PHOENIX GROUP

Interim results 2016

25 August 2016

Agenda

Business update	Clive Bannister | Group Chief Executive
Financial review	Jim McConville | Group Finance Director
Phoenix Life	Andy Moss | Chief Executive, Phoenix Life
Outlook and Q&A	Clive Bannister | Group Chief Executive

Business update

Clive Bannister

Key highlights for the first half of 2016

- £375 million acquisition of AXA Wealth's pensions and protection business
- Equity placing raised net proceeds of £190 million
- Cash generation of £147 million
- Continued successful delivery of management actions
- Estimated Solvency II surplus of £1.1 billion
- Lower cost, acquisition-ready bank facility
- IFRS operating profits of £107 million
- 2016 interim dividend of 26.7p per share

On track to deliver targets from the AXA Wealth acquisition

Key benefits of the acquisition of AXA Wealth's pensions and protection businesses

✓ **Significant capital and cost synergies allowing accelerated cash generation of £250 million within 6 months of completion[(1)]**

✓ **Leverages Phoenix's operating model and outsourcer relationships**

✓ **Proposed increase in Final 2016 dividend per share by 5% to 28.0p**

✓ **Short-term debt funding expected to be repaid within 6 months from completion**

Positions Phoenix for future transactions

Notes: (1) Net capital synergies arising from adoption and harmonisation to Phoenix Internal Model, diversification benefits and transitional measures (subject to PRA approval). Completion of the acquisition is expected in the fourth quarter of 2016 and is subject to regulatory approvals

Impact of Brexit on Phoenix Group

Impact on capital position	• Significant fall in swap rates following EU Referendum impacted Solvency II position, in line with the sensitivities disclosed at FY15 • Additional management actions delivered during the first half
Asset quality	• High quality corporate bond portfolio, with 99% of shareholder portfolio being investment grade • Shareholders have minimal exposure to equities and property
Risk mitigation	• Cashflows from the Phoenix Life companies and the pending AXA acquisition protected through hedging actions

Phoenix remains on track to meet the cash generation target for 2016

Cash generation targets[(1)]	• Cash generation target for 2016 of £350 million to £450 million • Five year cash generation target of £2.0 billion between 2016 to 2020

Continued focus on management actions

Investment grade credit rating

Stable, sustainable dividend policy

Growth through acquisition

Notes: (1) Exclusive of acquisition of AXA Wealth's pensions and protection businesses

Financial review

Jim McConville

Financial highlights

£		HY16	HY15	FY15
Cash	Operating companies cash generation	147m	110m	225m
	Holding company cash[1]	921m	916m	706m
Group capital[2]	Solvency II surplus (estimated)	1.1bn	na	1.3bn
	Shareholder capital coverage ratio (estimated)	144%	na	154%
IFRS	Group operating profit	107m	135m	324m
Dividends	Dividend per share	26.7p	26.7p	53.4p

Notes: (1) Includes £190m net proceeds from equity placing
(2) Group capital metrics include the impact of the payment of the 2016 interim dividend

