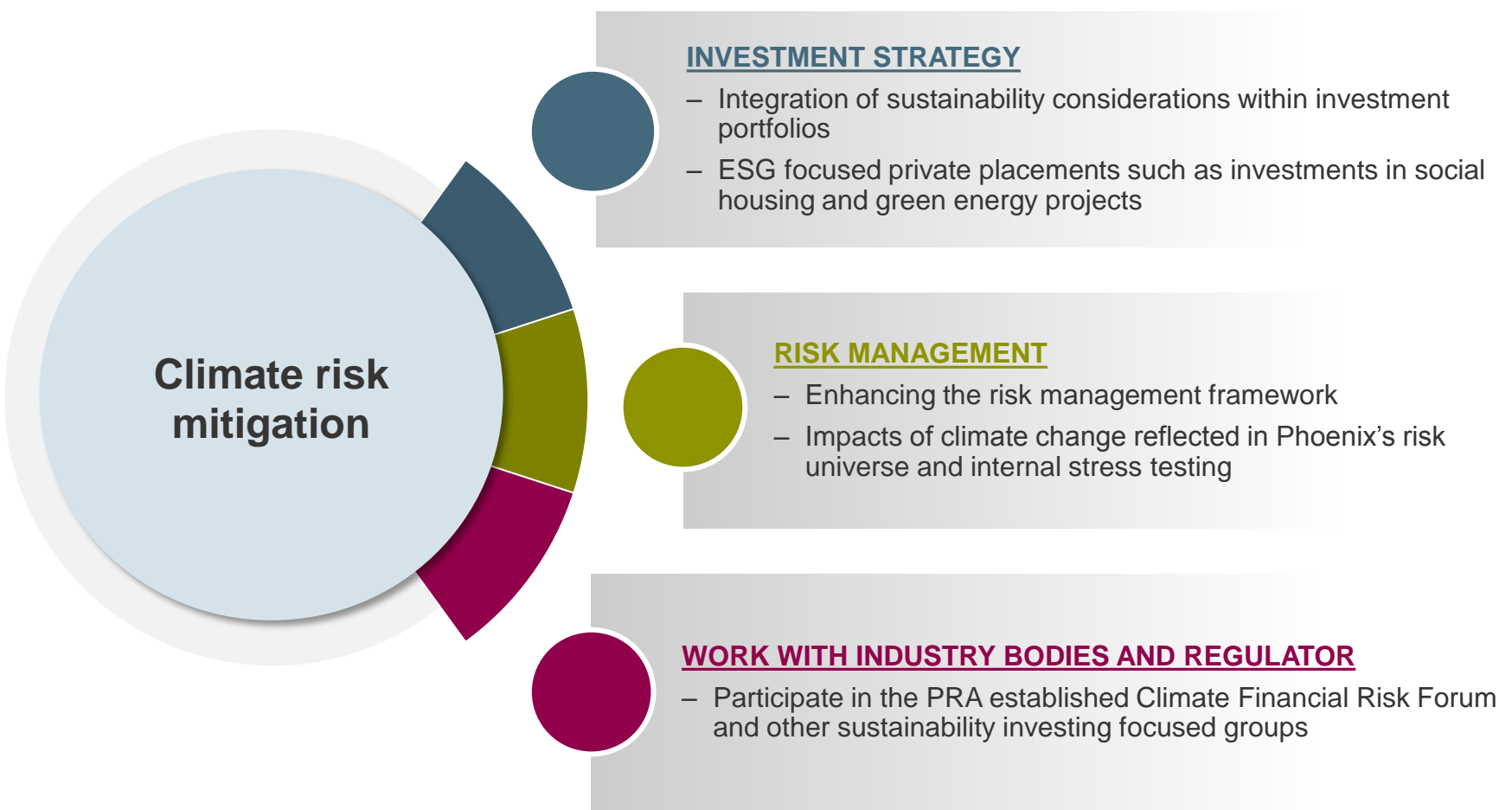
- Phoenix has a low appetite for market risk
- Hedging programme brings resilience to the Solvency II surplus
- Lower volatility than peers with regard to market risks
- Phoenix HY19 SCCR of 160% is well within target range of 140-180%

(1) All sensitivities as of 30 June 2019

(2) Source: Company disclosure

Life insurers are less directly exposed to physical risks of climate change than general insurers...

