PHOENIX GROUP

Phoenix's acquisition of AXA Wealth's pensions and protection businesses

27 May 2016

Agenda

Overview	Clive Bannister | Group Chief Executive
Financial benefits	Jim McConville | Group Finance Director
Conclusion and Q&A	Clive Bannister | Group Chief Executive

Overview

Clive Bannister

This important acquisition of AXA Wealth’s pensions and protection businesses is in line with Phoenix’s strategy of closed life consolidation

Key benefits of the acquisition

✓ **Significant capital synergies allowing accelerated cash generation**

✓ **Leverages Phoenix’s operating model**

✓ **Dividend increase**

✓ **Reduced financial leverage**

Positions Phoenix for future transactions

Note: Completion of the acquisition is expected in 2016 and is subject to regulatory approvals

Overview of transaction – what are we buying?

Embassy	SunLife
• UK individual and corporate pensions on Embassy platform • Over £12 billion of assets under management • Administration managed in-house	• Leading UK protection business for over 50s • Over 850,000 policies in force • Administration outsourced to Capita

Key metrics (FY15)

Assets under Management	£12.3bn
MCEV	£528m(1)
Solvency II Own Funds	£441m(2)
IFRS Profit before tax	£24m
Number of policies	Over 910,000

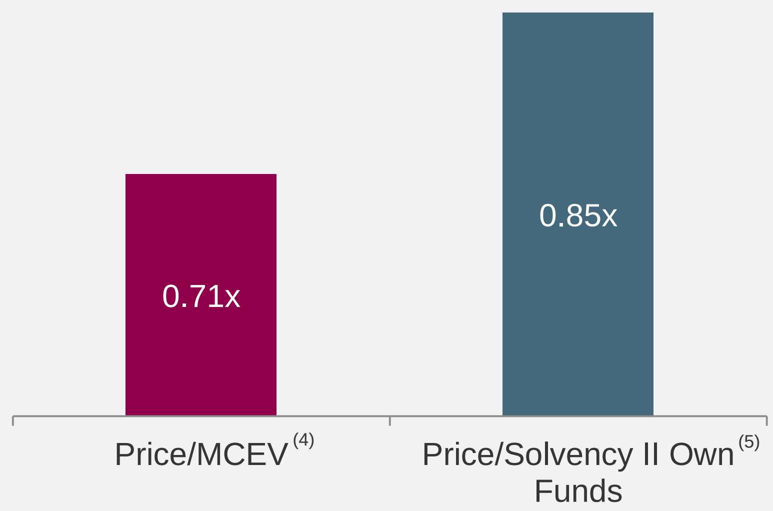
Notes: (1) Refers to AXA basis, adjusted for expected items as at completion
(2) Refers to Acquired Businesses on AXA's Standard Formula basis, including adjusted net asset value for non-regulated entities and net of adjustment for expected items as at completion

Consideration and financing structure

Consideration and funding

- Price of £375 million[(1)]
- Cash consideration to be financed with a mix of new equity and short term debt
- Equity placing of 22.5 million shares (10% of current share capital), raising approximately £190 million[(2)]
- Short-term debt funding of approximately £185 million[(3)], expected to be repaid from cashflow within 6 months from completion

Valuation metrics



Notes:
(1) Net of adjustment for expected items as at completion
(2) Gross proceeds based on new shares issued of 22,542,000 and a closing share price of 849.5p as at 26 May 2016
(3) Debt funding subject to size of equity placing and assumes consideration of £375m
(4) Based on consideration of £375m and MCEV on AXA basis as at FY15, adjusted for expected items as at completion
(5) Based on consideration of £375m and Solvency II Own Funds on AXA's Standard Formula basis as at FY15, including adjusted net asset value for non-regulated entities and net of adjustment for expected items as at completion

