



PHOENIX GROUP

Proposed acquisition of ReAssure Group plc

6 December 2019

Agenda

Transaction overview

Clive Bannister | Group Chief Executive

Financial benefits of transaction

Jim McConville | Group Finance Director

Conclusion and Q&A

Clive Bannister | Group Chief Executive



Transaction overview

Clive Bannister

The transaction confirms Phoenix as Europe's largest life and pensions consolidator

Strategically compelling

- Delivers significant scale to Heritage business in the UK and Ireland
- Meets all acquisition criteria and delivers cash, resilience and growth
- Confirms Phoenix as Europe's largest life and pensions consolidator

Meets all acquisition criteria



Value accretive

- Price to own funds⁽¹⁾ ratio of 0.91x
- Cost and capital synergies of £800 million



Supports the dividend policy

- Incremental cash generation of £7.0 billion⁽²⁾ supports 3% dividend increase



Maintains investment grade rating

- Efficient funding structure ensures leverage ratio remains within target range over the medium term

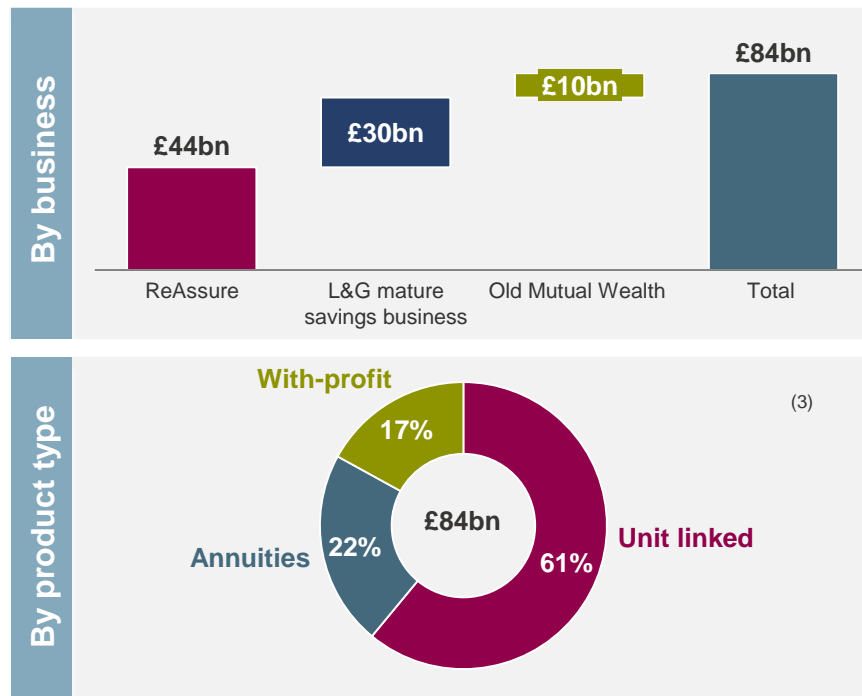
See Appendix IV for footnotes

Phoenix is acquiring 100% of ReAssure Group plc (“ReAssure”)

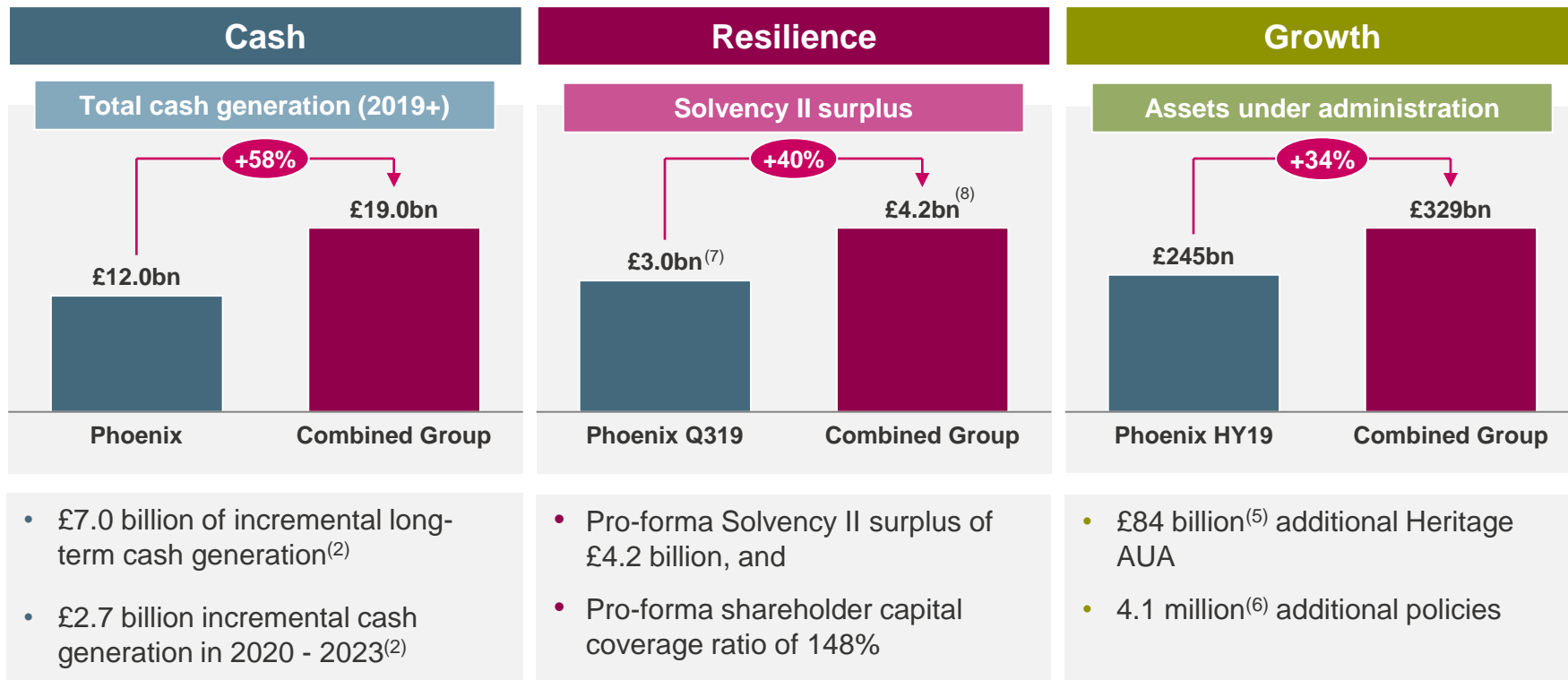
- Consolidator of Heritage life businesses with 23 transactions
- Circa 2,900 employees⁽⁴⁾ with principal operations in Telford and Hitchin
- Policy administration mainly in-house on ALPHA platform
- Acquisition of Old Mutual Wealth Life Assurance Limited (“Old Mutual Wealth”) subject to regulatory approval and expected to complete on 31 December 2019
- Part VII transfer of the mature savings business of the L&G Group (“L&G mature savings business”) expected to complete in H1 2020

