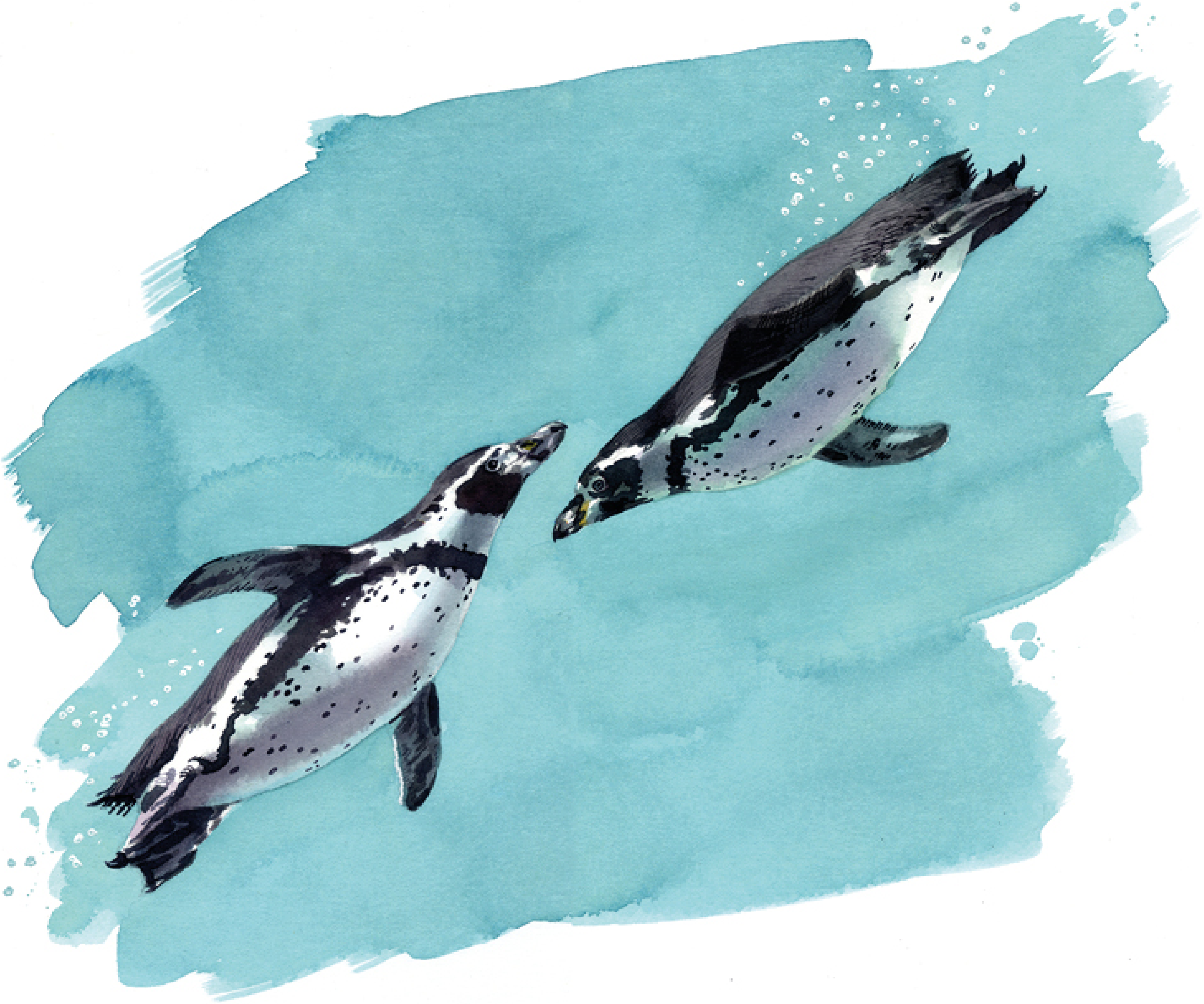
PENSION INSURANCE
CORPORATION GROUP LIMITED

PENSION INSURANCE CORPORATION GROUP

2019 Results



TODAY'S PRESENTERS

PENSION INSURANCE
CORPORATION GROUP LIMITED

TRACY BLACKWELL
CHIEF EXECUTIVE OFFICER

ROB SEWELL
CHIEF FINANCIAL OFFICER

Tracy is the Chief Executive Officer and a Director of PIC and PICG. Tracy is responsible for leading the management team in carrying out the company's strategic plans and policies as established by the Board of Directors. Tracy joined PIC as one of its founders in 2006 and prior to becoming Chief Executive held the role of Chief Investment Officer, where she was responsible for building up PIC's asset management function, including full hedging and direct investment capabilities. Prior to joining PIC Tracy spent 10 years at Goldman Sachs, including as Head of Risk Management, EMEA, and at Goldman Sachs Asset Management, working with pension fund and insurance company clients on investment, risk and strategic issues.

Rob is the Chief Financial Officer and a Director of PIC and has leadership over the financial aspects of the company. Rob has led the development of PIC's finance function since joining the company in 2008. He oversaw the transition of regulatory financial reporting to Solvency II requirements. He previously held roles as UK Finance Director at Legal & General, and as Chief Executive of National Westminster Life Assurance. Rob is a Fellow of the Institute of Chartered Accountants in England & Wales.

This presentation, along with our full 2019 results, has been posted on our website www.pensioncorporation.com. This presentation is based on PICG's Annual Report and Accounts 2019, but references are made to PIC where it is relevant.

Any questions from bondholders or shareholders can be sent to Jeremy Apfel, Head of Corporate Affairs, via Apfel@pensioncorporation.com.

PENSION INSURANCE
CORPORATION GROUP LIMITED

OVERVIEW OF PIC, THE PENSION RISK TRANSFER MARKET AND 2019 HIGHLIGHTS

TRACY BLACKWELL,
CHIEF EXECUTIVE OFFICER

PIC'S STRATEGY

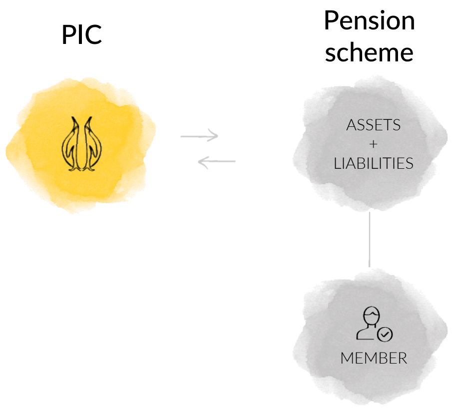
PENSION INSURANCE
CORPORATION GROUP LIMITED

PIC's overall strategy is focused on the growth potential of the UK Pension Risk Transfer ("PRT") market and has remained broadly unchanged over the last decade, resulting in the creation of a strong and successful track record for the Group.

- Objective: grow the business on a focused, secure and sustainable basis.
- Key features of PIC's strategy:
  - Focus on the UK PRT market for new business.
  - Focus on the growth opportunity rather than prioritise dividends, at least in the short term.
  - Business focus viewed as more attractive than revenue source diversification.

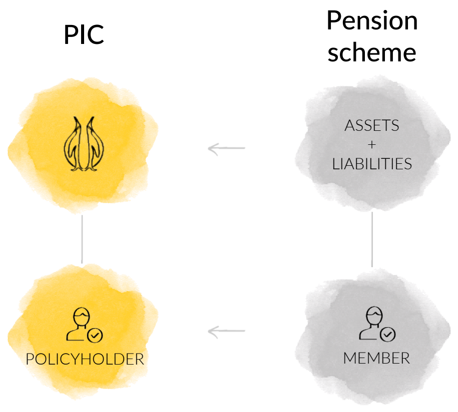
WHAT IS A PENSION INSURANCE BUY-IN?

- The pension scheme purchases a bulk annuity insurance policy to cover its obligations to a subset of the scheme members. The insurance policy is held as an asset of the pension scheme
- A buy-in is a perfectly matching investment for the insured liabilities
- A buy-in removes the pension scheme's longevity, market interest rate, inflation and other risks, as these are transferred to PIC
- PIC has no direct relationship with pension scheme members, whose benefits continue to be managed by the trustees



WHAT IS A PENSION INSURANCE BUYOUT?

- A buyout removes pension assets and liabilities from a pension scheme and employer's balance sheet. It is a full settlement of the scheme and employer's obligations to the scheme members
- PIC issues individual annuity insurance policies to the members of the pension scheme as a direct replacement for their claim on the pension scheme
- Typically, the pension scheme is wound up and assets pass across to PIC
- The scheme members become policyholders of PIC



WHY FOCUS ON THE UK'S PENSION RISK TRANSFER MARKET?

