CASH
RESILIENCE
GROWTH

Phoenix Group

Investec Best Ideas Conference, November 2020

Phoenix has a clear strategy and a simple framework

A CLEAR STRATEGY	
Heritage	Manage in-force business for cash and resilience and deliver customer outcomes
M&A and integration	Complete value accretive M&A, accessing synergies through integration
Open	Grow through new business in Open and BPA

A SIMPLE FRAMEWORK	
✓	“Cash is King” and the sustainability of the dividend is paramount
✓	Underpinned by a strong, diversified, resilient balance sheet
✓	Long term cash progression giving confidence for the future

c. £7bn market capitalisation

£324bn AUA

13.8m policies

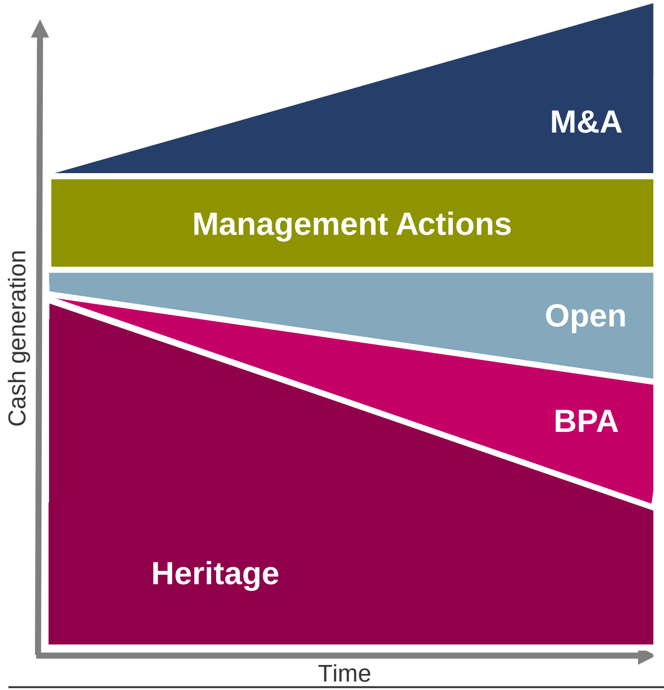
FTSE 100 and FTSE All World

c.7,500 employees

£19bn long-term cash

UK, Germany, Ireland locations

The “Wedge” illustrates how we bring sustainability to cash generation



Value accretive acquisitions of Heritage books of business increase the opportunity for management actions and therefore long-term cash generation.

We increase or accelerate the cash generated from our entire in-force business through the delivery of **management actions**.

Growth of Open business in the UK and Europe brings **sustainability** to cash generation. In the Open segment we write new, capital-light life insurance policies including workplace pensions and SIPPs under the Standard Life brand.

Bulk Purchase Annuity (‘BPA’) transactions deliver attractive returns and bring dependable **growth** to our annuity back book.

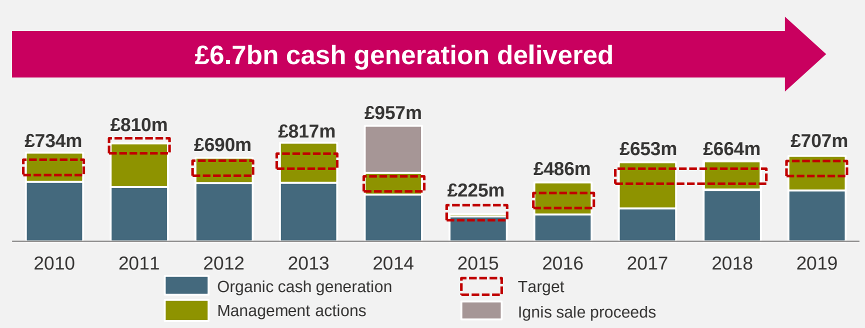
Our Heritage business contains businesses which no longer actively sell new life or pension policies. As policies mature, capital is released, delivering predictable long-term **cash** generation which runs-off gradually over time. We increase the predictability of cash generation by bringing **resilience** to our capital position through hedging and reinsurance.

Phoenix is well placed to benefit strategically from the industry drivers of change, which COVID-19 has accelerated