See Appendix IV for footnotes

Assets under administration⁽⁵⁾

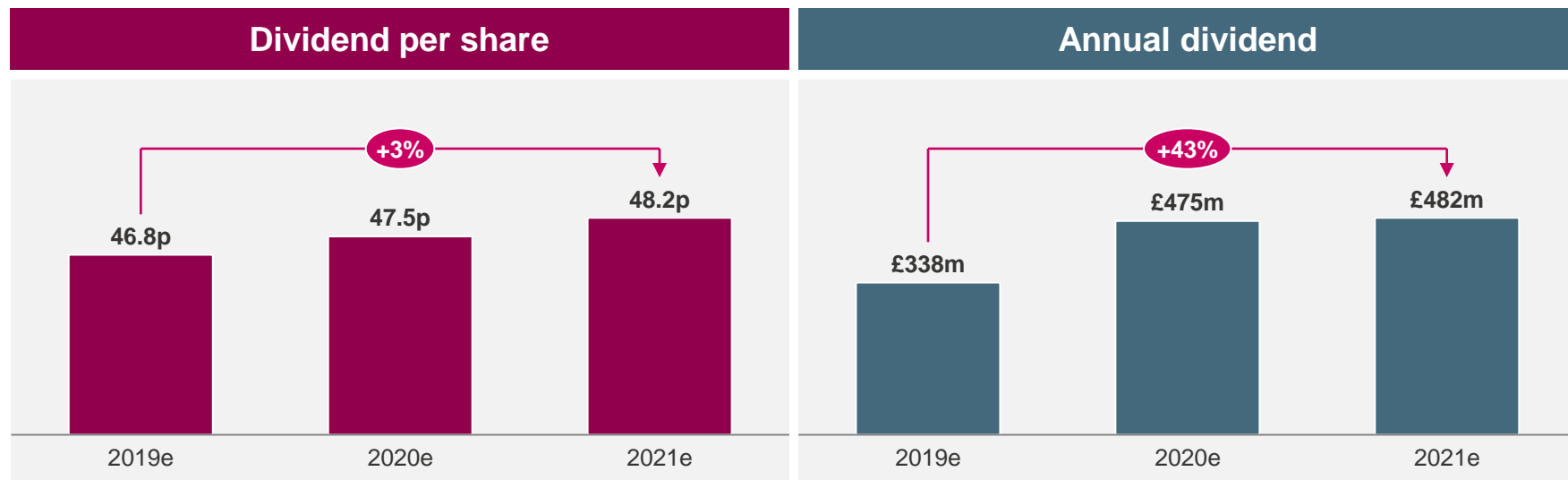


Enhances Phoenix's key attributes of Cash, Resilience and Growth



See Appendix IV for footnotes

Incremental cash generation supports 3% dividend increase



- **Proposed 3% dividend per share increase effective from the 2020 final dividend**
- **Increase of c. 40% in annualised dividend from a c. 60% increase in long-term cash generation**

We will take an aligned approach to integration to ensure enterprise stability

	2019	2020	2021	2022	2023+	Assumptions
Standard Life Assurance - standalone	Group functions	Finance and Actuarial	Customer and IT			<ul style="list-style-type: none"> Transition progressing to plan and on track to meet £1.2 billion cost and capital synergy targets
ReAssure - standalone	L&G mature savings business	Old Mutual Wealth Life Assurance				<ul style="list-style-type: none"> Integration of the L&G mature savings business and of Old Mutual Wealth to continue as planned with migration of policies onto ALPHA platform
Combined group		Group functions	Finance and Actuarial	Customer and IT		<ul style="list-style-type: none"> Integration will be aligned to Standard Life Assurance and ReAssure standalone plans to ensure enterprise stability