A LARGE AND RESILIENT MARKET WITH SIGNIFICANT GROWTH POTENTIAL

PENSION INSURANCE CORPORATION GROUP LIMITED

UK DEFINED BENEFIT PLAN IN NUMBERS

£2.1[1]
TRILLION
UK defined benefit "DB" liabilities

£145[2]
BILLION
Total DB pension liabilities insured through buy-ins and buyouts since 2008

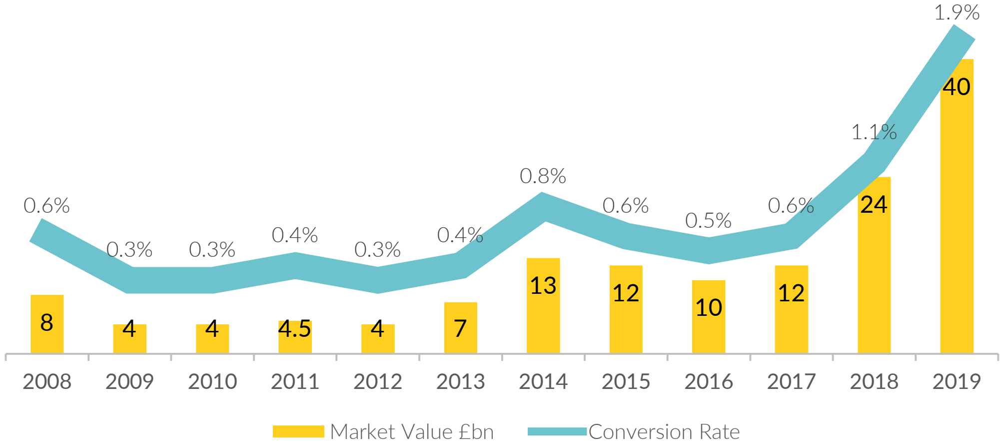
89[1]
PERCENT
UK DB funds either closed to new entrants, future accrual or winding up

£1.0[1]
TRILLION
Held in gilts and fixed income bonds by pension schemes

10.1[1]
MILLION
Members of DB pension funds

21.6 Male
23.5 Female[4]
YEARS
Life expectancy age 65[5]

UK PENSION RISK TRANSFER CONVERSION RATE[3]



2019
7%[3]

2018
5%[3]

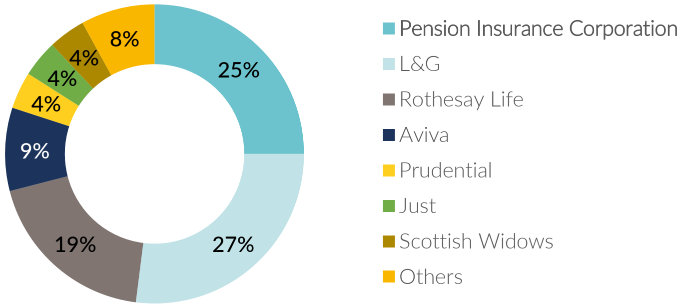
Cumulative percentage of UK DB pension liabilities insured through a buy-in or buyout since 2008

1. PPF Purple Book 2019
2. PPF Purple Book 2019 and company estimate
3. LCP, Willis Towers Watson, PPF Purple Book 2019 and company estimate – Conversion rate is calculated as the pension risk transfer volume in individual year divided by Purple Book pension schemes DB liabilities on a buy-out basis
4. CMI's Working Paper 119
5. Life expectancy at 1 January 2019

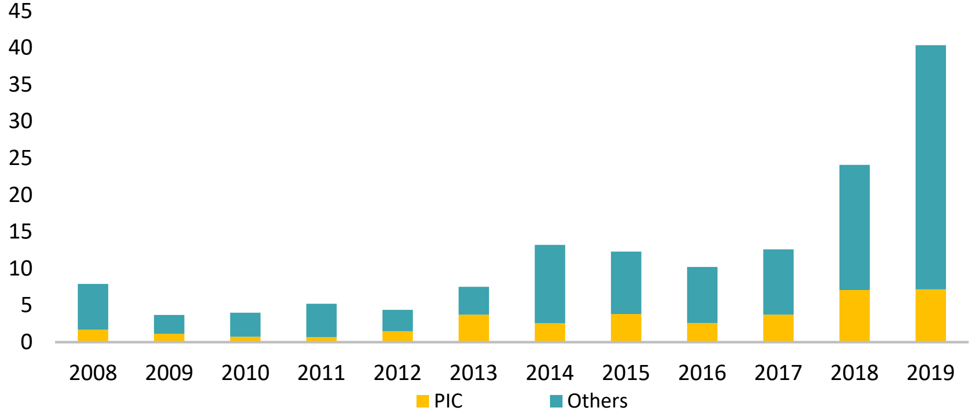
PIC HAS MAINTAINED A CONSISTENT LONG-TERM MARKET SHARE AND IS RECOGNISED FOR ITS EXCELLENT CUSTOMER SERVICE

PENSION INSURANCE CORPORATION GROUP LIMITED

UK PENSION RISK TRANSFER CUMULATIVE MARKET SHARE (2008-2019)[1]



UK PENSION RISK TRANSFER VOLUMES (£BN)[1]



OUR CLIENTS INCLUDE

OUR AWARDS

1. Aon, LCP, Willis Towers Watson, Professional Pensions and company estimate, refers to buy-ins and buyouts only

PIC IS DIVERSE IN ITS APPETITE FOR DIFFERENCE TRANSACTION SIZES

PENSION INSURANCE CORPORATION GROUP LIMITED

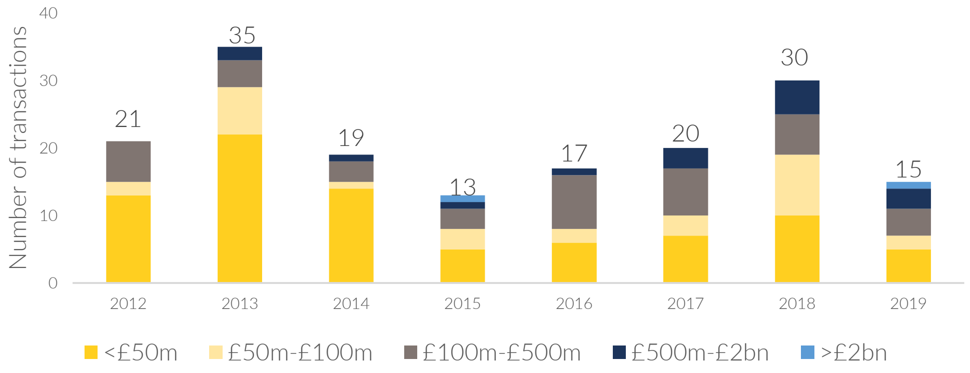
EXTERNAL PERSPECTIVES ON APPETITE BY TRANSACTION SIZE

	<£50m	£50m – £100m	£100m – £500m	£500m - £2bn	>£2bn
PENSION INSURANCE CORPORATION	More Selective	More likely to quote	More likely to quote	More likely to quote	More likely to quote
Legal & General	More likely to quote	More likely to quote	More likely to quote	More likely to quote	More likely to quote
AVIVA	More likely to quote	More likely to quote	More likely to quote	More likely to quote	Unlikely to Quote
Canada Life	More likely to quote	More likely to quote	More likely to quote	Unlikely to Quote	Unlikely to Quote
JUST.	More likely to quote	More likely to quote	More likely to quote / More Selective	Unlikely to Quote	Unlikely to Quote
PHOENIX LIFE	Unlikely to Quote	More Selective	More Selective / More likely to quote	More likely to quote	Unlikely to Quote
Rothesay life	Unlikely to Quote	Unlikely to Quote	More Selective / More likely to quote	More likely to quote	More likely to quote
SCOTTISH WIDOWS	Unlikely to Quote	More likely to quote	More likely to quote	More likely to quote	Unlikely to Quote