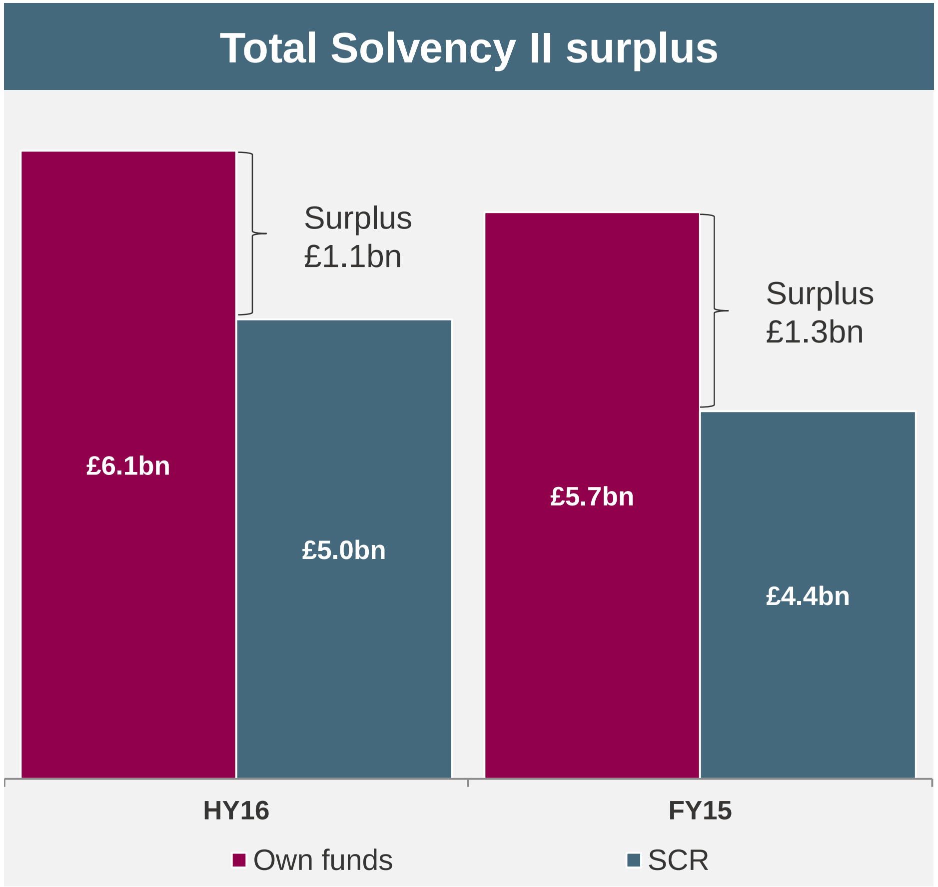
Cash generation of £147 million in HY16

£m	HY16	HY15	FY15
Opening cash and cash equivalents	**706**	**988**	**988**
Cash receipts			
Phoenix Life[1]	147	110	225
Total cash receipts	**147**	**110**	**225**
Uses of cash			
Operating expenses	(15)	(13)	(26)
Pension scheme contributions	(8)	(8)	(55)
Total non-recurring cash outflows	(25)	(9)	(25)
Debt interest	(8)	(32)	(91)
Debt repayments	(6)	(60)	(190)
Shareholder dividend	(60)	(60)	(120)
Total cash outflows	**(122)**	**(182)**	**(507)**
Equity placing	190	-	-
Closing cash and cash equivalents	**921**	**916**	**706**

- Non-recurring costs include cost of purchasing interest rate swaptions and project expenses
- Coupon payments for £300 million senior bond and £428 million subordinated bond payable in second half of year
- Residual £6 million of Tier 1 bonds called in April
- Equity placing of £190 million to finance acquisition

(1) Includes Opal Re

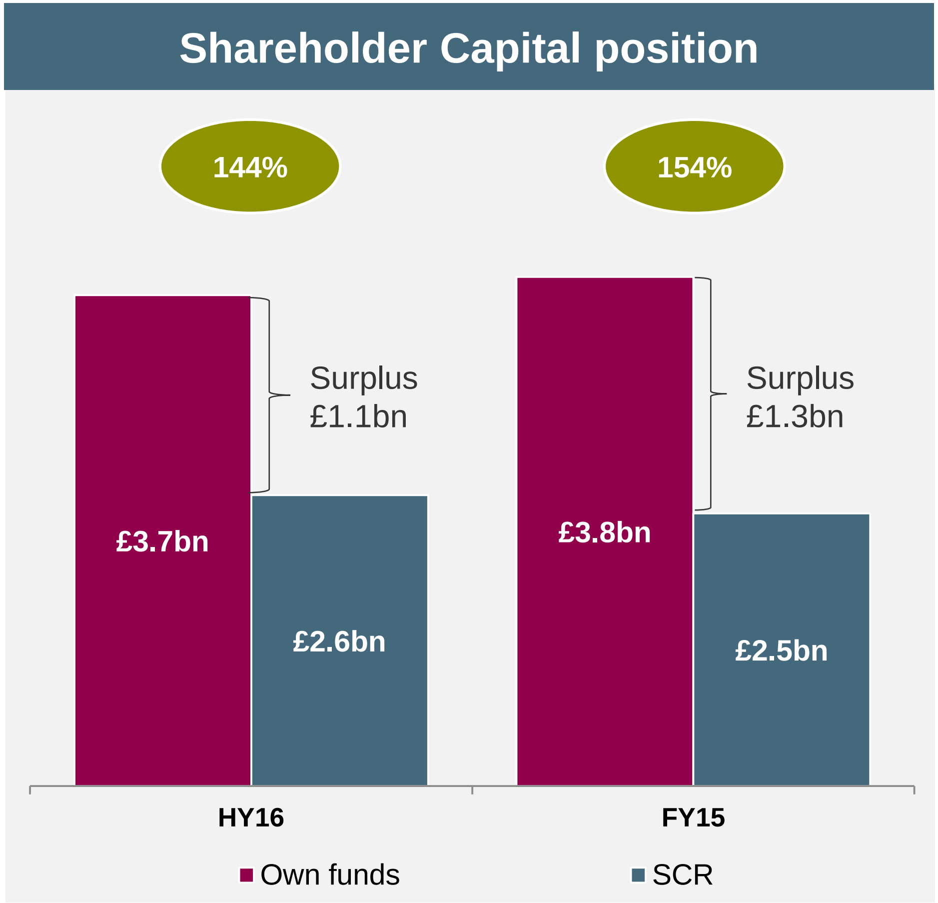
Solvency II surplus of £1.1 billion



- Phoenix Group capital requirements calculated at PLHL using a Full Internal Model
- Surplus over SCR of £1.1 billion, which includes the impact of the payment of the interim dividend