Financial benefits of transaction

Jim McConville

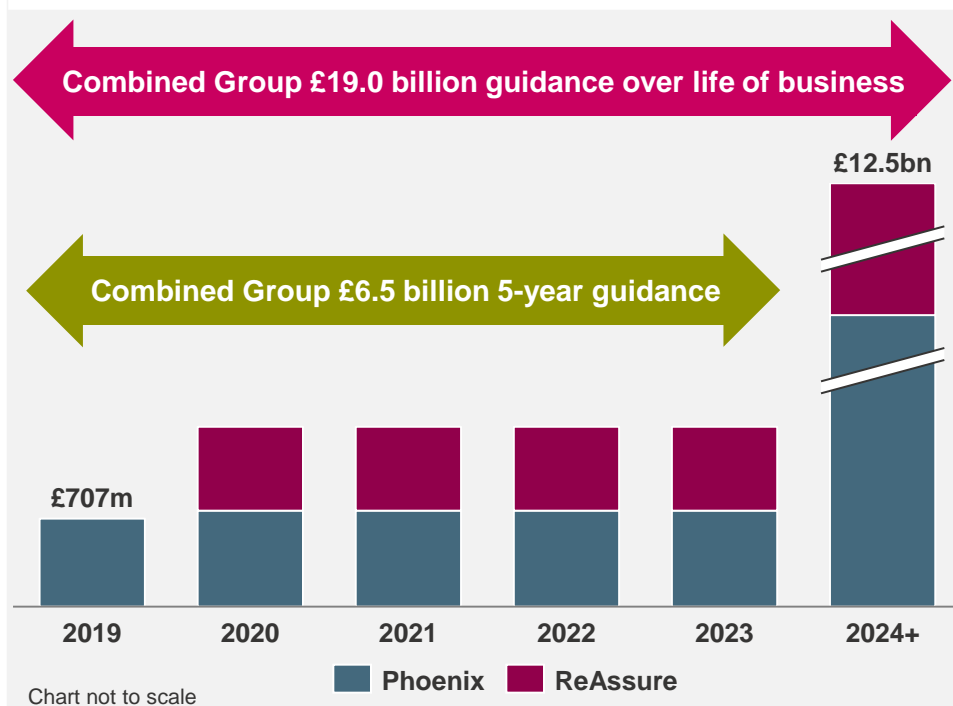
Acquisition delivers Cash and Resilience with all metrics within target range

Key metrics		Phoenix	Impact of acquisition	Pro-forma
Cash generation	2019-2023 target	£3.8bn	+ £2.7bn ⁽²⁾	£6.5bn
	Total cash generation	£12.0bn	+ £7.0bn ⁽²⁾	£19.0bn
Group capital^(7,8)	Q319 Group Solvency II surplus	£3.0bn	+ £1.2bn	£4.2bn
	Q319 Shareholder Capital Coverage Ratio ⁽⁹⁾	156%	- 8%	148%
	Q319 Solvency II Own Funds	£8.4bn	+ £4.6bn	+£13.0bn
Leverage	Leverage ratio ⁽¹⁰⁾	23%	+ 7%	30%
	Total debt outstanding	£2.5bn	+ £2.2bn	£4.7bn
AuA	Assets under Administration	£245bn ⁽¹¹⁾	+ £84bn ⁽⁵⁾	£329bn
Number of shares		722m	277m	999m

See Appendix IV for footnotes

Significant increase in total future in-force cash flows to £19 billion

Illustrative future cash generation from in-force business

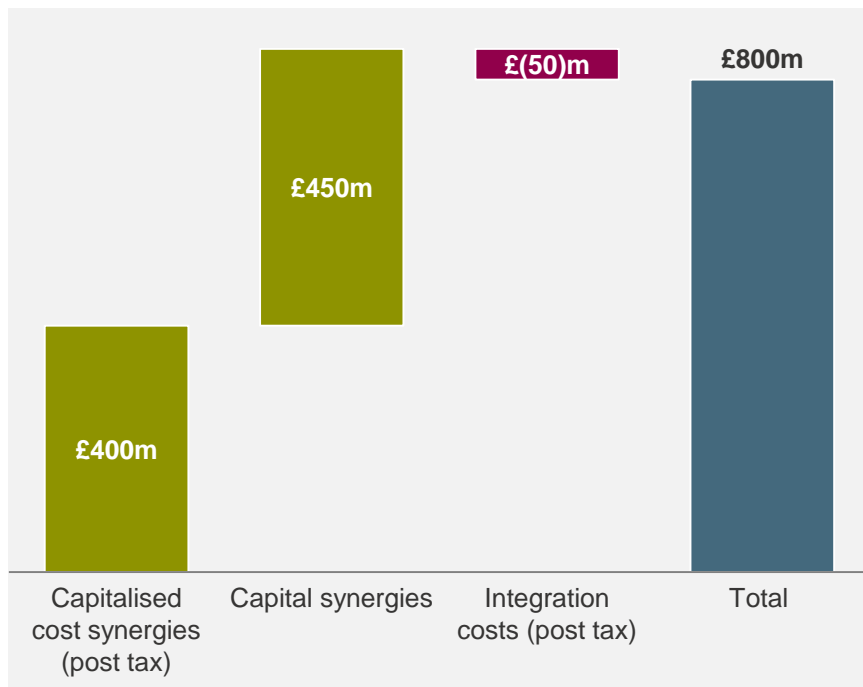


Cash generation guidance	Phoenix	ReAssure ⁽²⁾	Combined Group
Cash generation (2019 – 2023)	£3.8bn	+£2.7bn	£6.5bn
Cash generation (2024+)	£8.2bn	+£4.3bn	£12.5bn
Total cash generation	£12.0bn	+£7.0bn	£19.0bn

Cash generation excludes new Open business, BPA, further M&A and management actions after 2023