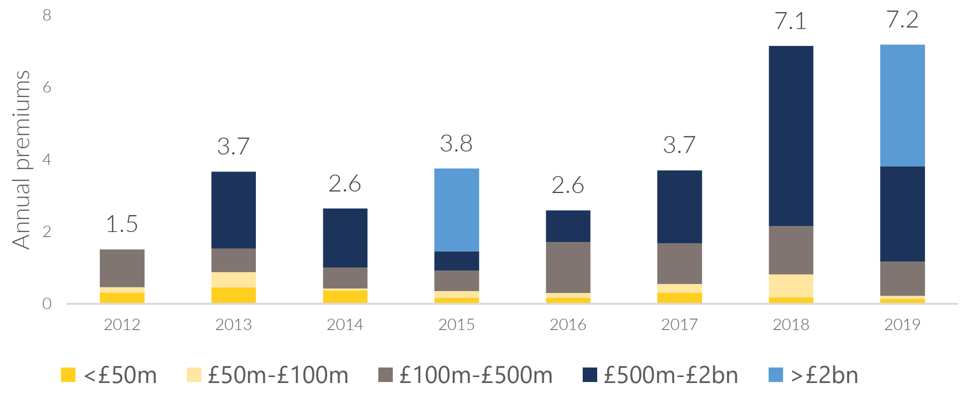
More likely to quote | More Selective | Unlikely to Quote

1. Hymans Risk Transfer Report 2019

PIC TRANSACTIONS BY PREMIUM SIZE AND NUMBER OF TRANSACTIONS



PIC NEW BUSINESS BY PREMIUM SIZE AND ANNUAL PREMIUMS (£BN)



KEY DEVELOPMENTS

PENSION INSURANCE CORPORATION GROUP LIMITED

1. NEW BUSINESS AND MARKET ENVIRONMENT

- £7.2bn of new business premiums written in 2019 with 15 pension schemes in another record year for PIC and the UK PRT market
- PIC reinsured a record of £8.3bn of longevity risk, with 81% of total longevity risk reinsured overall with 11 highly rated counterparties
- Strong market dynamics reflect focus by pension schemes trustees to better match their assets and liabilities and de-risk in stages. This underpins the PRT market for the future

2. CAPITAL AND SOLVENCY

- In February 2020, the Group completed a part deferred £750m equity capital raise from existing shareholders to support the continued development and growth of the PRT market. £450m equity capital was funded in February 2020 and a further £300m is expected to be funded by January 2021
- Inaugural Restricted Tier 1 (“RT1”) debt raise of £450m in July 2019. Fitch affirmed PIC’s Insurer Financial Strength Rating as A+ (strong)
- Robust PIC solvency ratio of 164% at FY2019 (FY 2018: 167%) and 179% on a pro-forma basis, taking into account the first £450m of equity capital drawn down in February 2020

3. ASSETS

- Financial assets of £40.9bn increasing from £31.4bn over the year
- £1.9bn of direct debt invested in areas such as social housing, renewable energy and the UK’s universities providing secure, long-term cash flows that complement our investments in public debt markets

4. CUSTOMERS

- Continued commitment to providing the best customer service to our policyholders with 99.1% of our policyholders expressing overall satisfaction with our service levels, increasing from 97.3% in 2018
- PIC attained “Investor in People” status and we continue to hold the ServiceMark with Distinction, awarded by the Institute of Customer Service

5. SHAREHOLDERS

- Following completion of the £750m capital raise, Reinet remains the Group’s largest shareholder with a 46.4% stake in the Group. Luxinva, a wholly owned subsidiary of ADIA will hold an 18.2% stake. CVC Strategic Opportunities I holds a 17.4% stake

SUBSTANTIAL STORE OF FUTURE CASHFLOW FROM THE IN-FORCE BUSINESS

PENSION INSURANCE
CORPORATION GROUP LIMITED

PIC ASSET BREAKDOWN AT FY2019

Total assets

£39.0bn

Financial investments, current net assets and net derivative positions

Excess assets

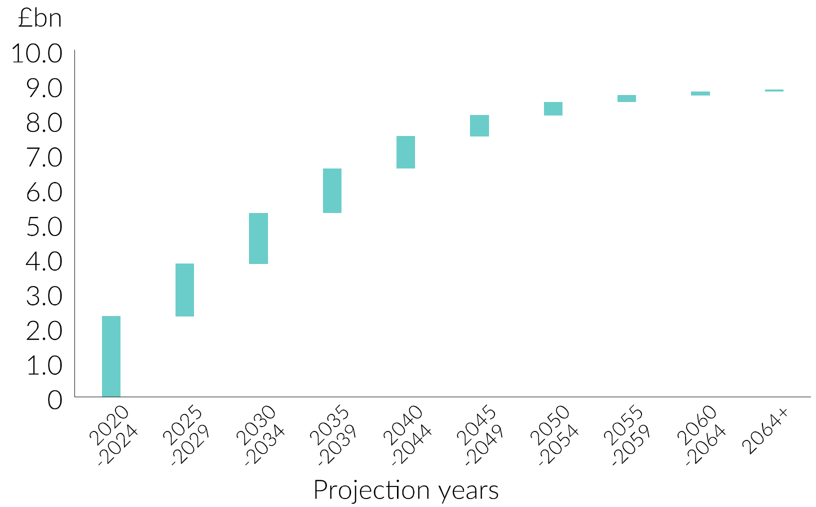
£6.6bn[(1)]

Assets held for claims and expenses

£32.4bn

Best Estimate Liability net of reinsurance and prudent margins

ILLUSTRATIVE PROFILE OF FUTURE CASH GENERATION FROM CURRENT IN-FORCE BUSINESS



- The illustrative net of tax cash generation (pre-debt coupon and principal) from PIC's in-force business at FY2019
- Over the fifty years of the projections the net of tax cash generation (pre-debt costs) is £8.8bn

1. Assets allocated to cover Solvency Risk and Prudent Margins that will generate future cashflows for capital and equity providers (debt and equity)

Pension Insurance Corporation Group Limited

FY2019 FINANCIAL RESULTS

ROB SEWELL, CHIEF FINANCIAL OFFICER

OVERVIEW OF FY2019 RESULTS

STRONG PERFORMANCE UNDERPINNED BY ROBUST CAPITAL MANAGEMENT

PENSION INSURANCE CORPORATION GROUP LIMITED

- Record level of new business premium of £7.2bn (FY2018: £7.1bn)
- Robust PIC solvency ratio of 164% (FY2018: 167%) supported by £450m of Restricted Tier 1 debt issuance in 2019. Our Fitch Insurer Financial Strength rating of A+ (strong) was affirmed
- Adjusted operating profit before tax increased to £824m in 2019, up from £649m in 2018. Assumption changes contributed to £358m:
  - £253m from a reduction to our per-policy expense assumptions and improvements in expense modelling
  - £78m from a reduction of 2 bps on the default allowance on corporate bonds
  - £27m from a number of small assumption changes made during the year
- PIC reinsured a record of £8.3bn of longevity risk with 81% of total longevity risk reinsured overall with 11 highly rated counterparties
- Adjusted Equity Own Funds[1] of £4,504m, up from £4,174m in 2018
- £2.5bn of IFRS PIC prudent margins relative to the IFRS NAV of £2.8bn at FY2019
- IFRS profit before tax of £394m (FY2018: £477m)
- EV of £3,874m at FY2019 (FY2018: £3,638m)

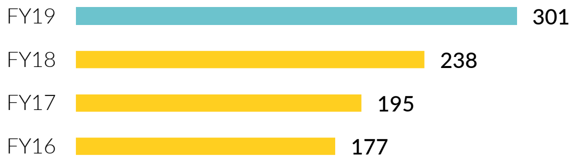
1. Adjusted Equity Own Funds is calculated as Solvency II own funds deducting hybrid debt (including RT1 debt) and removing the impact of the Risk Margin and the Transitional Measures on Technical Provisions (TMTP)

FY2019 FINANCIAL HIGHLIGHTS

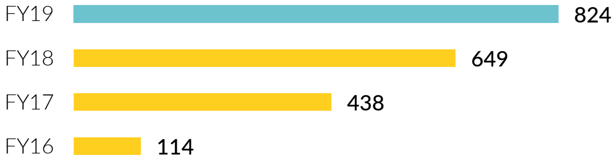
PENSION INSURANCE CORPORATION GROUP LIMITED

RETURN FROM OPERATIONS IS 26% HIGHER COMPARED TO FY2018. FINANCIAL INVESTMENTS HAVE GROWN BY 30% SINCE FY2018

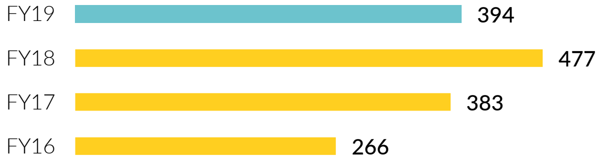
RETURN FROM OPERATIONS[1]