Notes: HY16 Solvency II capital position is estimated

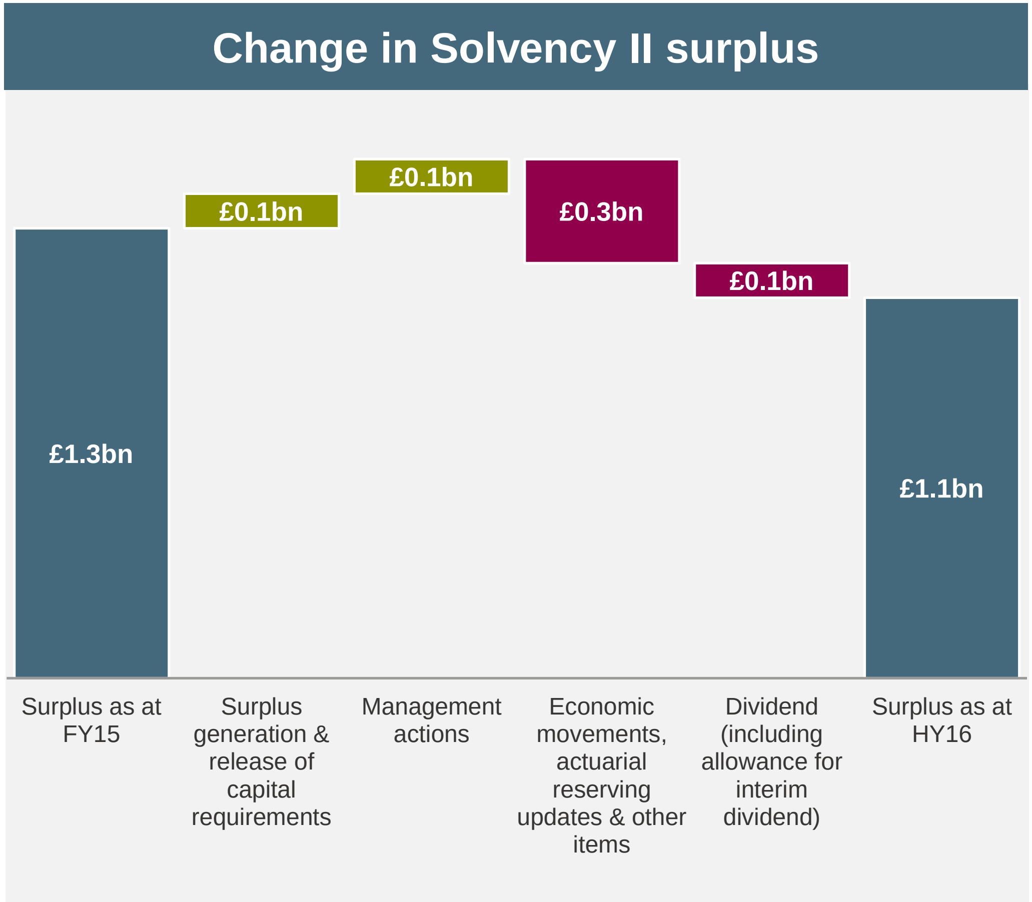
Solvency II Shareholder Capital coverage ratio of 144%



- Shareholder Capital ratio calculation excludes Own Funds and SCR of unsupported With Profit Funds and PGL Group pension scheme
- £0.3 billion of unrecognised surplus in unsupported With Profit Funds and PGL Group pension scheme