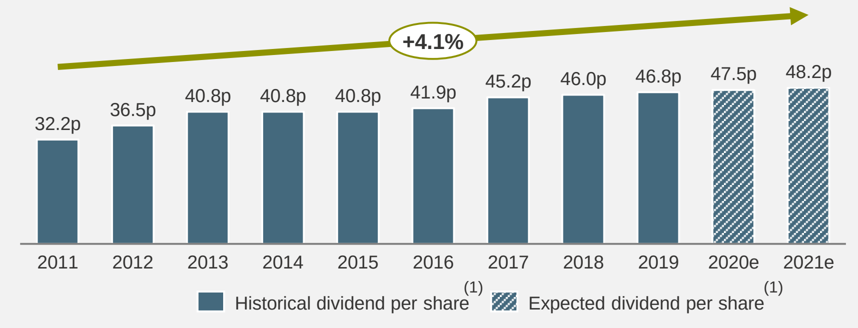
Industry driver	Drivers are accelerating	Phoenix's advantages
Insurers are consolidating: **>£600 billion** across the UK, Germany and Ireland	• More pressure on insurer balance sheets • Greater need to free up trapped capital from Heritage books	✓ Differentiated capability in Heritage management ✓ Unrivalled scalable operating model and financing capability ✓ Leading capability in M&A and integration delivery
Strong DC pension growth: **£24 billion** DC contributions p.a.	• Increased demand for protection and financial security • More willingness to engage directly and seek guidance	✓ UK's largest long-term savings and retirement business ✓ Top 3 Workplace pension provider ✓ Market leading partnership with TCS
Corporates are de-risking: **£25 billion** p.a. and growing	• Short-term dislocation in pricing in favour of insurers • Continued demand for de-risking from FDs	✓ Better diversification as a result of annuities making up only circa 10% of our UK balance sheet

Phoenix has a 5 year TSR of 150% and a strong track record of delivery

Exceeded cash generation target for 10th consecutive year



10 year dividend CAGR of 4.1%



Delivered value accretive M&A

Acquisition	AXA Wealth	Abbey Life	Standard Life	ReAssure
Date	Nov 2016	Dec 2016	Aug 2018	Jul 2020
Price	£373m 85% of UT1 Own Funds	£933m 89% of UT1 Own Funds	£2,930m 84% of UT1 Own Funds	£3.2bn 91% price to Shareholder Own Funds
Targets	£250m of cash in 6 months ↓ £282m delivered in 5 months	£500m of cash in 5 years ↓ £686m delivered in 2 years	£720m of net synergies ↓ £1,220m now targeted	£800m of net synergies

See slides 29-30 for footnotes; TSR as of 15 September 2020 assumes dividends are reinvested on the ex-dividend date.

Phoenix's business model has been resilient during the COVID-19 pandemic

Phoenix has proactively managed the numerous challenges caused by the pandemic

Financial

- Resilient solvency position through dynamic hedging
- Active management of high quality credit portfolio
- Cash generation continues to be predictable with targets on track
- Payment of dividend provides income stream to retail savers and the funds they invest in

Customer

- Strong customer service with customer satisfaction remaining above 90%
- Supporting customers through a range of customer initiatives
- Over 9 million log-ins in 1H 2020 and 40% increase in secure messaging
- Moratorium period removed for more recent SunLife life insurance customers

Colleagues and Communities

- 99% of employees working from home within 10 days
- 20 percentage point increase in colleague pride and advocacy to 73%
- Charitable donations and colleague volunteering
- No colleagues furloughed and no government support schemes accessed


CASH


£19 billion of predictable long-term cash generation from the Combined Group

Cash generation from in-force business

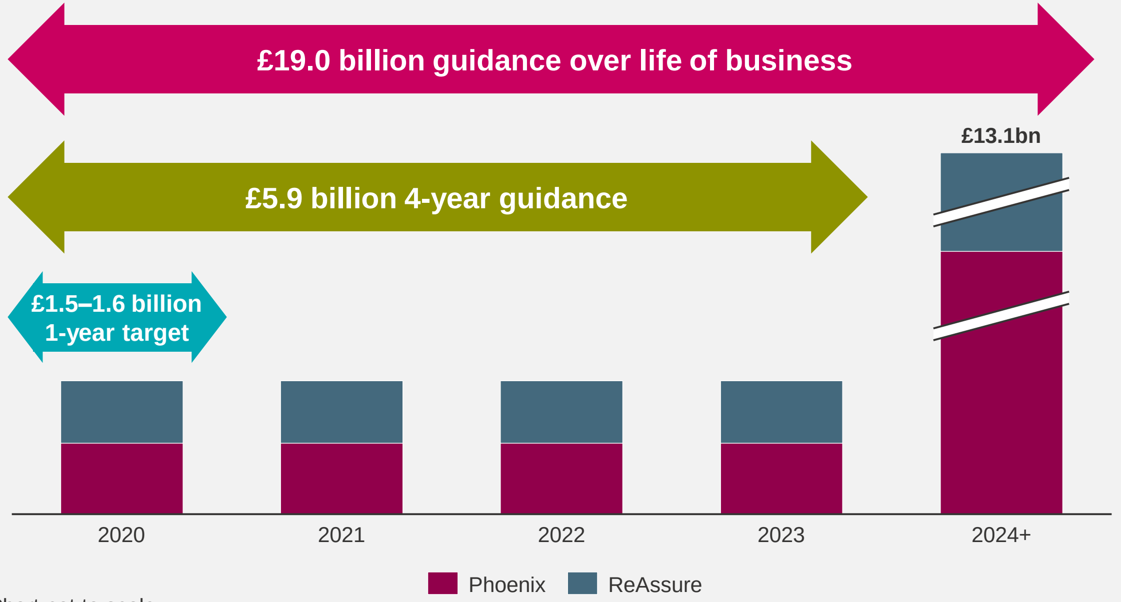


Chart not to scale

EXCLUDES

- New Open business;
- New BPA;
- Future M&A; and
- Management actions after 2023

Management actions increase or accelerate cashflows

- Management actions either:
  - > **increase own funds** and therefore increase the overall cash flows from the business, or
  - > **reduce risk capital** and therefore accelerate the timing of cash flows.
- They include a wide range of innovative solutions designed to deliver additional value to both shareholders and customers.