... however the transition to a low carbon economy impacts investments on our balance sheet



Climate risk mitigation

INVESTMENT STRATEGY

- Integration of sustainability considerations within investment portfolios
- ESG focused private placements such as investments in social housing and green energy projects

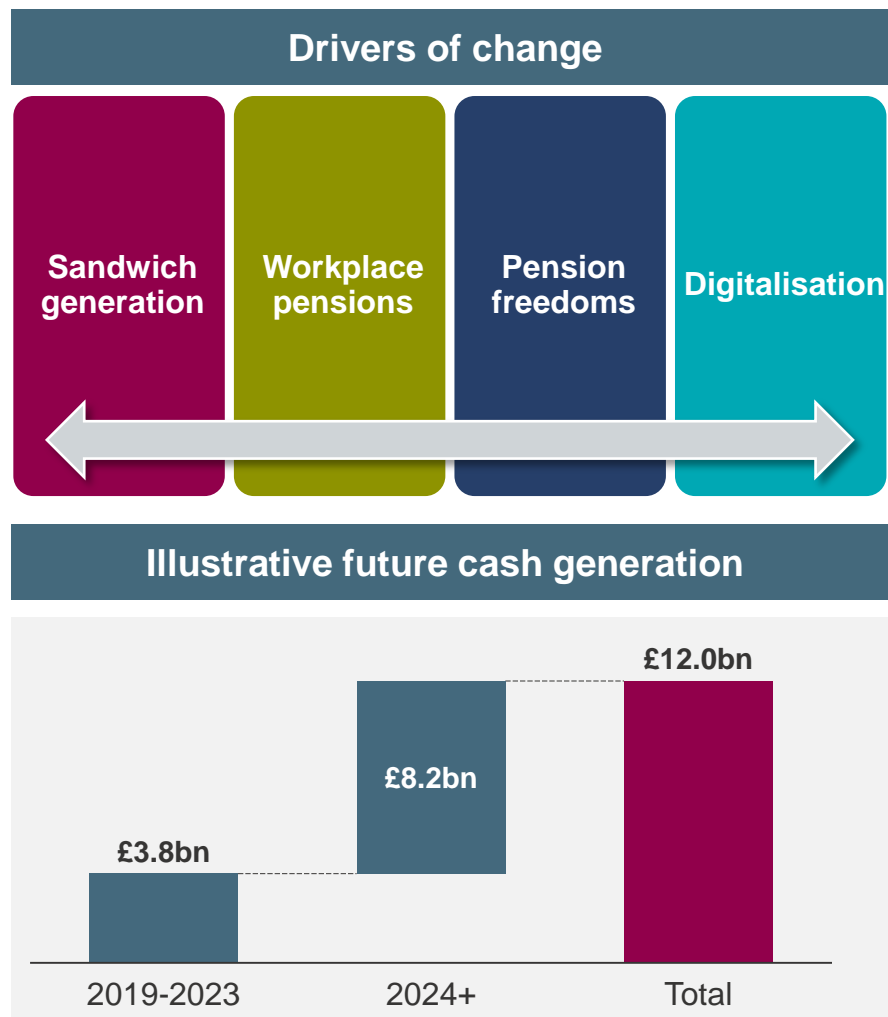
RISK MANAGEMENT

- Enhancing the risk management framework
- Impacts of climate change reflected in Phoenix's risk universe and internal stress testing

WORK WITH INDUSTRY BODIES AND REGULATOR

- Participate in the PRA established Climate Financial Risk Forum and other sustainability investing focused groups

Phoenix's in-force business is relatively immune to changing customer preferences



- ✓ Recent regulatory changes and evolving customer preferences have led to an evolution in insurance products
- ✓ Phoenix's £12 billion cash generation guidance is based on in-force business only
- ✓ In-force business is predominantly Heritage business where persistency risk is comparatively low
- ✓ New business is incremental to cash generation guidance
- ✓ Phoenix is committed to growing its new business by responding to changing customer demands and investment in an agile digital proposition

Equity release mortgages (ERM) offer a solution to customers who are asset rich and cash poor

Changing customer preferences

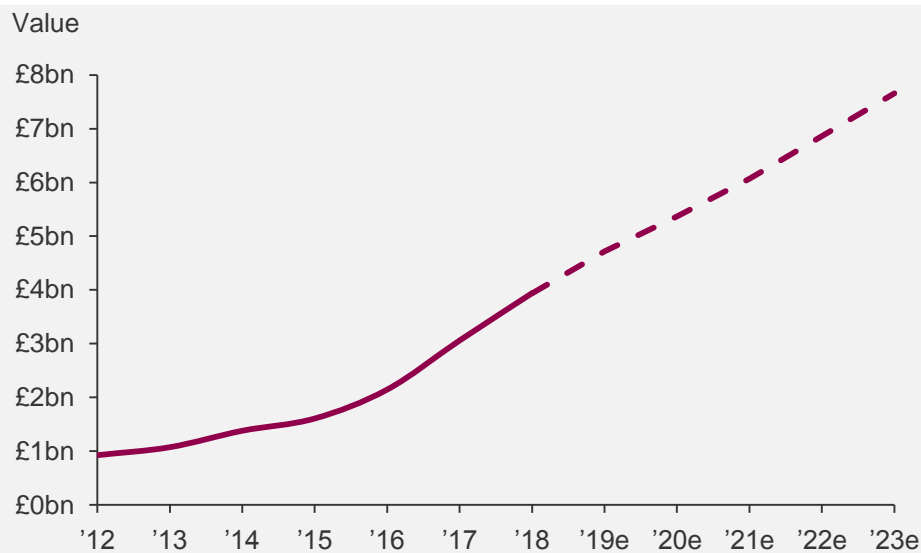
Over 55's account for 65% of property wealth⁽²⁾