Notes: HY16 Solvency II capital position is estimated

Impact of market movements partly mitigated by management actions

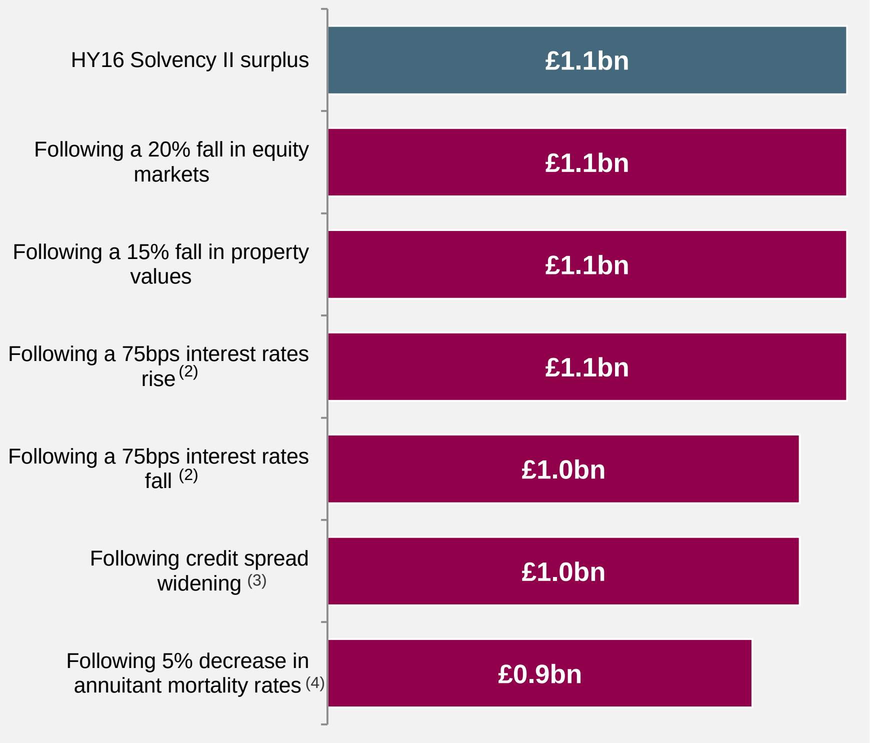


- Surplus has been negatively impacted by market movements, primarily lower swap rates
- Impact has been partly mitigated by management actions and natural run-off of book
- Additional £0.3 billion of liquid assets held outside PLHL Group, including net proceeds of £190 million from equity placing
- Impact of the payment of interim dividend included in the Solvency II surplus

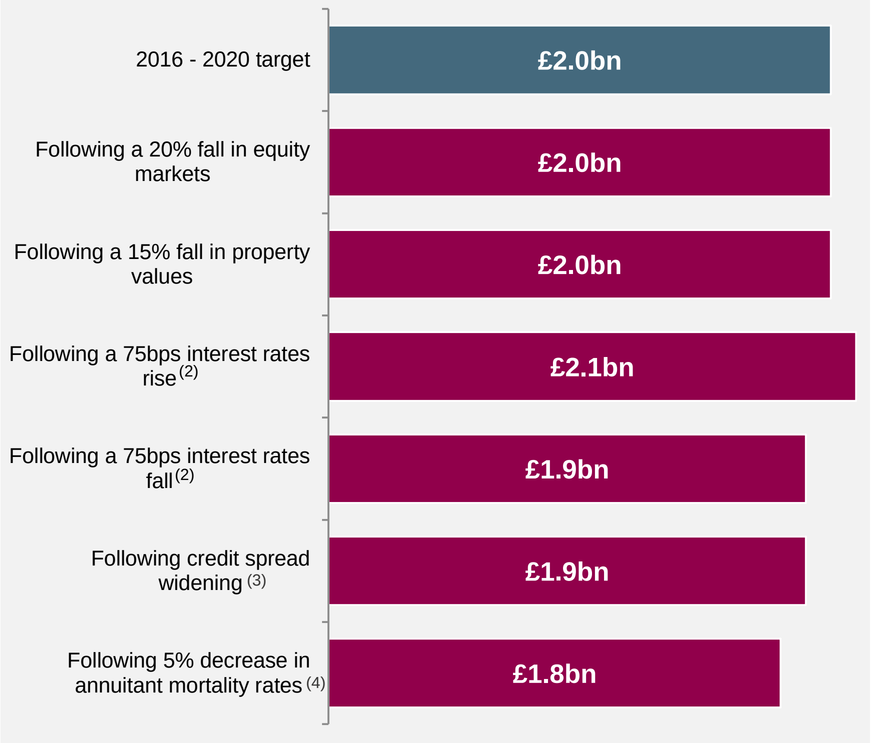
Notes: HY16 Solvency II capital position is estimated

Solvency II surplus and long term cash generation sensitivities

PLHL Solvency II surplus sensitivities[1]



Cash generation sensitivities[1]



Notes:
(1) Assumes stress occurs on 30 June 2016 and there is no market recovery during the cash generation target period
(2) Assumes recalculation of transitionals (subject to PRA approval)
(3) Credit stress equivalent to an average 100bps spread widening across ratings, 10% of which is due to defaults/downgrades. Equivalent by rating: AAA - 39bps, AA - 57bps, A - 91bps, BBB - 174bps
(4) Equivalent of 6 months increase in longevity

IFRS operating profit of £107 million in HY16

£m	HY16	HY15	FY15
Phoenix Life	108	141	336
Group costs	(1)	(6)	(12)
Operating profit before tax	**107**	**135**	**324**
Investment return variances and economic assumption changes	(17)	40	1
Amortisation of intangibles	(40)	(48)	(90)
Non-recurring items	(14)	1	49
Finance costs	(46)	(49)	(99)
Profit/ (loss) before tax attributable to owners	**(10)**	**79**	**185**
Tax credit/ (charge) attributable to owners	13	(1)	64
Profit for period attributable to owners	**3**	**78**	**249**

- Phoenix Life operating profits enhanced by £14 million of management actions (HY15: £23 million)
- IFRS reserving methodology is being more closely aligned with Solvency II position
- Investment return variances include negative impact from equity put option and widening credit spreads, partly offset by increase in the value of interest rate swaptions