Increase own funds

Cost efficiencies

Improvements in outsourcer cost per policy, internal costs or investment fees

Transitional benefits

Accessing transitional measures on acquired business

Asset liability management

Investment of annuity backing assets in illiquid asset classes

Decrease risk capital

Reducing risks

Hedging of equity, currency and interest rate risk and reinsurance of longevity risk

Diversification benefit

Accessed by internal reinsurance and Part VII transfers

Capital harmonisation

Single internal capital framework, internal model and approach to risk management

£1.8 billion of surplus cash available to self-fund growth options over next 4 years

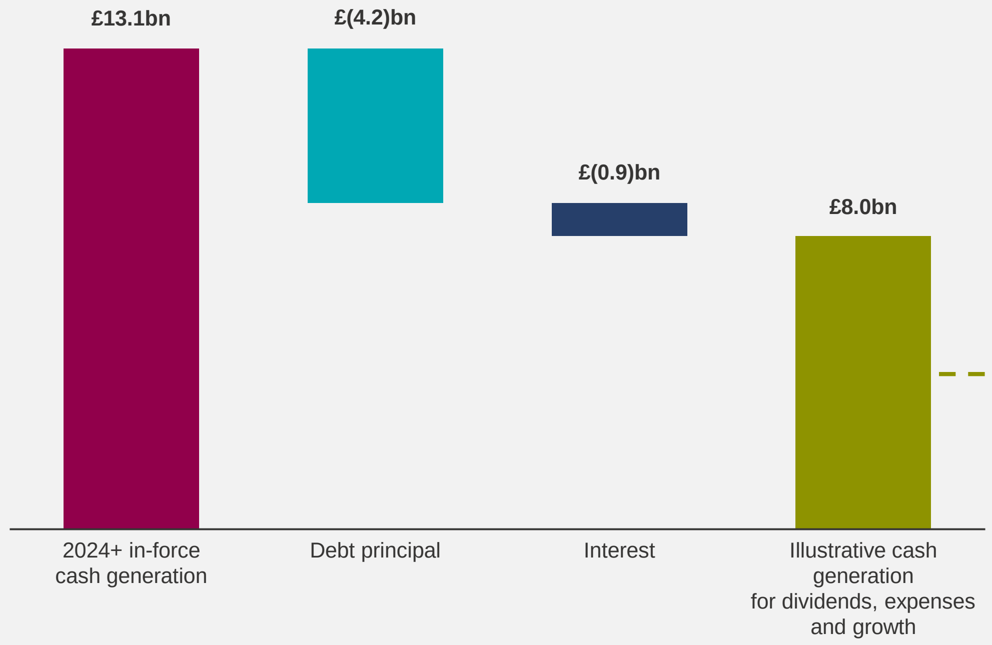
Illustrative 2020-2023 sources and uses of cash

Sources	**£5.9bn cash generation**		£5.9 billion of cash generation from in-force business of Combined Group
Expected uses	**£1.4bn**	Operating costs and interest(2)	Head office costs and debt interest utilise only 24% of cash generation
	£1.9bn	Dividend(3)	3.1x dividend cover
Discretionary uses	**£0.8bn**	Debt maturities and call dates	£0.8 billion of debt instruments have maturity and call dates in the period
	£1.8bn	**Available for growth**	**£1.8 billion of surplus cash generation available for growth**

See slides 29-30 for footnotes

Phoenix's in-force business supports the dividend for many years

2024+ cash generation from in-force business



£8 billion supports a stable and sustainable dividend till 2040...

...but we can grow the dividend and / or enhance dividend sustainability through:

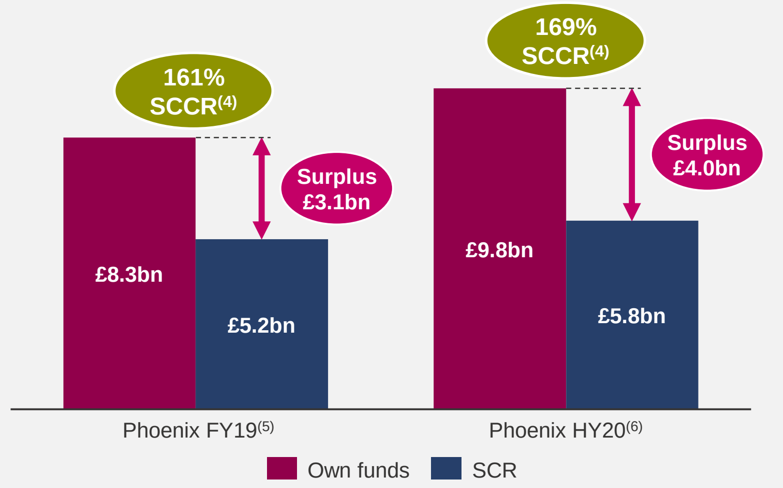
- ✓ New Open business
- ✓ Further BPA
- ✓ Additional M&A
- ✓ Management actions in 2024 and beyond