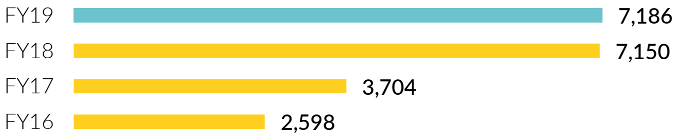
ADJUSTED OPERATING PROFIT BEFORE TAX (£M)[2]



IFRS PRE-TAX PROFIT (£M)

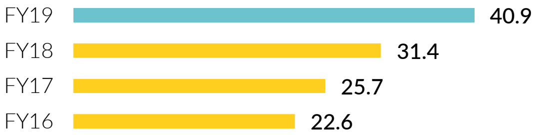


NEW BUSINESS PREMIUMS (£M)



MCEV (£M)

FINANCIAL INVESTMENTS (£BN)



FIXED CHARGE COVER[3][4]

INTERNAL LEVERAGE RATIO[4][5]

FITCH LEVERAGE RATIO[4][6]

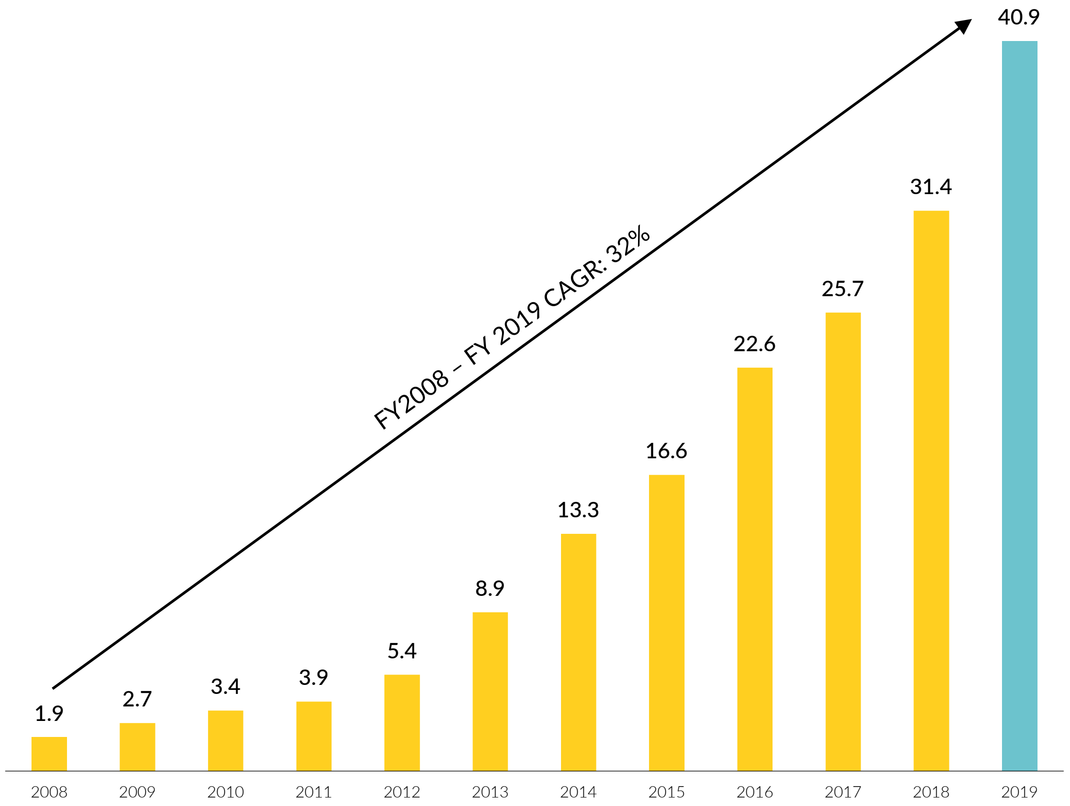
1. Return from operations is equivalent to return on back book in prior years
2. Adjusted operating profit includes return from operations and assumption changes
3. EBITDA divided by interest charge. For FY2019, the RT1 coupon is excluded from the interest charge as the first payment date was on 25 January 2020
4. Refers to PIC plc
5. (Nominal borrowings plus RT1) divided by (Debt plus IFRS Equity)
6. Nominal Borrowings divided by (IFRS Equity plus Nominal Borrowings)

LONG-TERM CONTINUED GROWTH

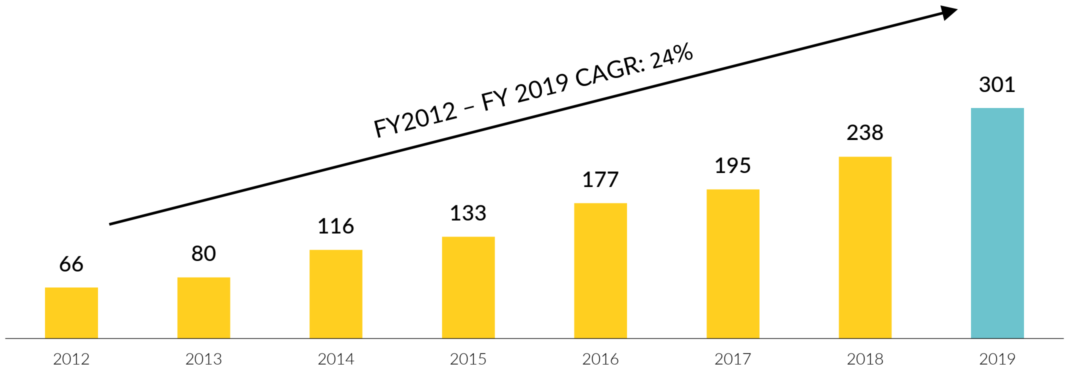
PIC HAS WRITTEN OVER £36BN OF NEW BUSINESS PREMIUMS SINCE 2008, DRIVING 32% COMPOUND ANNUAL GROWTH IN FINANCIAL INVESTMENTS IN THAT PERIOD AND 24% ANNUAL GROWTH IN RETURN ON OPERATIONS. SINCE 2016, MCEV HAS INCREASED BY NEARLY £1.3BN

PENSION INSURANCE CORPORATION GROUP LIMITED

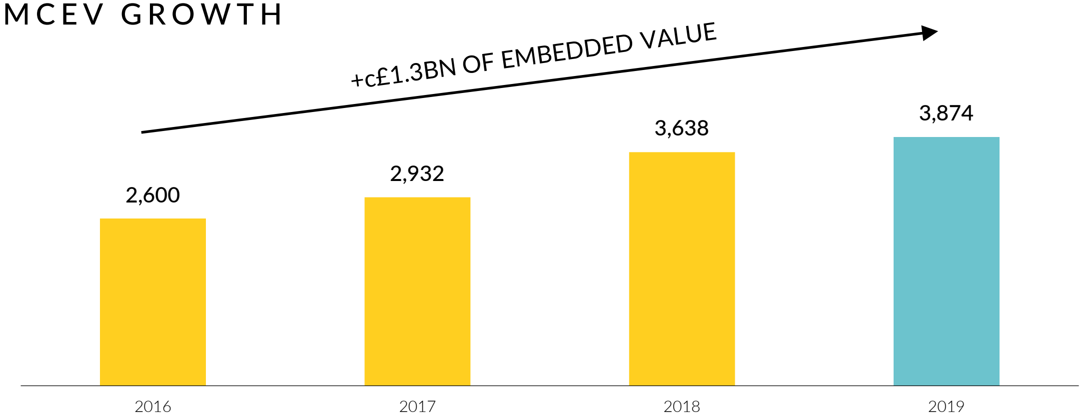
PIC – FINANCIAL INVESTMENTS



RETURN FROM OPERATIONS



MCEV GROWTH



1. Return on existing insurance book and shareholder assets in prior years is referred to as return on back book

IFRS AND SOLVENCY II BALANCE SHEET COMPARISON

PENSION INSURANCE CORPORATION GROUP LIMITED

PIC ASSET BREAKDOWN AT FY2019

Total assets
Financial Investments, current net assets and net derivative positions
£39.0bn

Excess assets
£6.6bn

Assets held for claims and expenses
Best estimate liability net of reinsurance and prudent margins
£32.4bn