Expected cost and capital synergies from the transaction are substantial

Indicative net value of synergies

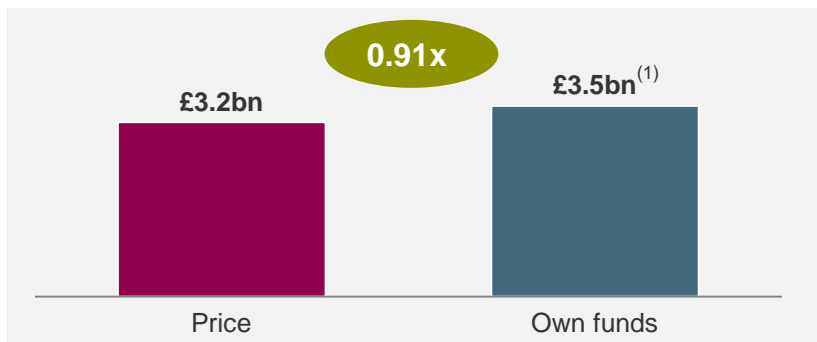


Sources of synergies

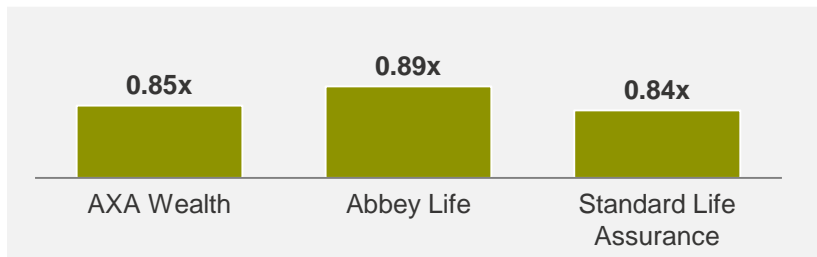
- **Cost synergies of £40 million p.a. (post tax):**
 - Combination of group functions and integration of finance and actuarial functions
 - Does not include synergies from potential Customer Services and IT integration. End state operating model decision deferred to 2023
- **Capital synergies of £450 million:**
 - Adoption of Phoenix's hedging strategy for equity and interest rate risk
 - Harmonisation of capital framework including single Internal Model and Part VII of businesses
 - Longevity reinsurance of annuity business

Attractive transaction pricing with price to own funds ratio of 0.91x

Price to own funds ratio



Price to own funds ratio of previous deals

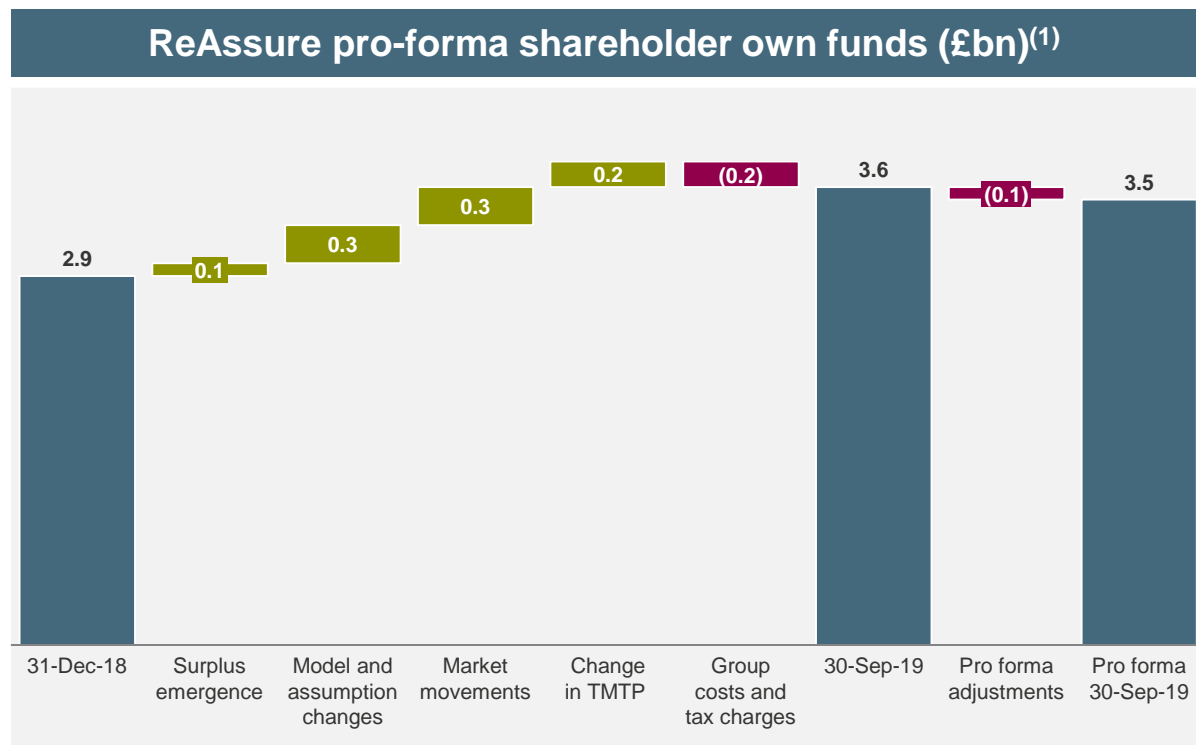


ReAssure own funds⁽¹⁾

- £3.2 billion consideration is 0.91x own funds for ReAssure as at 30 September 2019
- ReAssure own funds are defined as:
 - Shareholder own funds;
 - Excluding £1.0 billion of ReAssure debt; and
 - Including £0.1 billion of deferred tax assets which are categorised as Tier 3 own funds

See Appendix IV for footnotes

£3.5 billion ReAssure pro-forma own funds reflects positive variances during 2019