RESILIENCE

PHOENIX GROUP

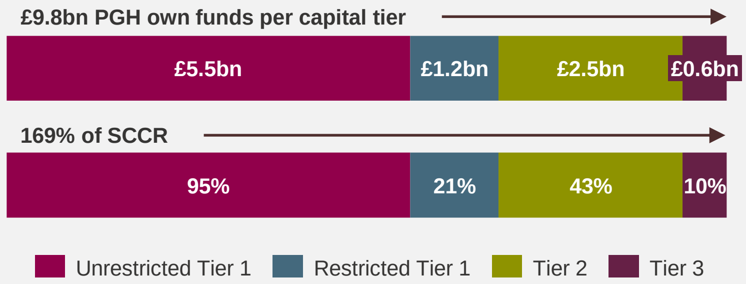
Phoenix has a strong capital position with a £4.0 billion Solvency II surplus

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



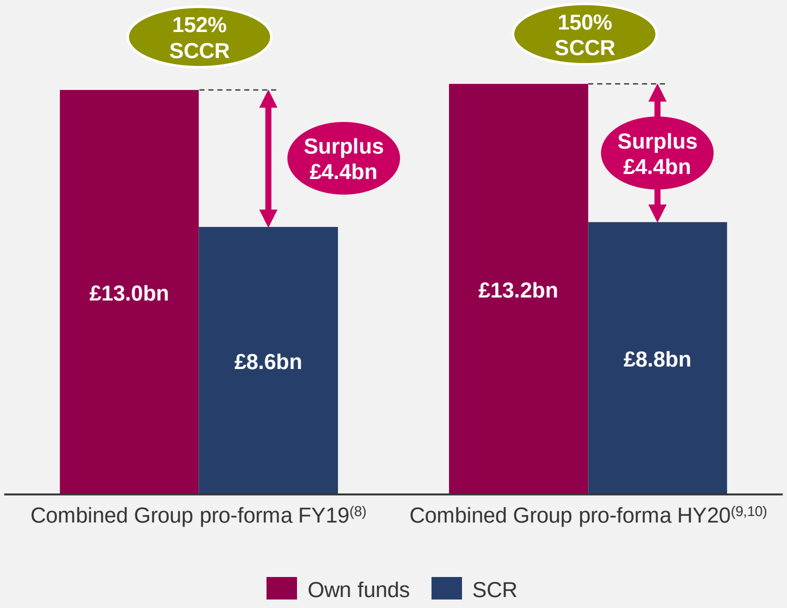
Shareholder own funds[7]	**£5.8bn**
Contract boundaries	£0.1bn
Shareholders share of with-profit estate	£0.2bn
Proxy to shareholder value	**£6.1bn**

Shareholder value per share: £8.45

See slides 29-30 for footnotes

Capital strength is also maintained on a Combined Group basis with a £4.4 billion Solvency II surplus

Estimated pro-forma PGH Shareholder Capital Position



Key messages

150% solvency ratio is well within target range of 140% - 180%

ReAssure Group included on a Standard Formula basis, with a Solvency II surplus[11] of £1.7 billion, SCCR of 157% and regulatory coverage ratio of 154%

Pro-forma includes £120 million of capital synergies from delivery of equity hedging actions

Pro-forma excludes the benefit of the L&G mature savings business Part VII – now expected in 2H 2020

See slides 29-30 for footnotes

The Combined Group capital position illustrates resilience to risk events

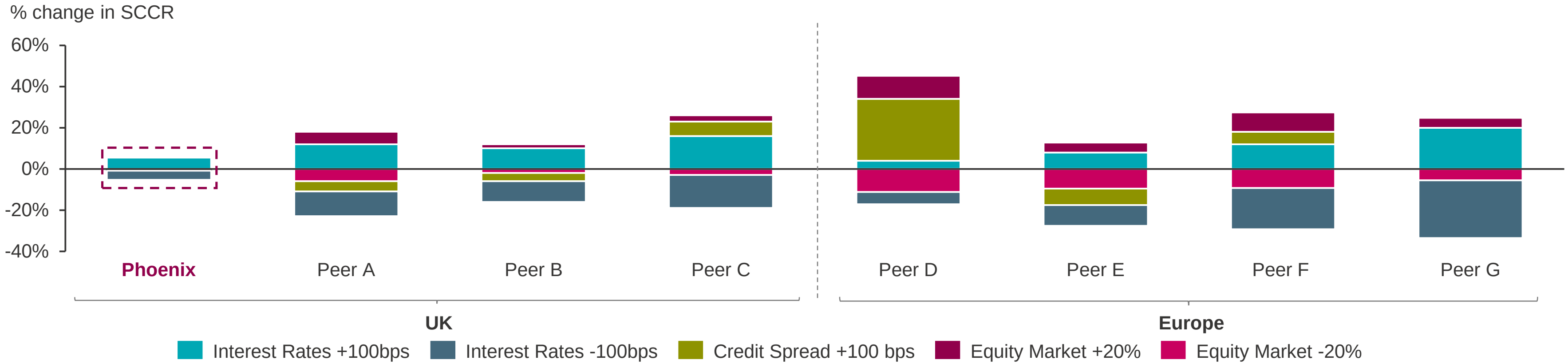
Combined Group Solvency II Shareholder Capital Coverage Ratio sensitivities[12]