Demographic is asset rich and cash poor

ERM provides a solution to this problem

Natural fit for life insurers to provide funding for ERM

Sales of ERM products by value⁽¹⁾



CHALLENGES

SPREAD COMPRESSION THROUGH COMPETITION

DILAPIDATION RISK

REGULATORY CONSTRAINTS

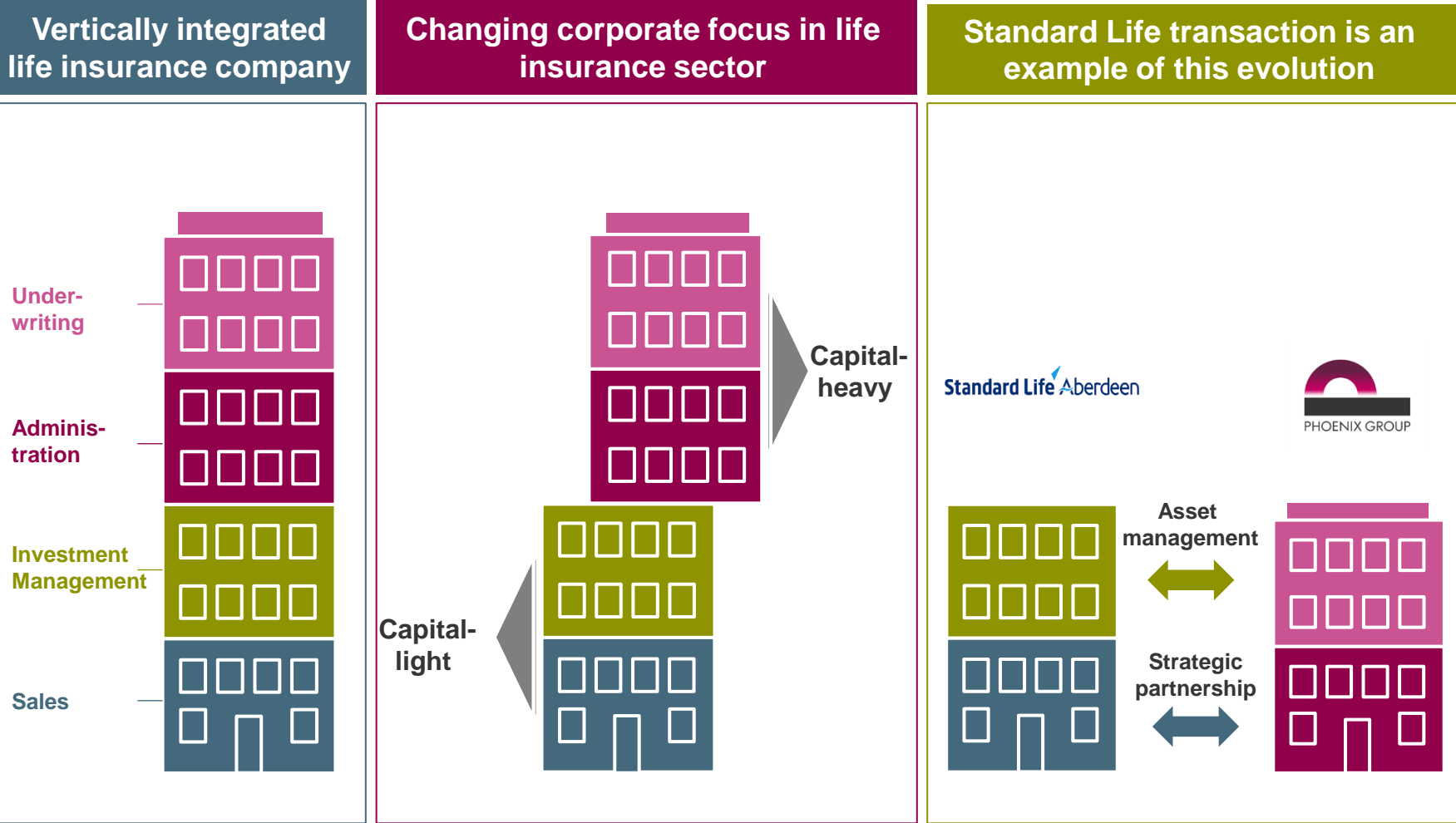
HOUSE PRICE DEFLATION RISK

NO NEGATIVE EQUITY GUARANTEES