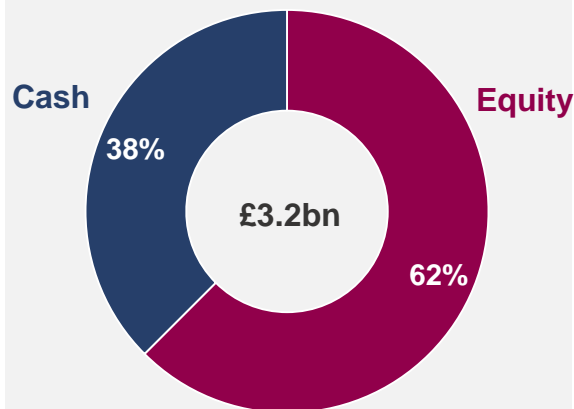


- Model and assumption changes include a £0.1 billion release from a change in annuitant mortality base table
- Market movements reflect changes in equities and credit spreads during 2019
- 30 September 2019 position reflects a dynamic recalculation of transitionals (net of tax)
- Strain arising from pro-forma adjustments of completing Part VII of the mature savings business of the L&G Group and Old Mutual Wealth acquisition pre-completion

See Appendix IV for footnotes

Efficient financing structure that utilises debt capacity

£3.2 billion total consideration



£2.0 billion equity

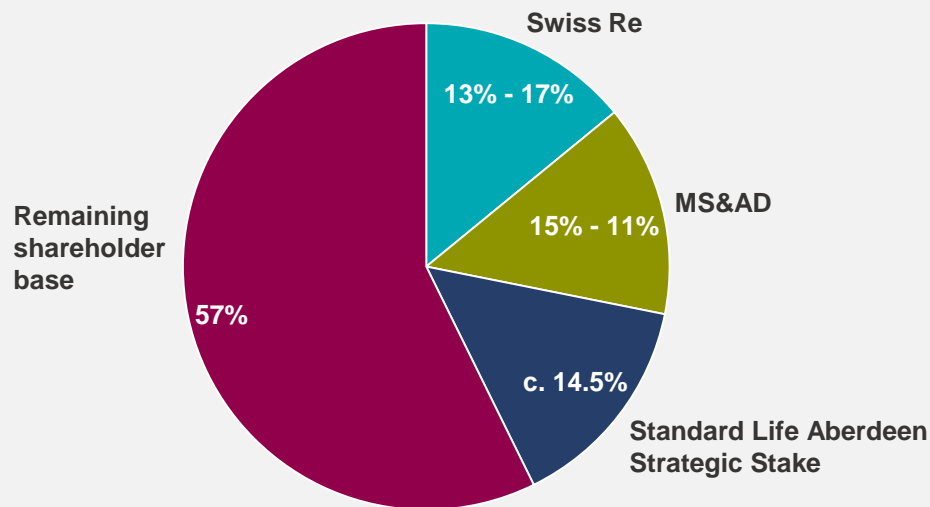
- Equity issuance to Swiss Re Group (“Swiss Re”), part of which will be transferred to MS&AD Insurance Group Holdings, Inc (“MS&AD”)
- Number of shares based on the 30 day Volume Weighted Average Price of 721.3p
- Equates to issuing 277 million new shares
- 999 million shares in issue at completion

£1.2 billion cash

- Cash consideration to be funded through issuance of debt plus own resources
- £1.2 billion underwritten hybrid facility reflected in pro-forma position
- Debt issuance plans assume £800 million hybrid and £400 million of senior debt
- Pro-forma leverage ratio of 30% within the target range of 25-30%

Clear governance structure with support from strategic shareholders

Expected shareholder composition post completion

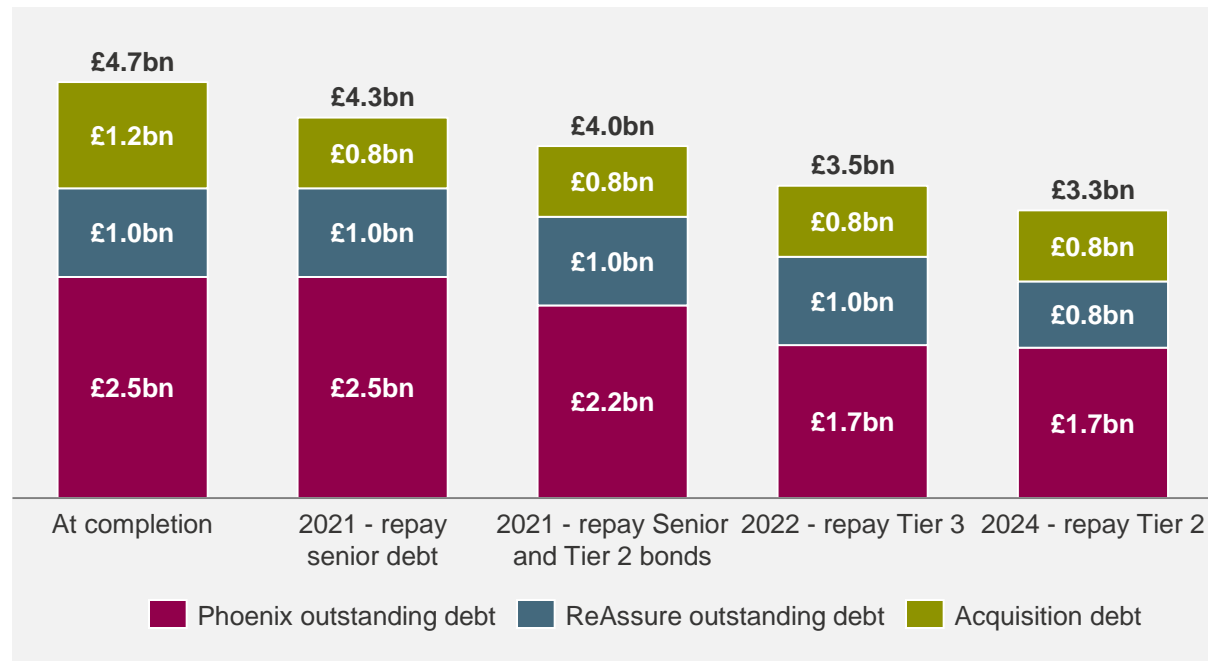


Governance

- Swiss Re and MS&AD will be subject to 12 month lock-up agreements and 2 year standstills once holding greater than 10%
- Standard Life Aberdeen Strategic Stake diluted to circa 14.5%
- Standard Life Aberdeen Strategic Partnership is unchanged
- All three strategic investors have the right to appoint one Non-Executive Director to the Board as long as holding is greater than or equal to 10%