	Ratio (Target range 140%–180%)	Impact on Solvency II surplus
HY20 Solvency II SCCR	150%	**£4.4bn**
Equities: 20% fall in markets	150%	£(0.1)bn
Property: 12% fall in values[13]	147%	£(0.2)bn
Rates: 73bps rise in interest rates[14]	154%	£nil
Rates: 88bps fall in interest rates[14]	146%	£(0.1)bn
Credit: 120bps spread widening[15]	149%	£(0.3)bn
Credit: 20% portfolio full letter downgrade[16]	142%	£(0.5)bn
Lapse: 10% increase/decrease in rates[17]	147%	£(0.3)bn
Longevity: 6 months increase[18]	140%	£(0.8)bn

See slides 29-30 for footnotes

Our resilient balance sheet is well-positioned to navigate risk events

Pro-forma HY20 Phoenix Shareholder Capital Coverage Ratio (SCCR) sensitivities relative to Life peers(19)



- Phoenix's strategy is focused on protecting the Group's capital position with the primary focus on protecting the overall quantum of surplus.
- Hedging mitigates the majority of our exposures to market risks such as equity, currency and interest rate risk.
- As a result, Phoenix tends to have lower sensitivities to market risks than its peers.
- The Group is well-prepared to navigate the turbulent market backdrop with a pro-forma Solvency II surplus of £4.4bn[9] and a Shareholder Capital Coverage Ratio of 150%[10], well within our target range of 140% - 180%.

See slides 29-30 for footnotes

Phoenix has a diversified asset portfolio with high credit quality

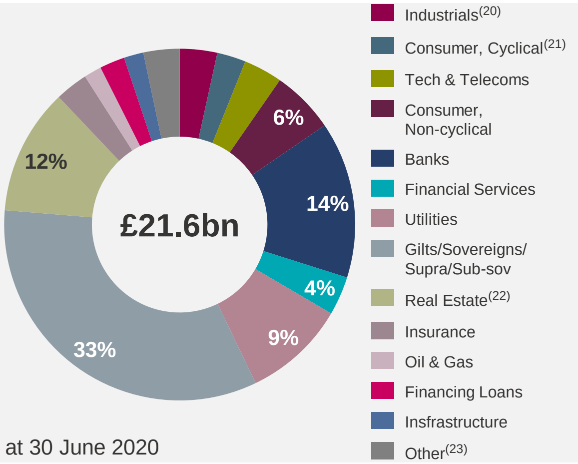
Shareholder asset portfolio

- 98% of shareholder debt portfolio is investment grade
- Only 16% is BBB

- 1.6% exposure to oil & gas sector
- 2.2% exposure to airlines, hotel, leisure & traditional retail

- 98% of illiquid assets are investment grade
- 100% of illiquid asset scheduled cashflows paid