Phoenix Life

Andy Moss

Regulatory changes continue to shape the industry

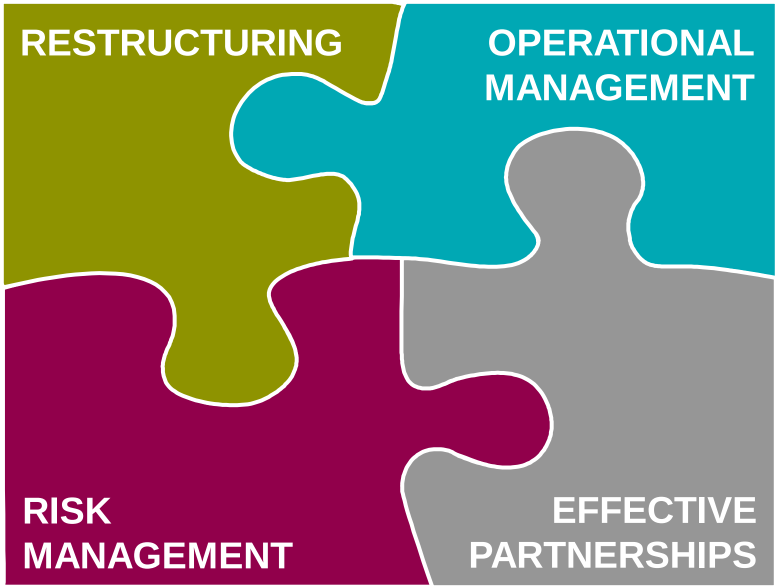
FCA Conduct Regulation	• Outcome of the Legacy Review published, with six firms identified as requiring further investigation • Phoenix welcomes Best Practice guide • Over 55s cap on pension contract exit charges proposed – Phoenix impact expected to be approximately £16 million(1)
Pension Freedoms	• More normalised behaviour from customers post Pension Freedoms • Wrote £178 million of Guaranteed Annuity Rate annuities ("GARs") in HY16 (HY15: £164 million) • Non-GAR annuities of £76 million in HY16 (HY15: £44 million)
PRA Regulation	• Solvency II bedding down • Transitional measures recalculation • No immediate impact from the EU Referendum

Notes: (1) Assumes a 10% lapse increase

Phoenix Way continues to deliver policyholder and shareholder value

HY16 achievements	
Further operational progress	✓ Expansion of Equity Release asset investment ✓ Development of capability in commercial real estate debt ✓ Non Profit Fund acquisition of With Profit Fund liabilities
Enhanced customer outcomes	✓ Digital journey ✓ Access to Drawdown products ✓ Annuity Panel ✓ Independent Governance Committee First Report – complements Phoenix approach

The Phoenix Way



Cash acceleration	**Improved Group solvency**
Incremental value	**Increased IFRS operating profits**

Management actions have added £86 million to Solvency II surplus

Increase overall cashflows	Accelerate cashflows
Increase Solvency II Own Funds	**Reduce Solvency II SCR**
• Mortality modelling enhancements • Asset Liability Management • Data review associated with Opal Re restructure	• Credit hedging • Gilts spread hedge
£63 million benefit in HY16	**£23 million benefit in HY16**

Continued strong service for customers

Customer actions

- Digital journey for customers
- Access to wider range of products, including Drawdown
- Further actions on pensions fraud following EU Referendum

Customer metrics

	HY16	Full year target(1)
Speed of Pension Transfer pay-outs (ORIGO)	11 days	<12 days
Customer Satisfaction	92%	90% rating satisfactory or above
FOS overturn rate	18%	<33%
Service complaints (as a percentage of customer transactions)	0.3%	<0.6%
Increase in distributable estate	£19m	£50m

Notes: (1) Targets based on external and internal measures. Targets for "Speed of pension transfer pay-outs" and "FOS overturn rate" based on external industry metrics

Phoenix is well prepared for the integration of the AXA acquisition

Capital synergies	• Diversification benefits, due to mortality exposure of acquired business • Harmonisation to Phoenix Internal Model and transitional measures, subject to regulatory approval
Operating model	• Deployment of Phoenix Life operating model • Integration with Phoenix governance and customer model • Additional value from SunLife
Timing of benefits	• Net capital synergies of c.£250 million expected within 6 months of completion[1] • Completion of full operational integration targeted during 2017

Notes: (1) Net capital synergies arising from adoption and harmonisation to Phoenix Internal Model, diversification benefits and transitional measures (subject to PRA approval). Completion of the acquisition is expected in the fourth quarter of 2016 and is subject to regulatory approvals

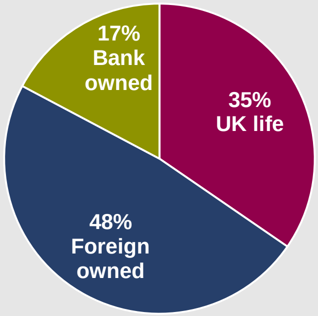
Outlook and Q&A

Clive Bannister

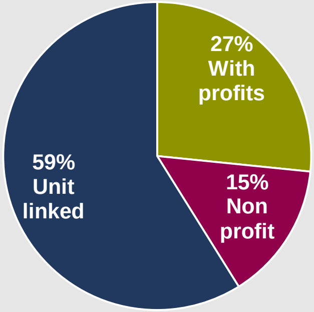
There remains a wide range of further M&A opportunities for Phoenix