Our outstanding debt will reduce over the coming years

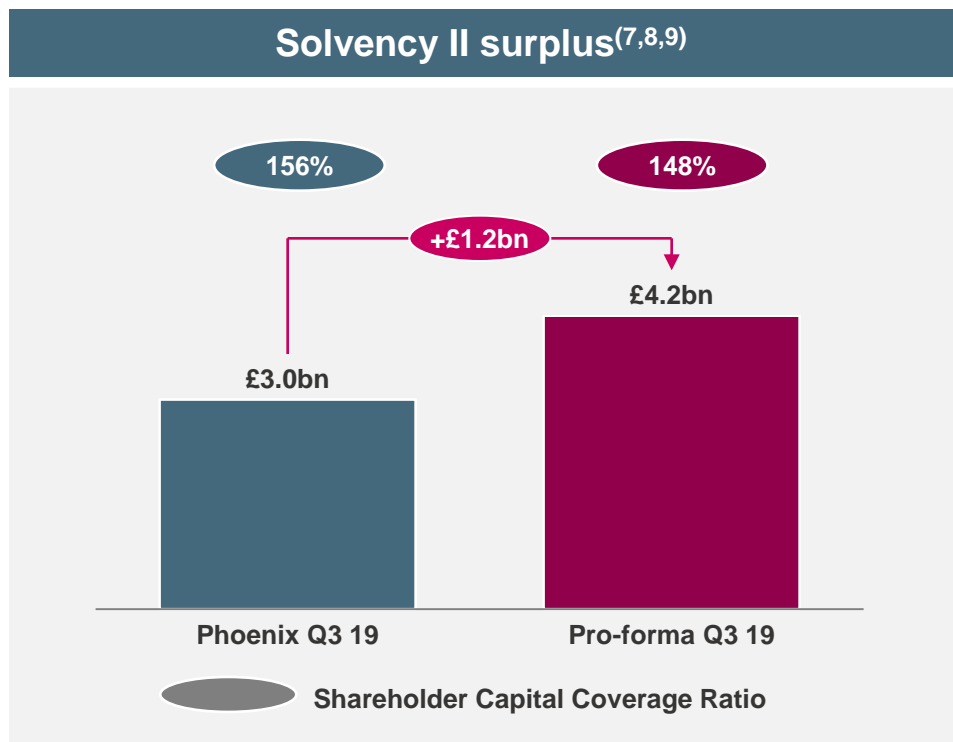
Illustrative Combined Group outstanding debt



- £1.2 billion underwritten hybrid facility reflected in pro-forma position
- Debt issuance plans assume £800 million hybrid and £400 million RCF draw down at completion
- Cash generation of combined Group expected to support repayment of senior debt in 2021 and of Phoenix and ReAssure bonds at first call dates
- Leverage expected to remain within 25-30% target range

