



Phoenix Group Holdings

(incorporated with limited liability under the laws of the Cayman Islands with registered number 202172)

PGH Capital Public Limited Company

(incorporated with limited liability in Ireland with registered number 537912)

£3,000,000,000 Euro Medium Term Note Programme

guaranteed on a senior basis in respect of Notes

issued by PGH Capital Public Limited Company by Phoenix Group Holdings

This supplement (the “**Supplement**”) to the base prospectus dated 30 March 2017 (the “**Prospectus**”, which definition includes the base prospectus and all information incorporated by reference therein) constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (“**FSMA**”) and is prepared in connection with the £3,000,000,000 Euro Medium Term Note Programme established by PGH Capital Public Limited Company (an “**Issuer**” or “**PGHC**”) and Phoenix Group Holdings (an “**Issuer**” and together with PGHC, the “**Issuers**” or “**PGH**”, or in its capacity as guarantor for the Senior Notes issued by PGHC, the “**Guarantor**”).

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein. Capitalised terms used in this Supplement but not defined herein shall have the meanings ascribed to them in the Prospectus.

The purpose of this Supplement is to update the section of the Prospectus entitled “*Recent developments*” in order to provide information on:

1. the expiry of the “other methods” waiver granted to PGH;
2. the Solvency Capital Requirement of the Group; and
3. the consequences of a potential change in head office of PGH.

This Supplement has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom, as a supplement to the Prospectus. The Prospectus constitutes a base prospectus prepared in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Notes under the Programme.

The Issuers accept responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuers (which have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Recent developments

Expiry of “other methods” waiver

The PRA granted the Group an “other methods” waiver which allowed for an amendment to the standard methodology for Solvency II group supervision for the period from 1 January 2016 to 30 June 2017. This meant that the Solvency II group supervision regime only applied below the EEA parent level (i.e. to Phoenix Life Holdings Limited (“**PLHL**”) and its subsidiaries) and not at the level of the ultimate parent (i.e. including PGH and all of its subsidiaries).

The “other methods” waiver will expire on 30 June 2017 and PGH has not made, and is not intending to make, an application to the PRA to extend the waiver. From 1 July 2017, regulatory supervision and the Solvency II capital assessment will be performed at the PLHL and PGH levels.

In addition, the expiry of the waiver will result in the new Group Solvency Capital Requirement of PGH on a consolidated basis being taken into account for the purposes of the definitions of “Regulatory Deficiency Interest Deferral Event” and “Regulatory Deficiency Redemption Deferral Event” for the purposes of the terms and conditions of the Tier 2 Notes and the Tier 3 Notes, in addition to that at PLHL level.

PLHL and PGH level Solvency II surplus

As noted in the Prospectus, the PLHL Solvency II surplus as at 31 December 2016 takes no account of the issuance in January 2017 of the 2022 Notes (the on-loan of which qualifies as Solvency II capital at PLHL level), and the subsequent use of the proceeds to repay an equivalent amount of the Group’s outstanding senior bank debt. It also does not reflect the impact of incorporating the acquired AXA Wealth Limited businesses within the scope of the Group’s internal model following receipt of approval from the PRA to do so in March 2017. These developments are now expected to increase the PLHL Solvency II surplus by £0.3 billion, the regulatory coverage ratio by 7 percentage points and the Shareholder Capital Coverage Ratio by 12 percentage points.

The key difference between the PLHL Solvency II surplus and the PGH Solvency II surplus remains the inclusion of the Group’s senior debt within the PGH-level Own Funds calculation. After taking account of the issuance of the 2022 Notes in January 2017 and subsequent repayment of amounts due under the Group’s revolving credit facility, inclusion of the Group’s remaining senior debt is expected to reduce the PGH Solvency II surplus by £0.9 billion, the regulatory coverage ratio by 18 percentage points and the Shareholder Capital Coverage Ratio by 32 percentage points when compared to the PLHL position. The positive impact that arises from the elimination of intragroup balances with entities outside of the PLHL sub-group and the recognition of additional assets held at the PGH level, is broadly offset by the recognition of the 2016 PGH final dividend (deducted from Own Funds as a foreseeable dividend). The PGH Solvency II surplus is expected to be improved by £0.2 billion, the regulatory coverage ratio by 3 percentage points and the Shareholder Capital Coverage Ratio by 5 percentage points due to the tap issue of £150,000,000 4.125 per cent. Tier 3 Notes due 2022 in May 2017 and subsequent partial repayment of the 2021 Bonds.

Further, as part of the Group’s internal risk management processes, regulatory capital requirements are tested against a number of financial scenarios. The results of that stress testing⁽¹⁾ as prepared for the purposes of PLHL’s Solvency and Financial Condition Report published on 13 June 2017 are provided below and demonstrate the resilience of the PLHL Solvency II surplus.

	PLHL Solvency II surplus (change in £bn)
Following a 20% fall in equity markets	0
Following a 15% fall in property values	- 0.1
Following a 55bps interest rate rise ⁽²⁾	+ 0.1
Following a 80bps interest rates fall ⁽²⁾	- 0.1
Following credit spread widening ⁽³⁾	- 0.1
Following 6% decrease in annuitant mortality rates ⁽⁴⁾	- 0.4
Following 10% increase in assurance mortality rates	- 0.1
Following a 10% change in lapse rates ⁽⁵⁾	- 0.1

**PLHL Solvency II surplus
(change in £bn)**

Notes:

- (1) Assumes stress occurs on 1 January 2017
- (2) Assumes recalculation of transitionals (subject to PRA approval)
- (3) Credit stress equivalent to an average 150bps spread widening across ratings, 10% of which is due to defaults/downgrades
- (4) Equivalent of 6 months increase in longevity applied to the annuity portfolio
- (5) Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups

Consequences of potential change in head office

Following recent discussions with the PRA, PGH understands that upon a future change of PGH's head office from Jersey to the United Kingdom, it would expect the PRA to treat PGH, and not PLHL, as the ultimate EEA insurance holding company of the Insurance Group.

On that basis, if a decision were to be taken by the board of directors of PGH to change the head office of PGH in the future (which decision might be taken as early as the second half of 2017 and would also result in a change in the tax residency of PGH from Jersey to the United Kingdom), PGH would become the ultimate EEA insurance holding company and the Insurance Group Parent Entity and a member of the Insurance Group for the purposes of the terms and conditions of the Tier 2 Notes and the Tier 3 Notes.

This would result in the Notes (and not the relevant on-loan of the proceeds of the Notes) being the relevant capital item for the purposes of the definition of "Capital Disqualification Event" under the Tier 2 Notes and the Tier 3 Notes with effect from such date. PGH also understands that PLHL would no longer be required by the PRA to be taken into account for the purposes of the deferral of principal and interest on the Tier 2 Notes or the Tier 3 Notes pursuant to the definitions of "Regulatory Deficiency Interest Deferral Event" and "Regulatory Deficiency Redemption Deferral Event".

General

The Issuers will provide, without charge, to each person to whom a copy of this Supplement has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part in the Prospectus. Written or oral requests for such documents should be directed to PGH at its principal place of business at 1st Floor, 32 Commercial Street, St. Helier, Jersey JE2 3RU, Channel Islands. Copies of all documents incorporated by reference in the Prospectus can also be viewed on PGH's corporate website at <http://www.thephoenixgroup.com> and are also available free of charge on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

To the extent that there is any inconsistency between: (a) any statement in this Supplement; and (b) any other statement in, or incorporated by reference into, the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus since the publication of the Prospectus.