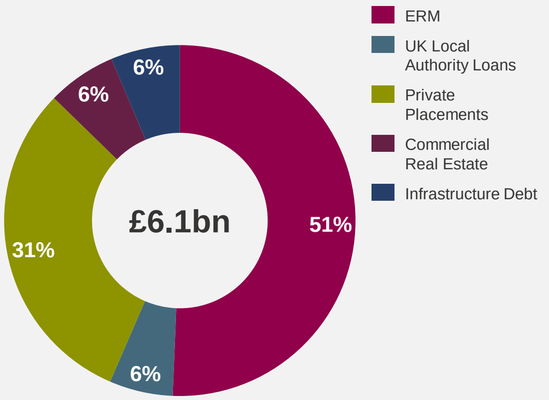
Debt portfolio by sector



at 30 June 2020

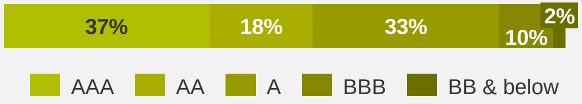
Credit quality

Illiquid assets



at 30 June 2020

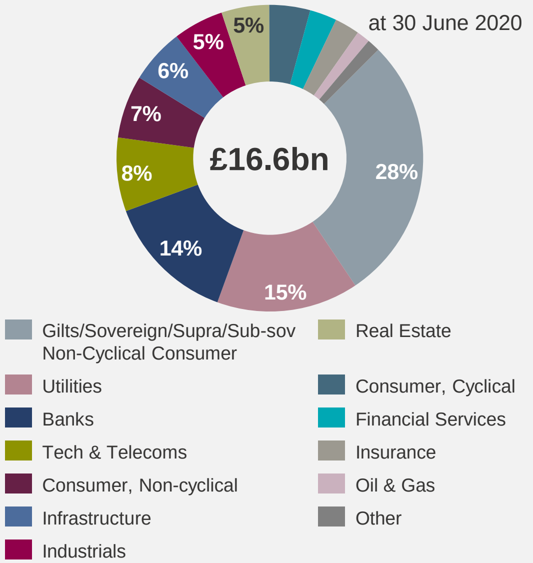
Credit quality



See slides 29-30 for footnotes

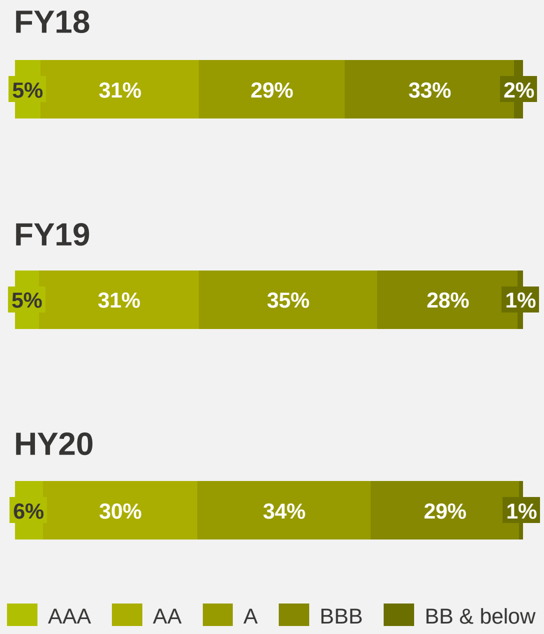
ReAssure also has a high quality credit portfolio

Sector analysis



- 2.7% exposure to airlines, hotel, leisure & traditional retail and 1.4% exposure to oil & gas sector

Credit quality



Key messages

- Active management, using assets 'watchlist' for daily monitoring of sectors with most downgrade exposure
- Programme of trading out of UK BBB into USD A credit
- Only £575 million (5.5%) of bonds in the Matching Adjustment portfolios subject to a letter rating downgrade
- £22 million of bonds (0.2%) in the Matching Adjustment portfolios downgraded to sub-investment grade
- There have been no defaults

Resilient balance sheet supports payment of 2020 interim dividend

2020 interim dividend

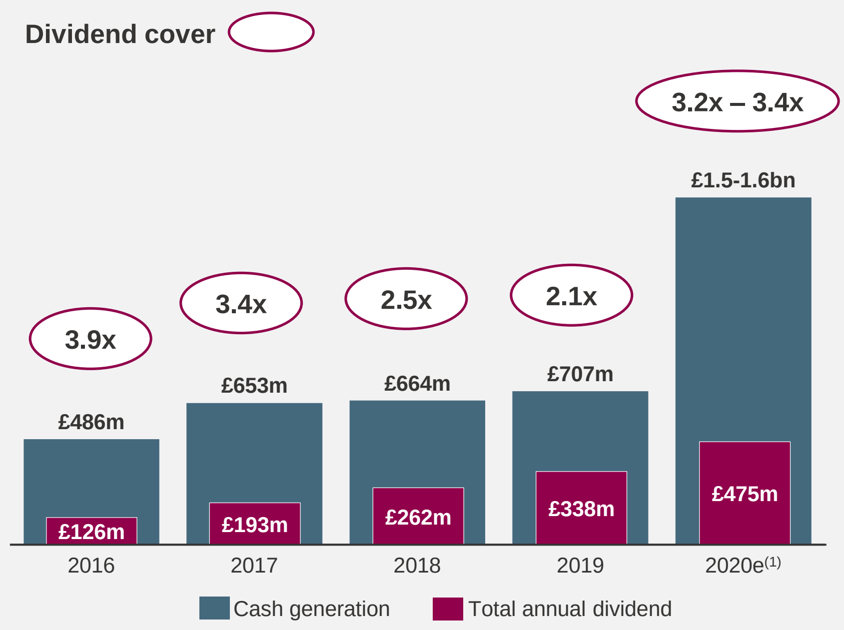
Capital
- Solvency II surplus of £4.0 billion[6]
- £5.8 billion of SCR over and above best estimate liabilities

Resilience
- Our approach to risk management ensures we remain resilient under a range of stress scenarios