EXCESS ASSETS ON IFRS AND SII BASES

IFRS

Borrowings (including RT1)[2]
£1.3bn

Assets backing prudent margins to be recognised on future profits
£2.5bn

Net asset value (excluding RT1)
£2.8bn

Solvency II

Subordinated debt[2]
£1.4bn

Solvency II prudent margins[1]
£1.8bn

Shareholder own funds (excluding RT1)
£3.4bn

1. Solvency II prudent margins and risk margins net of transitional measures on technical provisions, Solvency II and IFRS valuation differences including deferred tax
2. IFRS Borrowings and Solvency II subordinated debt both include the RT1

IFRS ADJUSTED OPERATING PROFIT BEFORE TAX

PENSION INSURANCE CORPORATION GROUP LIMITED

ADJUSTED OPERATING PROFIT BEFORE TAX

£m	2019	2018
Return from Operations[1]	301	238
New business and reinsurance surplus[2]	245	59
Net release from operations	546	297
Change in valuation assumptions	358	400
Experience Variances	12	16
Finance Costs	(61)	(46)
Project Costs	(31)	(18)
Adjusted operating profit before tax	824	649
Investment variances[3]	(430)	(172)
Total profit before tax	394	477

COMMENTARY

- Return from Operations increased by 26% compared to 2018
  - Driven by growth of the back book reflecting increase in new business
- New business and reinsurance deals resulted in profit of £245m mainly due to assumption changes made during 2018
- Change in valuation assumptions gave rise to a positive £358m:
  - £253m from a reduction to our per-policy expense assumptions and improvements in expense modelling
  - £78m from a reduction of the default allowance on corporate bonds
  - £27m from a number of smaller assumption changes made during the year
- Finance Costs increased due to the £350m debt issued in September 2018
- Investment variances loss of £430m due the timing and sourcing of assets, impact of short-term market movements and differences in the actual returns versus expected returns assumed in the return from operations

1. Return from Operations is generated from release of prudent margins for business written in previous years, along with the expected return on shareholder funds based on long-term investment return assumptions
2. Profit generated from new business (at point of sale) and reinsurance contracts which have been written during the period
3. Includes the impact of short-term market fluctuations and differences to long-term return assumptions

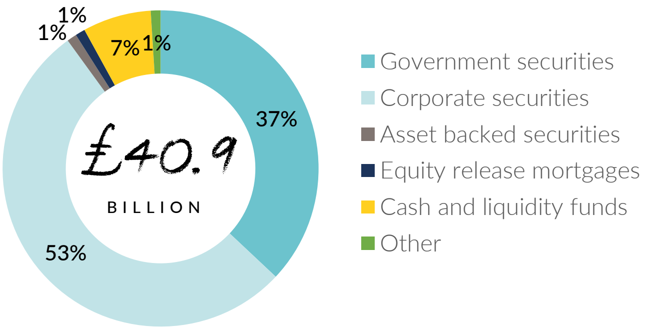
PIC HAS A CONSERVATIVE ASSET PORTFOLIO AND INVESTMENT STRATEGY

PENSION INSURANCE CORPORATION GROUP LIMITED

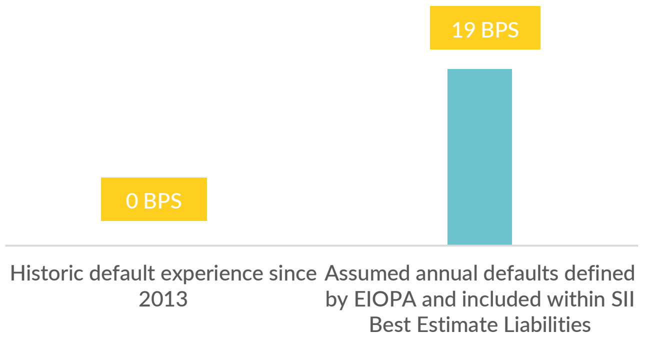
COMMENTARY

- 90% invested in government and corporate securities with 98% of those corporate bonds rated investment grade
- 52% of our assets are managed internally including gilts, supranational bonds and private debt
- PIC invests across geographies and currencies, but actively hedges its currency exposure to match its Sterling liabilities
- No defaults over the last six years versus 19 bps p.a. assumed annual defaults defined by EIOPA and included within SII Best Estimate Liabilities at FY 2019

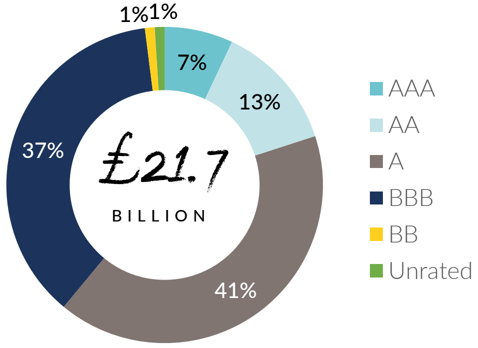
FINANCIAL INVESTMENTS BY ASSET CLASS (31 DECEMBER 2019)



HISTORIC DEFAULT EXPERIENCE (FY2019, P.A.)



CORPORATE SECURITIES BY RATING (31 DECEMBER 2019)



CORPORATE SECURITIES BY COUNTRY/REGION OF ISSUANCE

Country	Market Value (£m)	%
UK	10,990	50
US	6,884	32
Europe (ex UK)	2,349	11
Rest of world	1,445	7
Total	21,668	100

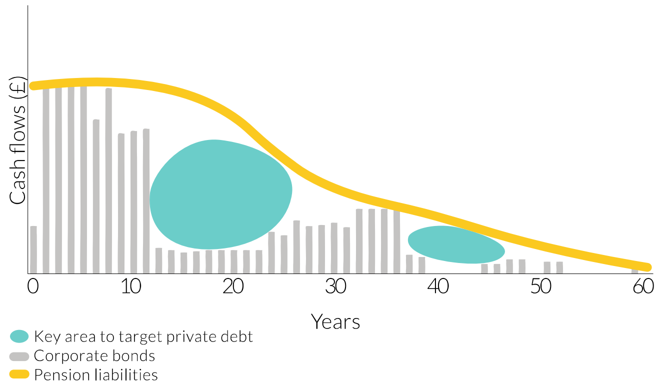
PIC'S DIRECT INVESTMENTS

PENSION INSURANCE CORPORATION GROUP LIMITED

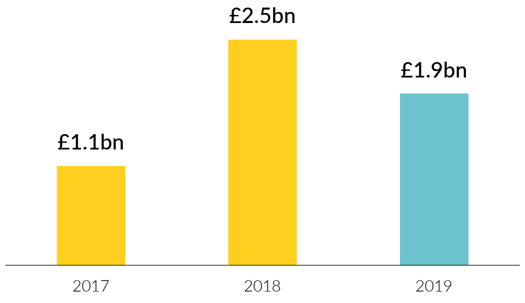
COMMENTARY

- PIC has a long-term track record of investing in secure, long-term assets that are sourced privately alongside those invested in the listed debt markets
- These investment grade, illiquid investments provide additional return and less risk compared to listed debt
- Focussed on investments that are socially useful and are likely to meet the needs of society for decades to come, such as supporting social housing, higher education and renewable energy
- Over 2019 PIC invested £1.9bn in 25 direct debt investments taking the total invested to £7.8bn at FY2019. The market value of these investments constitute 20% of the overall portfolio and enable the company to better match its liability cash flows.

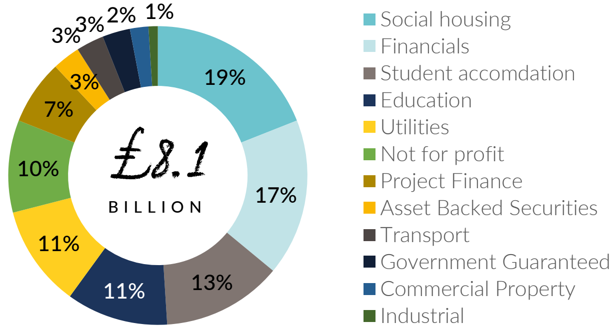
PIC'S DIRECT INVESTMENTS



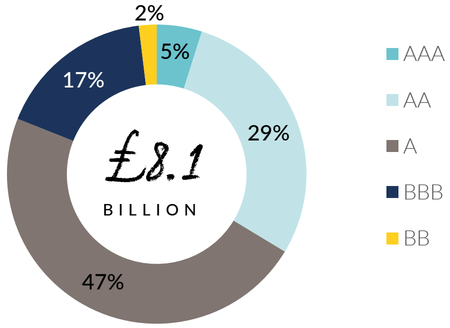
DIRECT DEBT INVESTMENT ORIGINATED IN THE YEAR



BREAKDOWN BY SECTOR OF DIRECT INVESTMENTS[1] (31 DECEMBER 2019)