Market size is over £300bn

Market opportunities by owner



Market opportunities by product type



Source: PRA returns

Vendor motivations

- Loss of new business value from annuities
- Fixed cost pressures of legacy books
- Regulatory pressure to invest in technology/systems
- Solvency II/ Basel III regulatory regimes
- Trapped capital supporting back books
- Specialist skill sets required for legacy books

M&A criteria

- UK closed life focus
- Value accretive
- Supports the dividend
- Maintains our investment grade rating

Phoenix remains acquisition-ready

Phoenix remains focused on its strategic priorities

Continued delivery of management actions	• Further Matching Adjustment portfolios • Part VII transfer of annuity portfolio currently reinsured to Guardian
Integration of AXA Wealth acquisition	• Change of control process expected to complete in Q4 • Integration plan for acquired businesses aimed at delivering capital and cost synergies
Further debt and Group structure simplification	• Continue to look for opportunities to diversify away from bank debt to longer-term subordinated debt • Further simplification of Group structure, with aim to put in place new UK-registered holding company
Pursue further M&A opportunities	• Expected to be further M&A opportunities in UK • Phoenix remains well placed to deliver value from further acquisitions in a disciplined manner

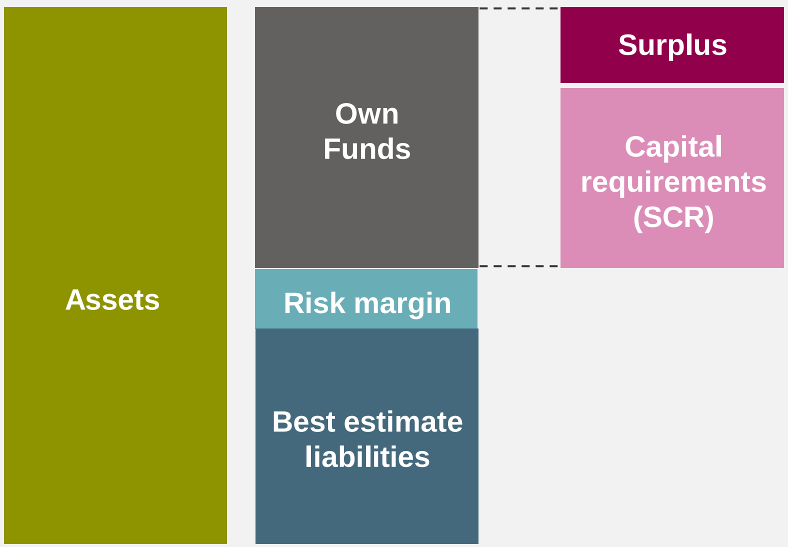
Q&A

PHOENIX GROUP

Appendices

Appendix I:
Overview of Solvency II

Summary of Solvency II capital regime



Note: Graph illustrative and not to scale. Transitional measures offset Best Estimate Liabilities and Risk Margin

Capital protection for policyholders

"Buffers" that provide protection to policyholders under Solvency II:

- Risk margin
- Solvency Capital Requirement (SCR)
- Phoenix Life capital management policy
- Phoenix Life Free Surplus
- Holding company surplus

- Requirement that an insurance entity's capital ("Own Funds") exceeds its capital requirements
- Transitional measures smooth the introduction of Solvency II from the current capital regime
- Solvency Capital Requirements ("SCR") – calibrated at a 1 in 200 year event

Appendix II:
Capital management framework under Solvency II

Phoenix Group Holdings

Debt interest and repayments
Shareholder dividends

Cash remittances

Phoenix Life Holdings Limited

Head office costs
Pension scheme contributions

Cash remittances

Phoenix Life companies

Group solvency

- Full Internal Model
- Group capital position calculated at Phoenix Life Holdings Limited ('PLHL'), the ultimate insurance parent undertaking in EEA

Individual company solvency

- Capital policies held on top of SCR
- Free Surplus represents excess over capital policy and can be distributed to holding companies as cash

Appendix III:
Phoenix Life IFRS operating profit drivers

		HY16				HY15			
		Reported IFRS Op Profit	Opening liability/ equity(2)	Closing liability/ equity(2)	Expected return margin(1)	Reported IFRS Op Profit	Opening liability/ equity(2)	Closing liability/ equity(2)	Expected return margin(1)
Fund type	**How profits are generated**	**£m**	**£bn**	**£bn**	**bps**	**£m**	**£bn**	**£bn**	**bps**
With-profit	Our share of bonuses paid to policyholders of with-profit business	39	23.5	24.7	33	36	25.6	24.5	28
With-profit (internal capital support)	Return on with-profit funds which are supported with capital from shareholder funds	(51)	4.3	4.9	nm	9	4.7	4.5	nm
Unit linked	Margin earned on unit linked business	21	10.0	10.0	38	26	10.9	10.7	51
Annuities	Spread earned on annuities	39	6.0	7.3	63(3)	27	7.6	7.4	60(3)
Protection and other non-profit	Investment return and release of margins	0	0.9	0.5	nm(4)	22	0.8	0.8	nm(4)
Shareholder funds	Return earned on shareholder fund assets(5)	22	1.8	1.9	236	21	2.0	1.9	209
One-off impact of IFRS methodology change		38							
Total		**108**				**141**			