This acquisition meets all of Phoenix's M&A criteria

Closed life focus	✓ Significant backbook of over 910,000 policies within Embassy and SunLife
Value accretive	✓ Cashflow generation of £0.3 billion between 2016-2020 ✓ Cashflow generation of £0.2 billion from 2021 onwards ✓ Cashflow recognises significant net capital synergies of c.£250 million[(1)] within 6 months of completion, inclusive of the impact of £10 million of run rate cost synergies per annum
Supports the dividend	✓ Proposed increase in Final 2016 dividend per share by 5% to 28.0p
Maintains investment grade rating	✓ Short-term debt funding of approximately £185 million expected to be repaid within 6 months from completion ✓ Reduction in Financial Leverage ratio of c.2% following repayment of new debt facility

Notes: (1) Net capital synergies arising from adoption and harmonisation to Phoenix Internal Model, diversification benefits and transitional measures (subject to PRA approval)

Financial benefits

Jim McConville

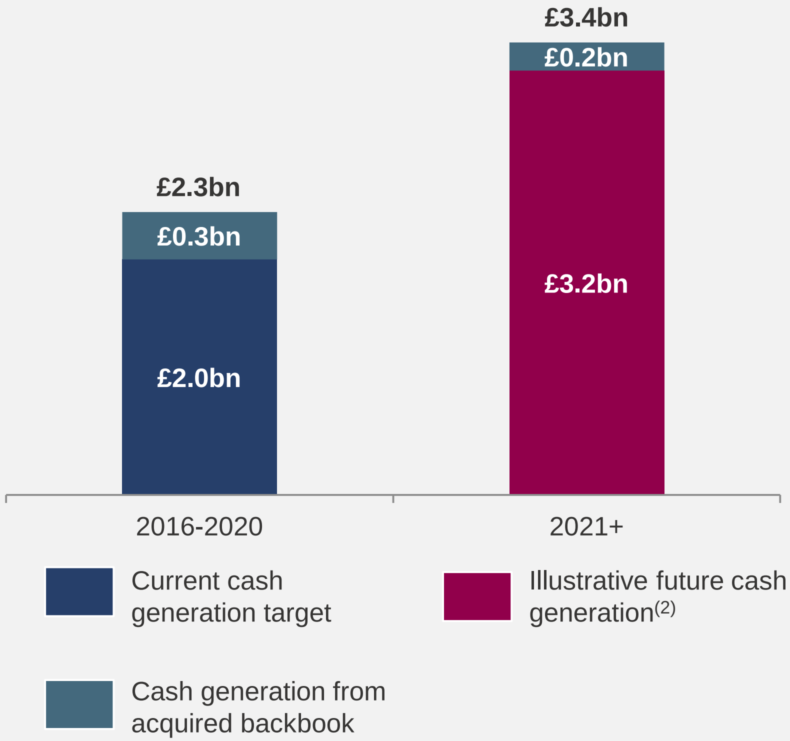
Acquisition increases cash generation and dividends for shareholders

	Phoenix (standalone)	Phoenix (post acquisition)
Cash generation (2016-2020)	£2.0 billion	£2.3 billion
Cash generation (2021+)	£3.2 billion	£3.4 billion
Annual dividend per share	53.4p	56.0p
Solvency II PLHL surplus	£1.3 billion	£1.4 billion
Solvency II Shareholder Capital coverage ratio	154%	155%
Life company assets	£47 billion	£59 billion
Policyholders	4.5 million	5.4 million

Notes: Based on FY15 financials. Dividend per share post acquisition based on proposed increase of Final 2016 dividend per share to 28.0p (on an annualised basis)

The significant backbook enhances the Group's future cashflows

Illustrative future cash generation[1]



- £0.3 billion cashflow between 2016-2020 includes diversification benefits and cost synergies
- Expected incremental cashflow generation of £0.2 billion from 2021 onwards
- SunLife new business offers further value upside