See Appendix III for debt maturity

Enhanced balance sheet strength with resilience maintained

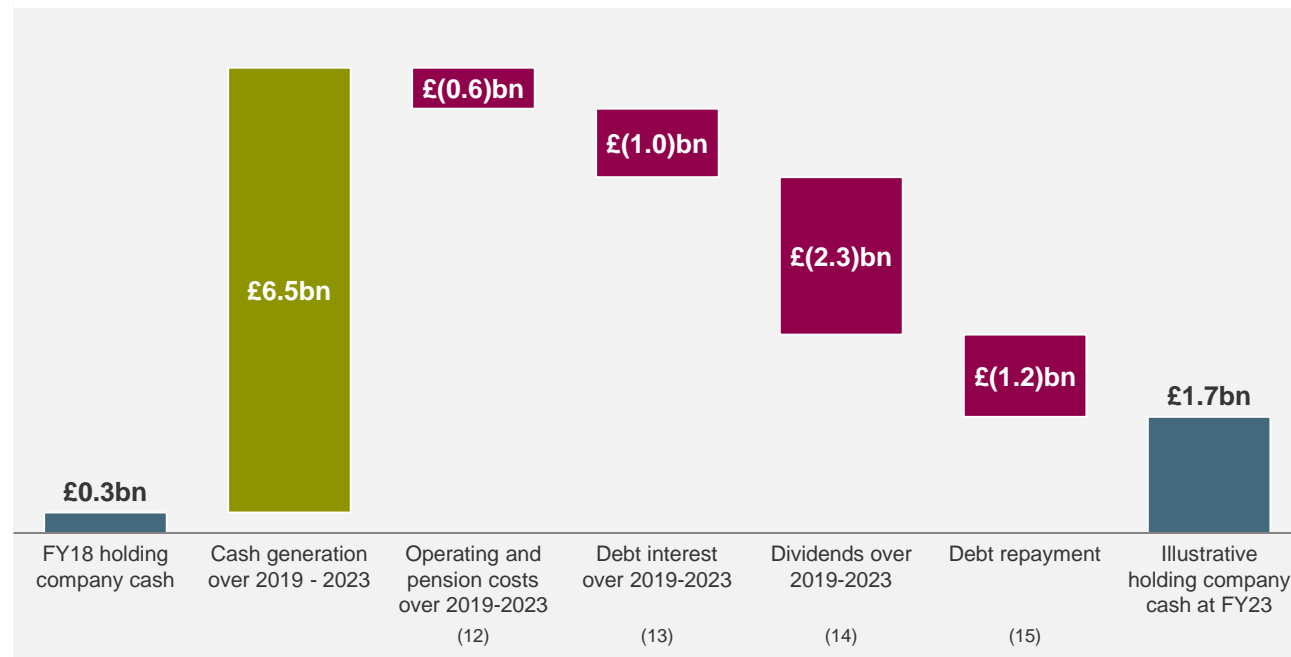


- Combined group Solvency Capital Coverage Ratio comfortably within target range of 140% - 180%
- Pro-forma solvency reflects £1.2 billion underwritten hybrid facility
- Pro-forma Q3 2019 Regulatory Capital Coverage Ratio of 134%
- By completion we expect the Group solvency position to reflect the benefit of:
 - Cost and capital synergies from the Old Mutual Wealth acquisition
 - Application of Phoenix hedging strategy to ReAssure

See Appendix IV for footnotes

Cash generation builds holding company cash and supports dividend

Combined Group: Illustrative uses of cash from 2019 – 2023

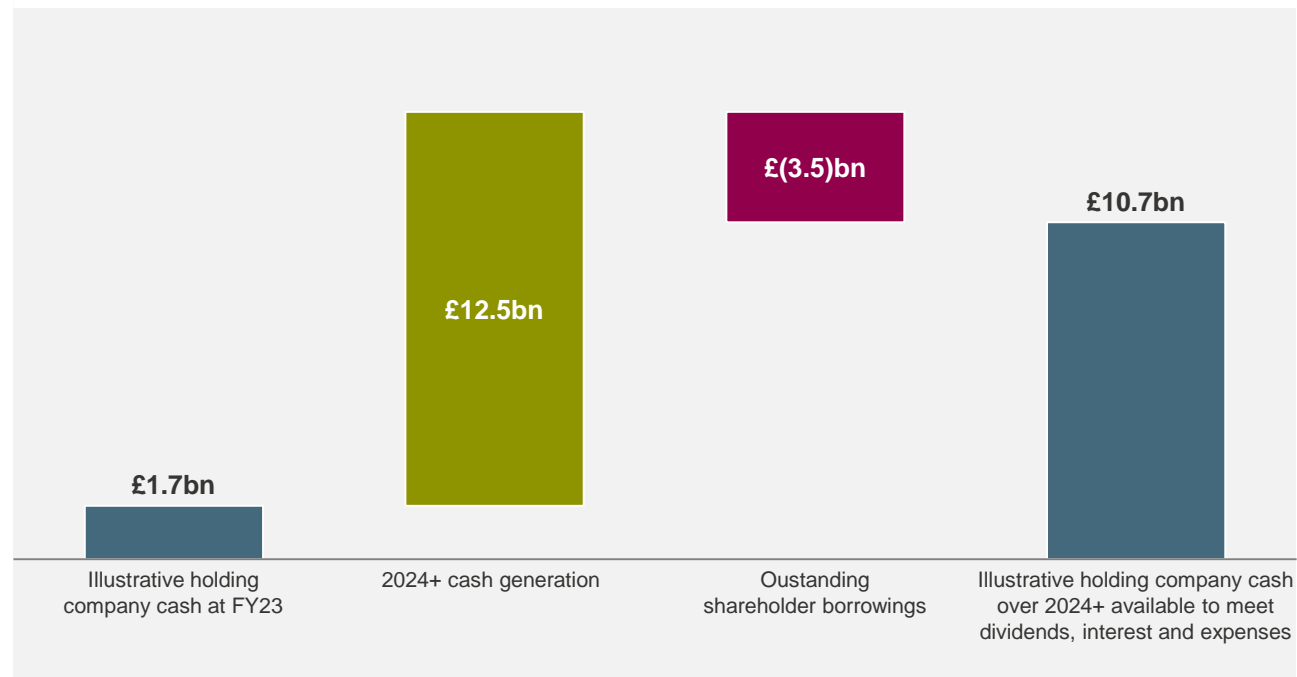


- Uses of cash reflect those of enlarged Group
- Debt repayments assume full repayment of debt on the earlier of first call date or maturity
- £1.4 billion increase in Group cash will be used to support growth through BPA and further M&A

See Appendix IV for footnotes

Beyond 2023, we will deliver a further £12.5 billion of cash generation

Combined Group: Illustrative uses of cash from 2023 onward



- 2024+ cash generation excludes new Open business, BPA, M&A and management actions
- Following repayment of remaining outstanding shareholder borrowings, the Group will have £10.7 billion holding company cash to meet dividends and Group costs and fund future growth options



Conclusion

Clive Bannister

The acquisition of ReAssure is strategically compelling



Phoenix will deliver enhanced Cash, Resilience and Growth

CASH



£19 billion of future cash generation from in-force business



Incremental cash generation supports 3% dividend increase

RESILIENCE



£4.2 billion SII surplus; 148% shareholder ratio^(8,9)