Notes:

(1) Expected return margin represents the underlying recurring operating profit earned in the period as a proportion of the opening relevant class of policyholder liabilities and shareholder equity. Non-economic variances and assumption changes which are included within reported IFRS operating profit are not included within the expected return margin calculation as they are non-recurring. It is therefore not possible to recalculate the expected margin using only the reported IFRS operating profit and the opening liabilities presented above

(2) Net of reinsurance

(3) Includes operating profit margin on new business calculated as new business profits as a percentage of opening liabilities: 7bps in HY16 and 11bps in HY15

(4) Not meaningful as relates to insurance margin

(5) Includes Management Services business unit profit of £14 million in HY16 and £15 million in HY15

Appendix IV:
Asset mix of life companies

At 30 June 2016 £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	3,991	26	4,687	1,191	5,878	9,869
Debt securities						
Debt securities – gilts	1,806	12	7,212	645	7,857	9,663
Debt securities – bonds	7,900	52	6,340	758	7,098	14,998
Total debt securities	**9,706**	**64**	**13,552**	**1,403**	**14,955**	**24,661**
Equity securities	**241**	**2**	**5,470**	**6,837**	**12,307**	**12,548**
Property investments	**210**	**1**	**702**	**309**	**1,011**	**1,221**
Other investments[4]	**1,056**	**7**	**2,143**	**119**	**2,262**	**3,318**
Total	**15,204**	**100**	**26,554**	**9,859**	**36,413**	**51,617**

Notes:
(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, the assets held by non-controlling interests in collective investment schemes 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 equity release mortgages of £331 million, policy loans of £11 million, other loans of £19 million, net derivatives of £2,350 million and other investments of £607 million

Appendix V:
Total debt exposure by country

At 30 June 2016 £m	Other Government and Supranational		Corporate: Financial Institutions		Corporate: Other		Asset backed securities		Total debt securities		Total debt
	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	Shareholder	Policyholder	
UK	2,102	8,240	956	733	1,317	932	973	521	5,348	10,426	15,774
EIB	505	485	-	-	-	-	-	-	505	485	990
USA	12	122	533	404	442	215	31	4	1,018	745	1,763
Germany	319	588	55	55	223	159	88	41	685	843	1,528
France	80	120	82	67	215	137	32	-	409	324	733
Netherlands	17	116	241	237	49	16	76	22	383	391	774
Italy	-	32	8	7	60	46	-	-	68	85	153
Portugal	-	-	-	-	-	5	-	-	-	5	5
Ireland	-	-	2	-	4	6	28	12	34	18	52
Spain	-	9	1	13	49	28	-	-	50	50	100
Other – non-Eurozone(2)	156	738	658	571	258	180	49	9	1,121	1,498	2,619
Other – Eurozone	9	35	42	28	34	22	-	-	85	85	170
Total debt exposure	**3,200**	**10,485**	**2,578**	**2,115**	**2,651**	**1,746**	**1,277**	**609**	**9,706**	**14,955**	**24,661**
of which Peripheral Eurozone	**-**	**41**	**11**	**20**	**113**	**85**	**28**	**12**	**152**	**158**	**310**
At 31 December 2015, £m											
Total debt exposure	**3,466**	**10,023**	**2,226**	**1,741**	**2,243**	**2,562**	**728**	**538**	**8,663**	**14,864**	**23,527**
of which Peripheral Eurozone	**-**	**8**	**39**	**31**	**104**	**60**	**-**	**13**	**143**	**112**	**255**