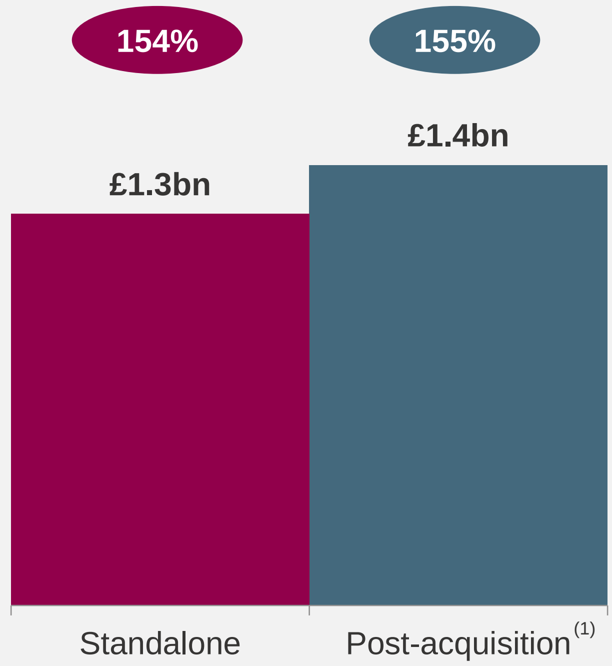
Notes: (1) Transitionals are assumed to run-off on a linear basis
(2) Excluding any management actions

Significant capital is released through Phoenix's Internal Model

Capital release

- Adoption of Phoenix Internal Model
- Reinsurance of acquired business to Phoenix Life Limited generates diversification benefits, due to mortality exposure of acquired business
- Net capital synergies of c.£250 million expected within 6 months of completion
- Synergies arise from adoption and harmonisation to Phoenix Internal Model, diversification benefits and transitional measures (subject to PRA approval)

FY15 Solvency II surplus post acquisition



Notes: (1) Projected end state expected to be achieved within 6 months of completion. Solvency II surplus calculated at Phoenix Life Holdings Limited and ratios based on Shareholder Capital coverage position

Cost synergies generated through Phoenix's operating model

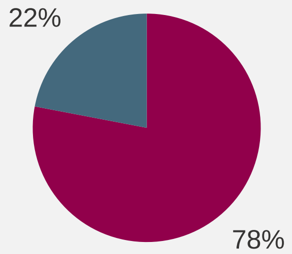
Expected cash generation includes cost synergies of £10 million p.a. by end 2017 (1)

Actions	Benefits
• Majority of Embassy to be closed to new customers	• Streamlined management structure
• Maintain existing SunLife contract with Capita	• Strengthened relationship with Capita
• Leverage Phoenix outsourcing model	• Outsourced model helps manage our variable cost base
• Integration with Phoenix governance and customer model	• Phoenix governance model strengthens oversight of the acquired business

Notes: (1) Cost synergies run rate compared to cost base of acquired businesses in FY15. Expected synergies of £10m p.a. and post tax integration costs of £25 million are reflected in the expected cash generation profile from the acquisition

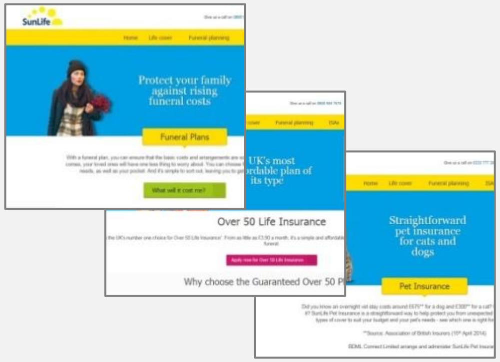
Additional value from SunLife's new business franchise

SunLife new business mix



Based on Annual Premium Equivalent[1]

Various manufactured and distributed products



- ✓ Leader in over 50s protection sector
- ✓ Protection business complementary to annuities (natural longevity hedge), resulting in reduced capital requirements
- ✓ Profitable, low capital strain business (2015 VNB: £17 million[2])
- ✓ Recognised brand with proven track record of direct marketing
- ✓ Strong management team

Notes: (1) Annual Premium Equivalent only applies to products manufactured by SunLife. Split as at YTD September 2015.
(2) Refers to SunLife (AXA basis)

Financing structure and terms of placing

Equity placing (22.5 million new shares)	c.£190m(1)
Short term debt funding	c.£185m(2)
Total consideration	**£375m**