BREAKDOWN BY RATING OF DIRECT INVESTMENTS[1] (31 DECEMBER 2019)



1. Based on the market value of assets as at 31 December 2019

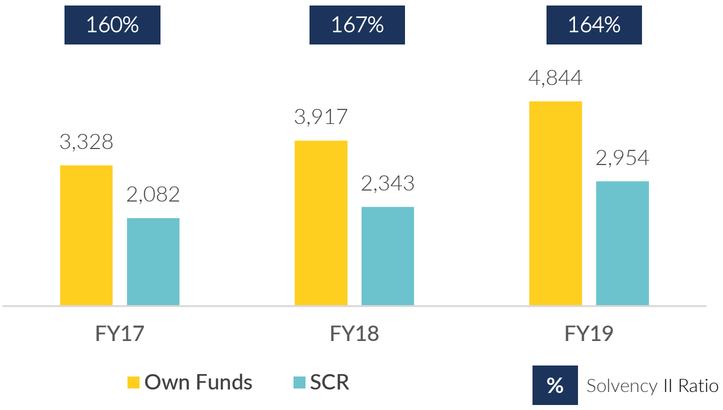
SOLVENCY II POSITION AT FY2019

PENSION INSURANCE CORPORATION GROUP LIMITED

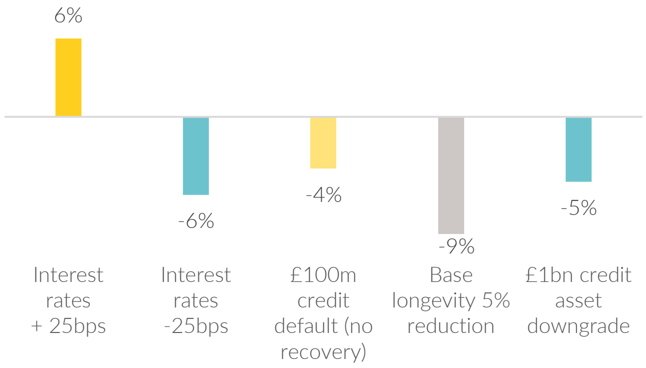
COMMENTARY

- PIC solvency ratio of 164% at FY2019
- Significant market volatility in rates and currencies managed through hedging programme
- Increase in SCR reflecting market movements and new business written
- PIC Solvency II liabilities had an average duration of 14.1 years, net of reinsurance at FY2019

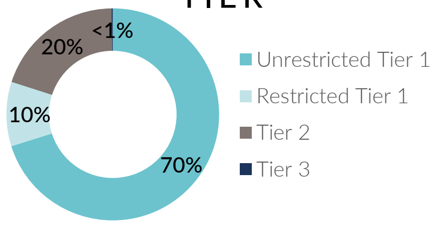
PIC SOLVENCY II CAPITALISATION



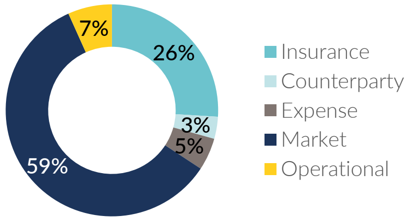
SOLVENCY II RATIO KEY SENSITIVITIES[3][4][5]



OWN FUNDS BY TIER[1]



SCR BY TYPE OF RISK[2]



1. As a percentage of Own Funds.
2. Pre-diversification (Insurance risk is predominately longevity risk and market risk is predominately default and downgrade risk).
3. Interest Rates + / - 25 bps allows for a transitional measure for technical provisions recalculation.
4. 5% reduction in base longevity is equivalent to a 0.4 year increase in life expectancy from 22.8 years to 23.2 years for a typical male aged 65
5. £1 billion credit assets are downgraded by 1 Credit Quality Step (CQS). E.g. AAA rated assets fall to AA.

SUMMARY AND OUTLOOK

PENSION INSURANCE
CORPORATION GROUP LIMITED

1. LEADING, FOCUSED PLAYER IN A LARGE, RESILIENT AND ATTRACTIVE MARKET WITH SIGNIFICANT GROWTH POTENTIAL

- PIC has maintained a long term market share of 25%, with focus on pricing discipline
- Ongoing development of asset sourcing team and reinsurance counterparties to support new business

2. STRONG FINANCIAL POSITION

- Insurer Financial Strength credit rating by Fitch of A+ (strong)
- Robust Solvency Ratio of 164% increasing to 179% on a pro-forma basis after injecting £450m of equity in PIC plc
- Strong IFRS results including 24% CAGR in PIC's Return from Operations profit over the past seven years
- Fitch leverage ratio of 22.0% at FY2019 decreasing to 19.8% on a pro-forma basis after injecting £450m of equity in PIC plc

3. GROWTH POTENTIAL ENHANCED WITH 2020 EQUITY CAPITAL RAISE AND CUSTOMER SERVICE FOCUS

- In-force cash generation is currently reinvested into new PRT transactions at attractive long term IRR's, supported by a healthy balance between demand from trustees and supply from PRT insurers
- Strong pipeline of asset origination and longevity reinsurance, supporting continued capital efficiency for new business transactions
- £450m of new equity received in February 2020 to support the continued growth of PIC in the PRT market. Further £300m expected to be funded by January 2021
- Continued commitment to providing the best customer service to our policyholders with 99.1% of our policyholders expressing over all satisfaction with our service levels in 2019, and one of only 13 companies to hold the Institute of Customer Service's ServiceMark with Distinction
- Winner of multiple awards for customer service and employee relations

APPENDIX AND GLOSSARY

PIC: A LEADING UK PENSION RISK TRANSFER INSURER

PENSION INSURANCE
CORPORATION GROUP LIMITED

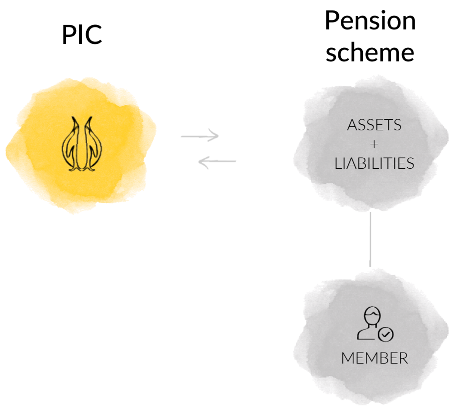
- PIC IS A UK INSURER WITH 221 EMPLOYEES, ALL BASED IN ONE LONDON OFFICE[(1)]

- FOUNDED IN 2006, PIC HAS ESTABLISHED ITSELF AS A LEADER IN THE GROWING UK PRT
  - Focused on acquiring UK defined benefit pension plan assets and liabilities
  - Delivers excellent client service for trustees and policyholders
  - Earns an attractive risk-adjusted return on capital

- PIC IS FOCUSED SOLELY ON THE UK PRT MARKET
  - No legacy business lines or product exposures
  - Deploys capital only if it meets internal economic criteria
  - Conservative investment portfolio with ALM focus
  - Hedging of interest, inflation and currency risks and reinsurance of the majority of longevity risk
  - Efficient operating model with substantial scale economies
  - PIC is authorised by the UK's Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and the PRA

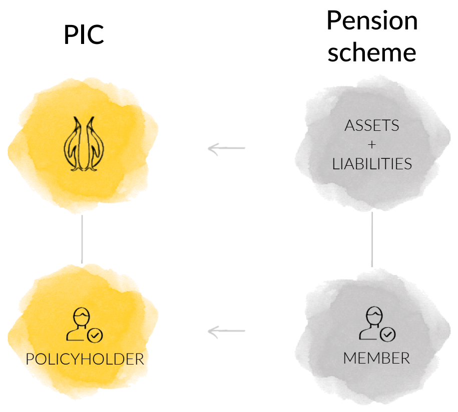
WHAT IS A PENSION INSURANCE BUY-IN?

- The pension scheme purchases a bulk annuity insurance policy to cover its obligations to a subset of the scheme members. The insurance policy is held as an asset of the pension scheme
- A buy-in is a perfectly matching investment for the insured liabilities
- A buy-in removes the pension scheme's longevity, market interest rate, inflation and other risks, as these are transferred to PIC
- PIC has no direct relationship with pension scheme members, whose benefits continue to be managed by the trustees



WHAT IS A PENSION INSURANCE BUYOUT?