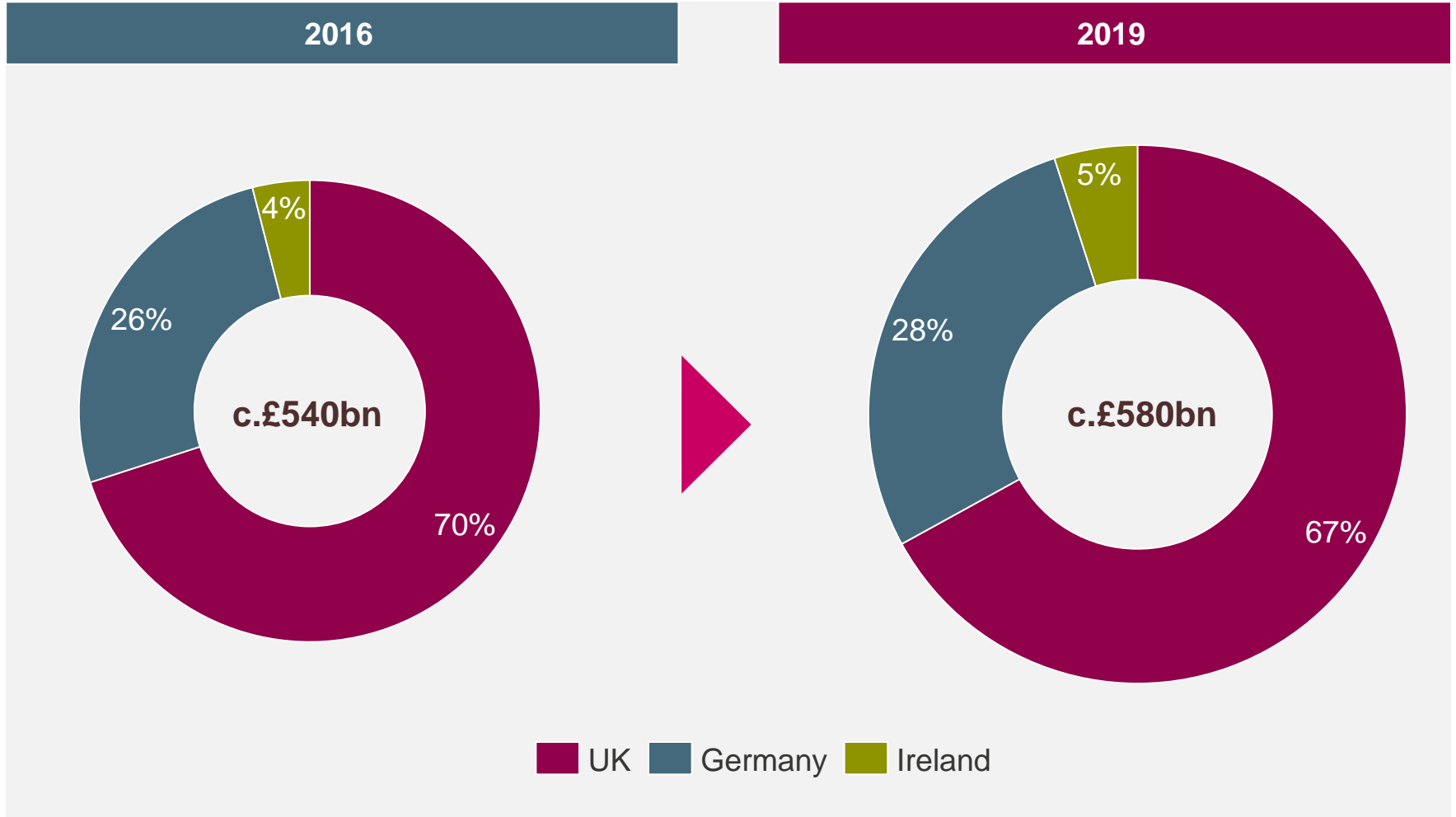
(1) Source: Equity Release Council/Mintel

(2) Source: ERC Beyond Bricks and Mortar, June 2019

Bifurcation of the insurance industry drives consolidation opportunities



The closed life market is large, growing and consolidating



Phoenix delivers cash, resilience and growth





Thank you.

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