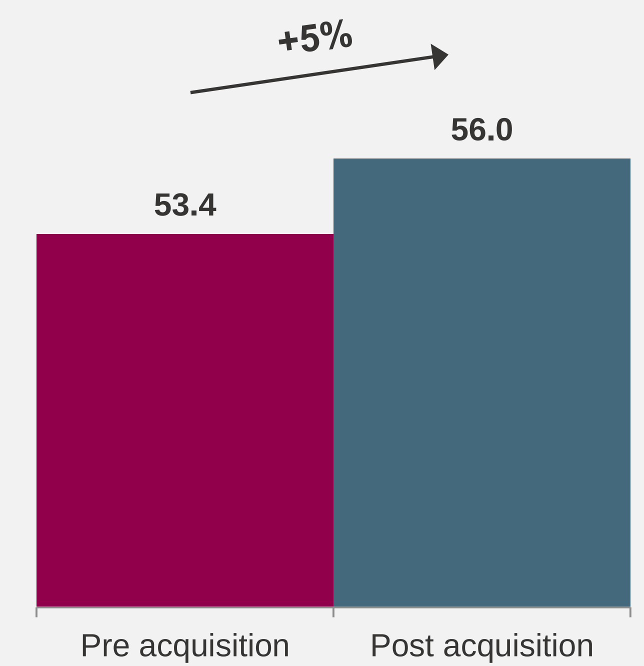
- Transaction announcement and launch of Placing on 27 May
- Settlement and admission of new shares expected to be on 1 June
- 90-day company lock-up period with customary and strategic M&A carve outs

- Short-term debt facility expected to be repaid from cashflow within 6 months from completion
- Initial funding margin of 0.85%, half the margin of current bank revolving credit facility

Notes: (1) Gross proceeds based on new shares issued of 22,542,000 and a share price of 849.5p as at 26 May 2016
(2) Size of debt funding subject to size of equity placing

Step-up of dividend to new stable and sustainable level

Annualised dividend per share (p)