- A buyout removes pension assets and liabilities from a pension scheme and employer's balance sheet. It is a full settlement of the scheme and employer's obligations to the scheme members
- PIC issues individual annuity insurance policies to the members of the pension scheme as a direct replacement for their claim on the pension scheme
- Typically, the pension scheme is wound up and assets pass across to PIC
- The scheme members become policyholders of PIC



1. 2019 Average number of employees (Group)

THE BUSINESS MODEL: THREE KEY STEPS IN SECURING PENSIONS AND GENERATING LONG TERM RETURNS

PENSION INSURANCE CORPORATION GROUP LIMITED

PRE-TRANSACTION

PENSION SCHEME

Pension scheme **LIABILITIES** (projected pension payments) – are usually uncertain in both timing and amount (longevity and inflation uncertainty)

ASSETS – a pension scheme will typically hold cash and gilts in the expectation of completing a buy-in or buyout. These assets are not closely cash flow matched to the liabilities

MEMBERS benefits are administered by the trustees and can be either pensioners-in-payment, or people who are yet to start drawing a pension (deferred pensioners)

WHAT

PENSION RISK TRANSFER

BUY-IN OR BUYOUT AGREEMENT SIGNED

HOW

PIC

ASSETS received are reinvested to optimise returns on a cash flow matched and risk-adjusted basis, taking into account a variety of risk factors, including Environment, Social and Governance ("ESG") factors

LIABILITIES are hedged for interest rate and inflation exposure

LONGEVITY RISK is reinsured to transfer risk, create certain liability cash flows and optimise PIC's capital deployment

CAPITAL RESOURCES are committed for the full term of the liabilities

WE VALUE all our stakeholders and strive to deliver excellent customer service

PIC'S OUTCOME FOR POLICYHOLDERS AND CAPITAL PROVIDERS

ASSETS are financial investments, current net assets and net derivative positions

2019 £39.0 BILLION

2018 £30.2 BILLION

LIABILITIES – best estimate liability net of reinsurance and prudent margins

2019 £32.4 BILLION

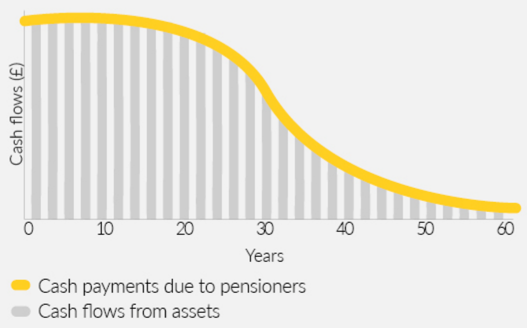
2018 £24.4 BILLION

EXCESS ASSETS are assets allocated to cover solvency risk and prudent margins that will generate future cash flows for capital providers (debt and equity)

2019 £6.6 BILLION

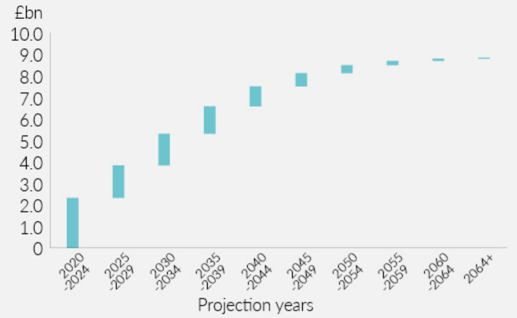
2018 £5.8 BILLION

BEST ESTIMATE LIABILITIES are made more certain with reinsurance and liabilities are cash flow matched with high-quality assets



RETURNS FOR OUR CAPITAL PROVIDERS

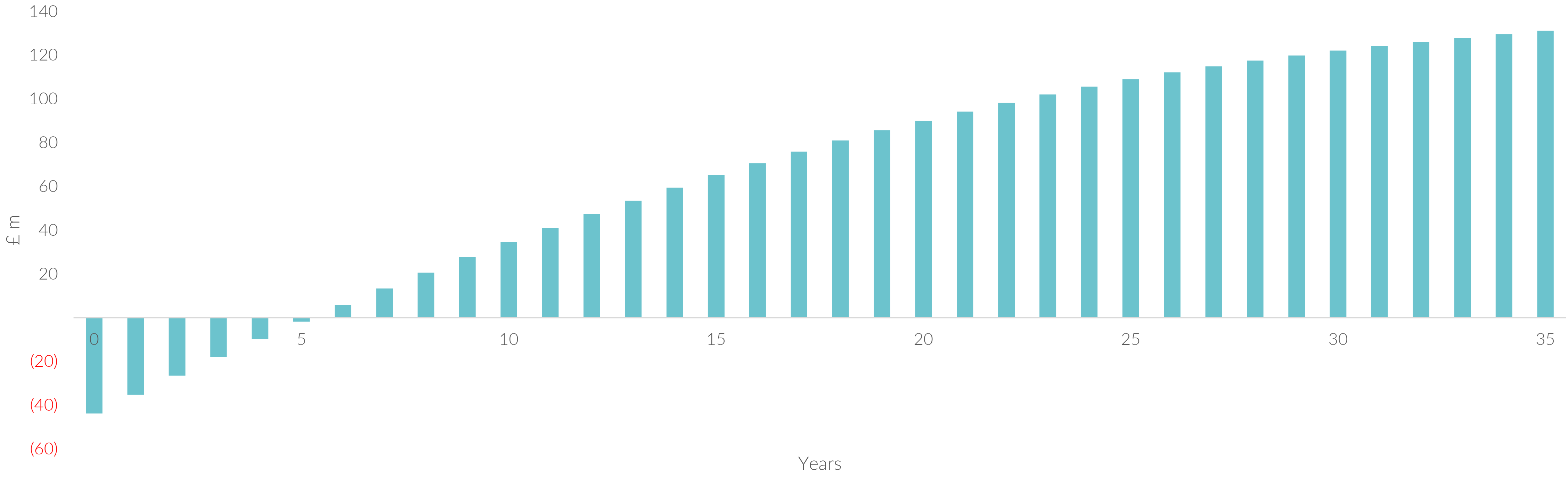
Illustrative profile of future cash generation from current in-force business (FY 2019)



NEW BUSINESS: CUMULATIVE SURPLUS GENERATION

PENSION INSURANCE CORPORATION GROUP LIMITED

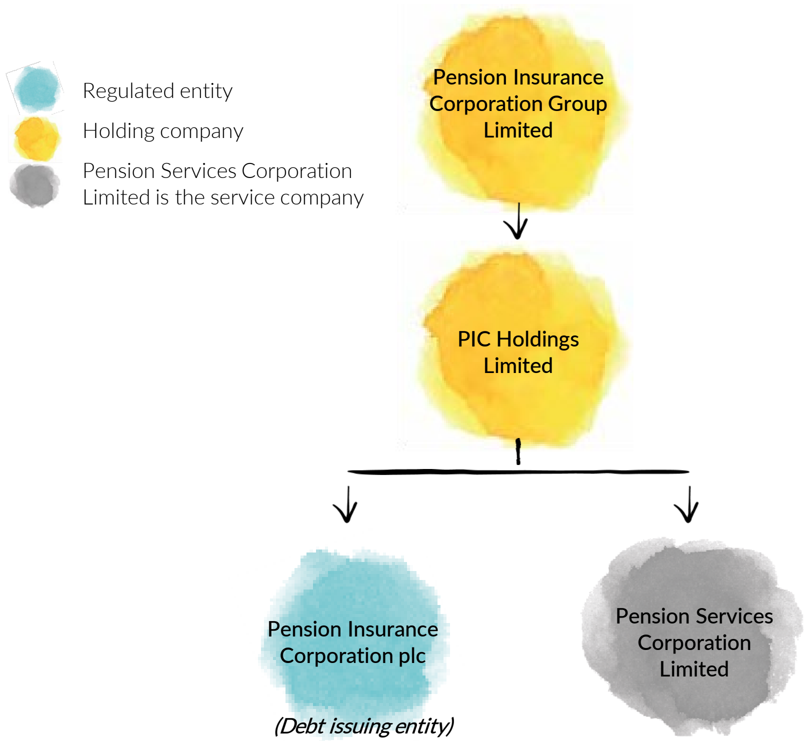
ILLUSTRATIVE CUMULATIVE SURPLUS GENERATION FROM £1BN OF NEW BUSINESS PREMIUM



PIC'S HYBRID DEBT MATURITY PROFILE

PENSION INSURANCE CORPORATION GROUP LIMITED

GROUP STRUCTURE

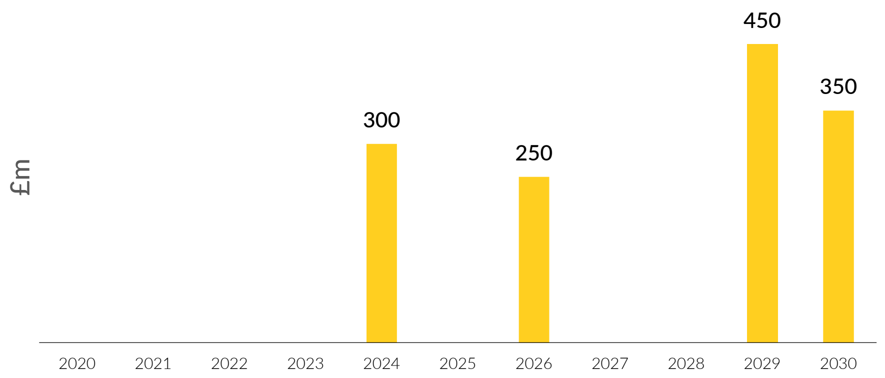


COMMENTARY

To date, PIC has issued one Restricted Tier 1 and three Tier 2 Capital Instruments (Hybrid Debt) to support the solvency position and new business capacity of the Company. These are:

- 2014 £300m Tier 2 10 Year Bullet / 6.500% coupon;
- 2016 £250m Tier 2 10 Year Bullet / 8.000% coupon;
- 2018 £350m Tier 2 12 Year Bullet / 5.625% coupon; and
- 2019 £450m Restricted Tier 1 Perpetual bond / 7.375% coupon.

PIC'S OUTSTANDING DEBT MATURITY PROFILE (£M)(1)(2)



1. PIC's three hybrid Tier II debt issues (issued in 2014, 2016 and 2018) are bullet structures and will be redeemed as per their maturity subject to satisfying the Solvency Condition.
2. In July 2019, PIC issued £450m of perpetual RT1 notes. The first call date is 2029 and on every fifth anniversary from that date. For the purpose of this presentation, it has been assumed the bond would be redeemed on the first call date.

PICG CONSOLIDATED VS PIC PLC

PENSION INSURANCE
CORPORATION GROUP LIMITED

IFRS BALANCE SHEET

FY2019 (£m)	PICG cons	PIC plc	Differences
ASSETS			
Investment properties	81	81	
Right of use asset	22		22
Property, plant and equipment	1		1
Reinsurers' share of insurance liabilities	2,598	2,598	
Receivables and other financial assets	276	277	(1)
Deferred Tax Asset	3		3
Prepayments	95	91	4
Financial investments	40,886	40,886	
Derivative assets	14,626	14,626	
Cash and cash equivalents	83	76	7
TOTAL ASSETS	**58,671**	**58,635**	**36**
TOTAL EQUITY	**3,215**	**3,198**	**17**
LIABILITIES			
Gross insurance liabilities	37,663	37,663	
Borrowings	892	892	
Lease liability	23		23
Deferred tax liability	3	3	
Derivative liabilities	16,731	16,731	
Insurance and other payables [1]	17	88	(71)
Current taxation	42	43	(1)
Accruals [1]	85	17	68
TOTAL LIABILITIES	**55,456**	**55,437**	**19**
TOTAL EQUITY AND LIABILITIES	**58,671**	**58,635**	**36**

1. Reflects Accounting Consolidation Adjustments

IFRS INCOME STATEMENT

FY2019 (£m)	PICG Cons	PIC plc
REVENUE		
Gross premiums written	7,186	7,186
Outward reinsurance premiums	(50)	(50)
NET PREMIUM REVENUE EARNED	**7,136**	**7,136**
Investment return	3,062	3,062
Commissions earned	1	1
TOTAL REVENUE (NET OF REINSURANCE PREMIUMS)	**10,199**	**10,199**
EXPENSES		
Claims paid – gross	(1,430)	(1,430)
Reinsurers' share of claims paid	42	42
	(1,388)	(1,388)
Increase in insurance liabilities – gross	(8,943)	(8,943)
Increase/(decrease) in reinsurers' share of insurance liabilities	744	744
	(8,199)	(8,199)
Acquisition expenses	(66)	(66)
Other operating expenses	(91)	(91)
Finance costs	(61)	(61)
	(218)	(218)
TOTAL CLAIMS AND EXPENSES	**(9,805)**	**(9,805)**
PROFIT BEFORE TAXATION	**394**	**394**
Tax charge	(75)	(75)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**319**	**319**

GLOSSARY

PENSION INSURANCE
CORPORATION GROUP LIMITED

Annuities

- A type of insurance policy that pays out regular amounts of benefit to the policyholder for the remainder of insured individual's lifetime and in certain cases their spouse and/or dependents. The payments may commence immediately ("Immediate Annuity") or may be deferred to commence from a future date, such as the date of retirement ("Deferred Annuity"). Immediate Annuities and Deferred Annuities may be purchased for an individual and his or her dependents or on a bulk purchase basis for groups of individuals.

Best Estimate Liabilities (BEL)

- The expected present value of future cash flows for a company's current insurance obligations, calculated using best estimate assumptions, projected over the contract's run-off period, taking into account all up-to-date financial market and actuarial information.

Bulk Purchase Annuity (BPA)

- Bulk annuities are annuity policies that insure a group of individuals under a single contract, typically the members of a Defined Benefit Pension Plan, or a defined subset of such members.

Deferred Tax Liability

- Liability arising due to timing differences between tax computations and the recognition of items in company accounts.

Defined Benefit (DB) Pension Plan

- An employer sponsored retirement benefit plan where the benefits promised to the members of the Plan are defined according to a formula typically based on factors such as salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the trustees of the pension plan and not the employee or employer.

Defined Contribution (DC) Pension Plan

- A pension plan on which the employer and/or the employee make regular contributions, where the amount received by the employee on retirement is based on the accumulated fund. The employee normally has the responsibility of deciding how the contributions are invested (though investment choices may be limited by the actual pension fund provider).

Financial Conduct Authority (FCA)

- The FCA is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the PRA) and the prudential regulation of firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system and promoting effective competition in the interests of consumers.

Internal Rate of Return (IRR)

- A discount rate used to measure profitability. The rate used is that which will bring a series of cash flows to a net present value of nil.

Matching Adjustment (MA)

- An adjustment made to the risk-free interest rate when the insurer holds certain long-term assets to back a portfolio of their liabilities.

New business Strain

- The impact of writing new business on the regulatory capital position, including the cost of acquiring new business and the setting up of regulatory reserves.

Own Funds

- The amount of capital a firm actually holds under Solvency II on a market value basis. This is the sum of the economic value of assets less the economic value of liabilities. Basic own funds are calculated as the difference between the assets (including transitional measure on technical provisions) and liabilities (including subordinated liabilities) calculated on a combination of best estimate and market consistent assumptions. Eligible own funds reflect any tiering restrictions and are the amount of own funds eligible to cover the SCR and MCR.

GLOSSARY (CONT'D)

PENSION INSURANCE CORPORATION GROUP LIMITED

Prudential Regulation Authority (PRA)

- The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

Risk Margin

- The amount a third party would require, in excess of best estimate liabilities, in order to take over and meet the whole portfolio of insurance and reinsurance obligations of the company. It reflects the cost of providing capital equal to the solvency capital requirement for non-hedgeable risks necessary to support the insurance obligations over their lifetime.

Solvency II

- EU-wide regulatory regime which intends to align solvency capital to an insurers risk profile. Solvency II became effective from 1 January 2016.

Solvency Capital Requirement (SCR)

- Is the amount of capital the PRA requires an insurer to hold to meet the requirements under the Solvency II regulatory framework. Firms may use their own internal model e.g. like PIC, the European Insurance and Occupational Pensions Authority (EIOPA) prescribed standard formula or a partial internal model to determine SCR.

Transitional measure on Technical Provisions (TMTP)

- The introduction of Solvency II enabled insurers to apply for transitional relief the "TMTP" from their regulator. This allowed the initial increase in Solvency II capital requirements relative to the previous regime to be phased in over 16 years through applying a TMTP deduction, which for PIC was a deduction to the SII technical provisions.

Market Consistent Embedded Value ("MCEV")

- The methodology for calculating and reporting Embedded Value, as set out by the European Insurance CFO Forum Market Consistent Embedded Value Principles. It is made up of five components: Adjusted Net Worth plus Present Value of Future Profits less Cost of Residual Non-Hedgeable Risks less Frictional Cost of Required Capital less Subordinated Debt.

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