Liquidity
- Holdco cash of £1.8 billion
- Dependable future cash generation

PAYMENT OF 2020 INTERIM DIVIDEND OF £234 MILLION

Strong cash dividend cover

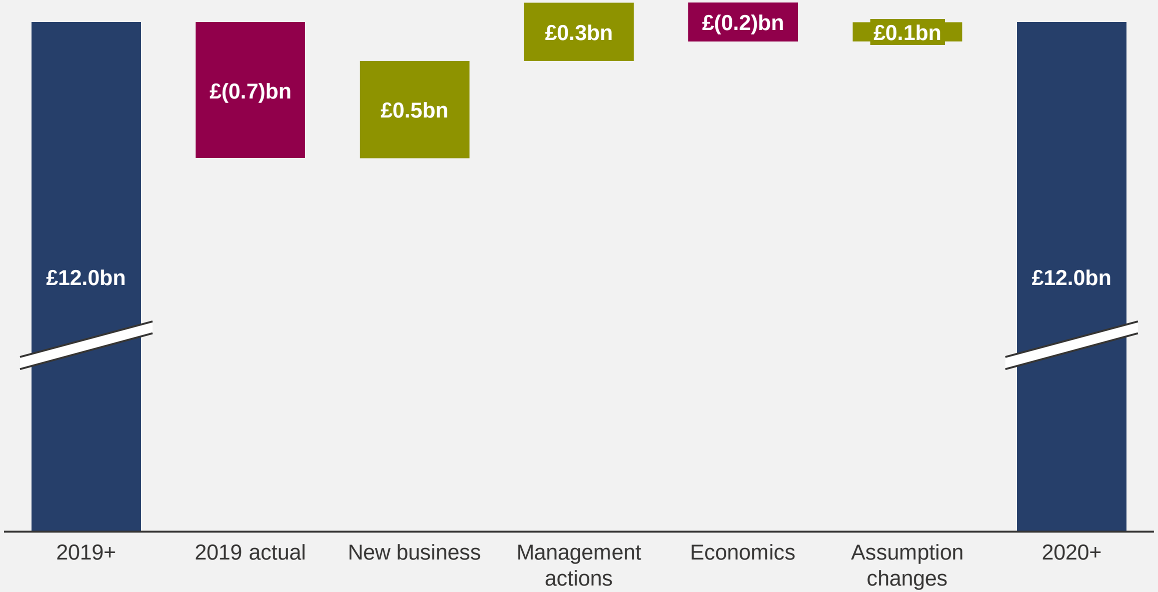


See slides 29-30 for footnotes

GROWTH

New business enabled us to “refill the well” of cash generation in 2019

Future cash generation from in-force business



Key messages

- Cash generation of £0.7 billion in 2019
- “Well” of long-term cash generation therefore expected to be £11.3 billion
- Refilled the “well” with £0.8 billion of cash from new business and over delivery of management actions
- £0.1 billion cash generation from new business in Q1 2020

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**[(24)]
Gross inflows (on new business)	£1.1bn	£2.6bn	£0.5bn	£4.2bn	£4.0bn
Capital strain	£90m	£2m	£11m	£103m	£40m[(24)]

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

See slides 29-30 for footnotes

ReAssure transaction completed in July and strengthens our key attributes

Transaction highlights

£76 billion	**3.9 million**	**£7 billion**
AUA[25]	**Policies**[25]	**Cash generation**[26]

- ✓ 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[9]

150%
PGH Shareholder Capital Coverage Ratio[10]

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

See slides 29-30 for footnotes

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[27] (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[27] (net of tax)	£35m	£150m	23%	£3m	£50m	6%
Total value[27]	**£946m**	**£1,220m**	**78%**	**£227m**	**£800m**	**28%**