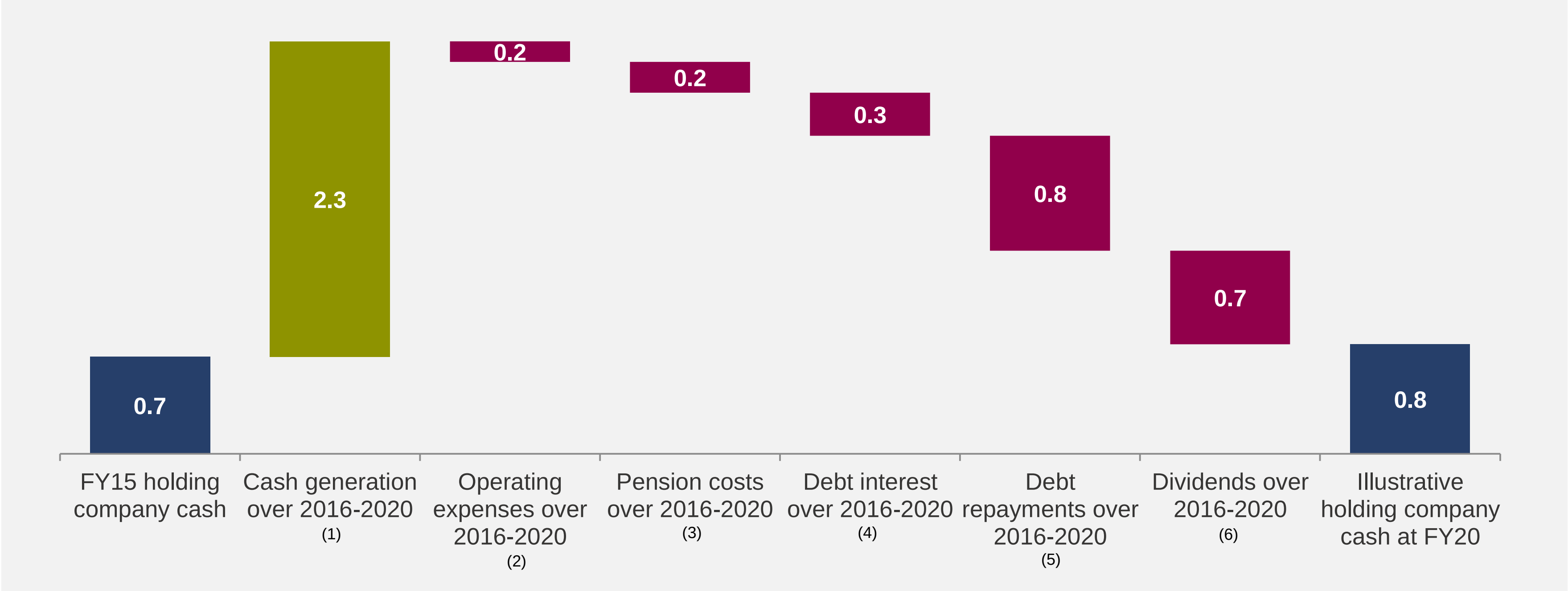


Step-up in dividend per share

- Proposed increase in dividend per share of 5% post completion
- Increase planned from Final 2016 dividend
- Dividend supported by additional cashflows from 2016-2020 and beyond
- Dividend policy, having been rebased, remains “stable and sustainable”

Acquisition supports dividend increase and de-leveraging

Illustrative uses of cash from 2016 to 2020 (£bn)



Notes:
(1) Current £2.0bn 2016-2020 cash generation target plus expected cashflows of £0.3bn from acquisition
(2) Illustrative operating expenses of £30m per annum over 2016 to 2020
(3) Pension scheme contributions estimated in line with current funding agreements. Comprising £40m p.a. from 2016 to 2020 in respect of the Pearl scheme and £15m in 2016 and £10m in 2017 in respect of the PGL scheme
(4) Bank facility interest costs estimated using average rate of 3.27% per annum over the period 2016 to 2020 (calculated using the interpolated 4.5 year mid-swap rate plus current bank facility margin of 1.75%). Includes interest on the Group's listed bonds, excluding interest on PLL Tier 2 bonds which are incurred directly by Phoenix Life Limited. Assumes interest on new short-term acquisition facility is negligible
(5) £6m Tier 1 bonds repaid in 2016 and assumes repayment of acquisition debt funding of approximately £185m. £650m revolving credit facility has a maturity date of June 2020.
(6) Illustrative dividend assumed at cost of £126m in 2016 and £139m per annum over 2017 to 2020

Conclusion and Q&A

Clive Bannister

Today marks an important step in the Phoenix story

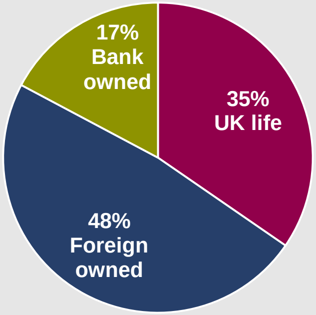
2011/2012	• New management team • Financial Leverage of 62.3% at FY11
2013	• £250 million equity raise and re-termed bank debt • Increase in dividend per share of 27%
2014	• Sale of Ignis Asset Management for £390 million to Standard Life • £300 million 7-year senior bond issue • New single bank facility of £900 million
2015	• Achieved Investment Grade credit rating in August 2015 • Solvency II Internal Model approved by PRA • Financial Leverage of 37.8% at FY15
2016	• **Acquisition of AXA Wealth's pension and protection businesses** • **Proposed increase in dividend per share of 5%**

Phoenix will continue to explore further opportunities as they arise

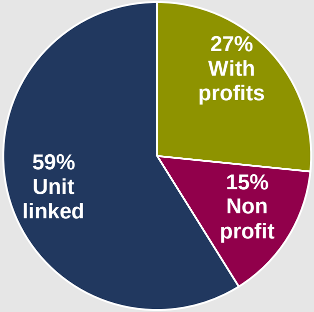
There remains a wide range of further M&A opportunities for Phoenix

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

The acquisition meets all of Phoenix's M&A criteria

Key benefits of the acquisition

✓ Significant capital synergies allowing accelerated cash generation	✓ Leverages Phoenix's operating model
✓ Dividend increase	✓ Reduced financial leverage

Positions Phoenix for future transactions

Q&A

Disclaimer and other information

- 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
- 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, new government initiatives related to the financial crisis and the effect of the European Union's “Solvency II” requirements on the Group’s capital maintenance requirements; the impact of inflation and deflation; market development and government actions regarding the referendum on UK membership of 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
- 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