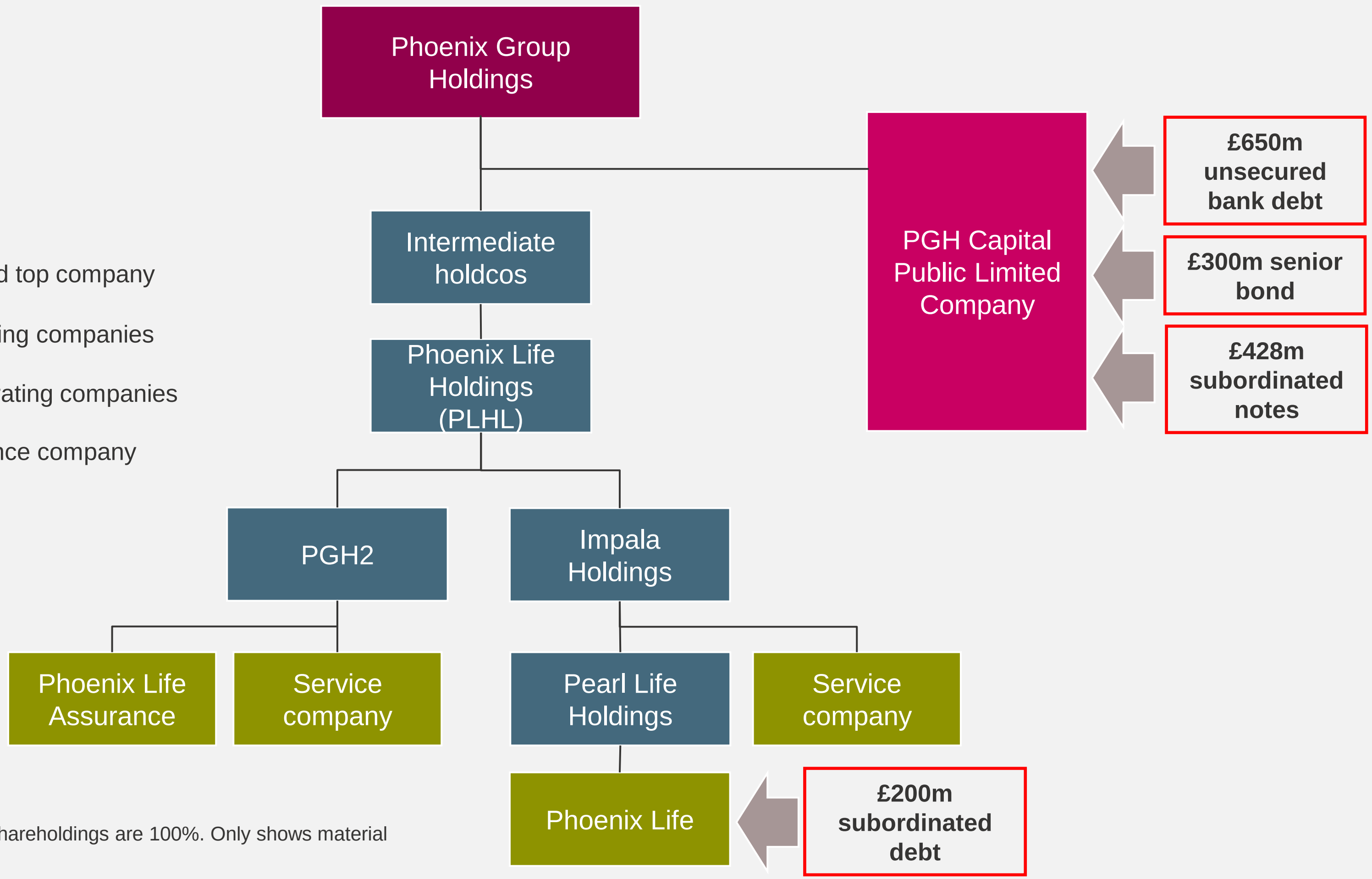
Notes: (1) Shareholder includes non-profit and supported with-profits. Policyholder includes non-supported with-profits and unit linked
(2) Other mainly includes Australia, Switzerland and Japan

Appendix VI:
Credit rating analysis of debt portfolio

At 30 June 2016 £m	Total shareholder, non-profit and supported with-profits	Policyholder funds		Total Policyholder	Total assets
		Non-supported with-profits funds	Unit-linked		
AAA	1,841	1,564	180	1,744	3,585
AA	3,626	8,523	713	9,236	12,862
A	2,357	1,126	170	1,296	3,653
BBB	1,755	1,719	233	1,952	3,707
BB	87	177	24	201	288
B and below	1	250	5	255	256
Non-rated	39	193	78	271	310
As at 30 June 2016	**9,706**	**13,552**	**1,403**	**14,955**	**24,661**

Appendix VII:
Current corporate structure

Key:
- Listed top company
- Holding companies
- Operating companies
- Finance company



Notes: All shareholdings are 100%. Only shows material subsidiaries

Appendix VIII:
Outline of debt structure at HY16

Instrument	Issuer/borrower	Face value	Maturity
Unsecured Revolving Credit Facility (L+175bps)	PGH Capital PLC	£650m	June 2020
Unsecured senior bond (5.75%)	PGH Capital PLC	£300m	July 2021
Subordinated notes (6.625%)	PGH Capital PLC	£428m(1)	December 2025
Subordinated debt (7.25%)	Phoenix Life Limited	£200m	March 2021 (first call date)
		£1,578m	

Note: (1) Includes internal holdings of £32m

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- This presentation in relation to Phoenix Group Holdings and its subsidiaries (the ‘Group’) contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements 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
- Statements containing the words: ‘believes’, ‘intends’, ‘will’, ‘expects’, ‘may’, ‘should’, ‘plans’, ‘aims’, ‘seeks’, ‘continues’, ‘targets’ 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
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- 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 presentation. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this presentation or any other forward-looking statements or data it may make or publish
- Nothing in this presentation should be construed as a profit forecast or estimate
- Any references to Solvency II relate to the relevant calculation for Phoenix Life Holdings Limited, the ultimate EEA insurance parent undertaking