See slides 29-30 for footnotes

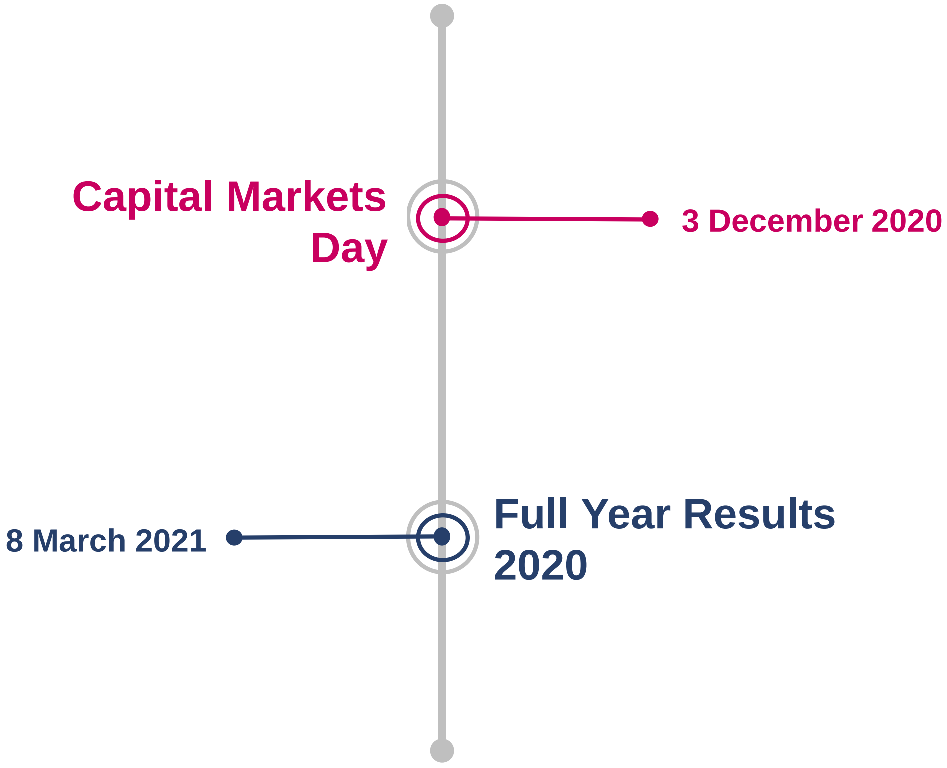
OUTLOOK

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

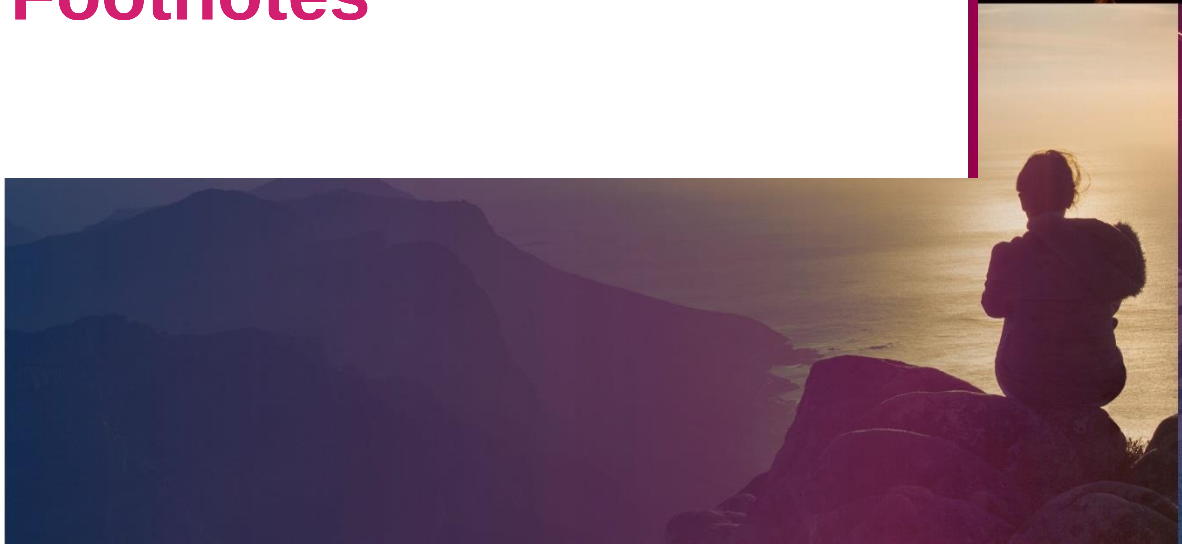
Heritage	M&A and integration	Open
Deliver new 2020 cash generation target range of £1.5 - £1.6 billion	Submit Internal Model Harmonisation final application	Deepen illiquid asset origination capabilities and further improve BPA capital efficiency
Focus on delivery of key management actions and ongoing 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

Dates for your diary



Footnotes



Footnotes

(1) Dividends rebased to take into account the bonus element of rights issues. 2020e and 2021e reflect expected dividend based on application of proposed 3% increase announced for ReAssure transaction.
(2) 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.
(3) Illustrative dividend allowing for the issue of equity and 3% increase.
(4) 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.
(5) The FY19 Solvency II capital position reflects a regulator approved recalculation of transitionals as at 31 December 2019.
(6) 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.
(7) 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.
(8) The pro-forma position for the Combined Group assumes the acquisition of ReAssure took place on 31 December 2019.
(9) 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.
(10) 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.
(11) 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%.
(12) Sensitivity assumes stress occurs on Day 1 and that there is no market recovery.
(13) Property stress represents an overall average fall in property values of 12%.
(14) 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.
(15) 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.

Footnotes

(16) 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.
(17) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.
(18) Applied to the annuity portfolio.
(19) All sensitivities based on HY20 disclosures. The sensitivities for Phoenix are pro-forma for the acquisition of ReAssure Group plc which completed on 22 July 2020.
(20) Industrials: Includes £237 million exposure to airports and £4 million to leisure.
(21) Consumer, cyclical: Includes £266 million exposure to traditional retail, £34 million to airlines, £13 million to leisure and £184 million to automobiles.
(22) Real estate: Includes £18 million exposure to shopping malls, £54 million to shopping centres and £82 million to leisure.
(23) Other: Includes Basic Materials, Structure Finance, Diversified, Investment Companies and CDOs.
(24) 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.
(25) 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.
(26) Incremental cash generation arising from the acquisition of ReAssure is calculated using Phoenix's assumptions and reporting bases.
(27) 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.

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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.
- 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.
- 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, initiatives related to the financial crisis, the COVID 19 pandemic 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, social and economic effects of the COVID 19 pandemic and 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.
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