Hedging provides resilience to market risks

GROWTH



£84 billion⁽⁵⁾ of additional Heritage assets



Growth through new Open business, BPA and M&A

**WE ARE EN-ROUTE TO BECOMING
EUROPE'S LEADING LIFE CONSOLIDATOR**

See Appendix IV for footnotes



Q&A



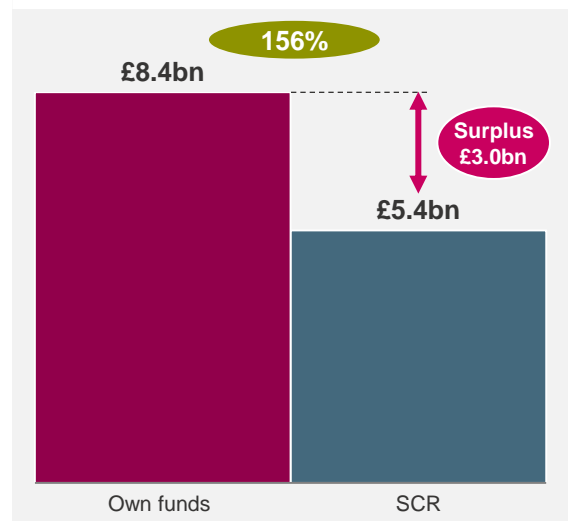
PHOENIX GROUP

Appendices

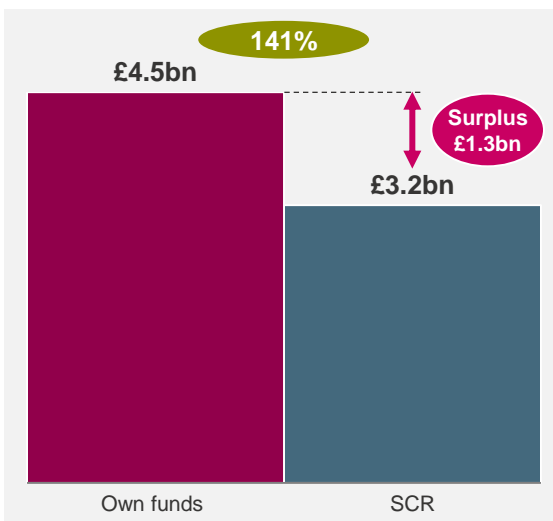
- I Q3 2019 Solvency II Own Funds and SCR
(Shareholder Capital basis)
- II Q3 2019 Solvency II Own Funds and SCR
(Regulatory Capital basis)
- III Outline of pro-forma debt structure
- IV Footnotes

I. Q3 2019 Solvency II Own Funds and SCR (Shareholder Capital basis)

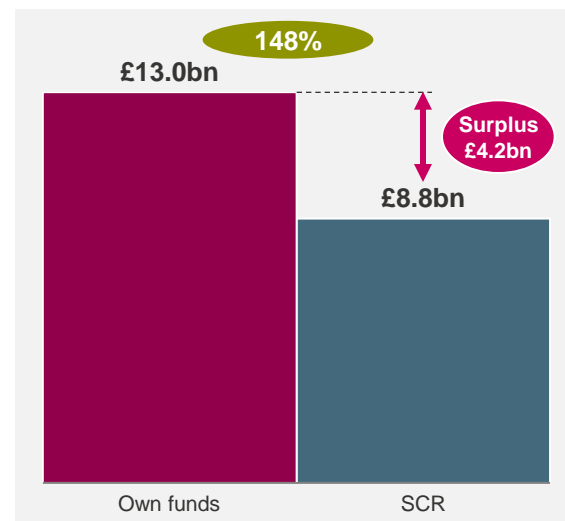
Phoenix^(7,9)



ReAssure^(1,9)



Pro-forma^(8,9)



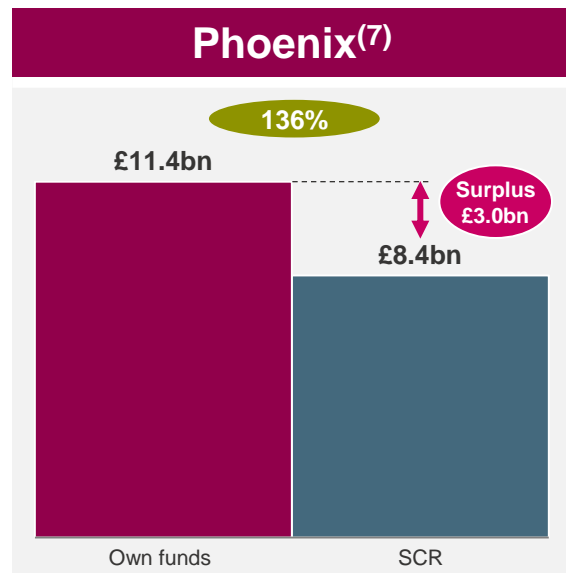
- Calculated by aggregating the output of 2 legacy Internal Models and Standard Formula

- Calculated using Partial Internal Model
- Own funds of £4.5 billion comprise £3.5 billion attributable to equity plus £1.0 billion of hybrid capital

- Calculated using Method 2 to bring together Phoenix and ReAssure and assumes continued use of existing Internal Models and Standard Formula

See Appendix IV for footnotes

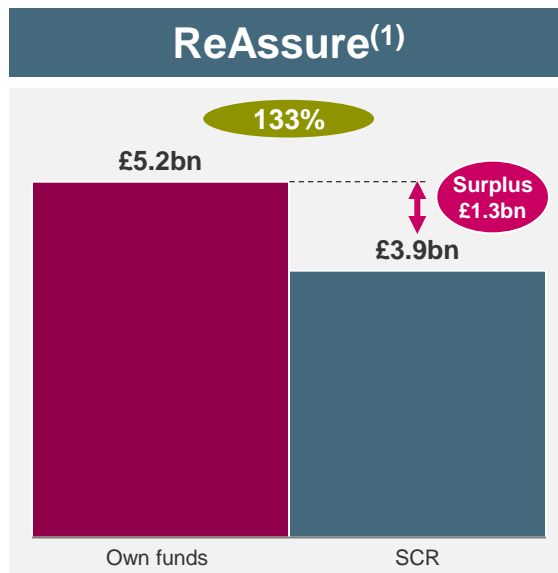
II. Q3 2019 Solvency II Own Funds and SCR (Regulatory Capital basis)



Q3 2019 (£bn)

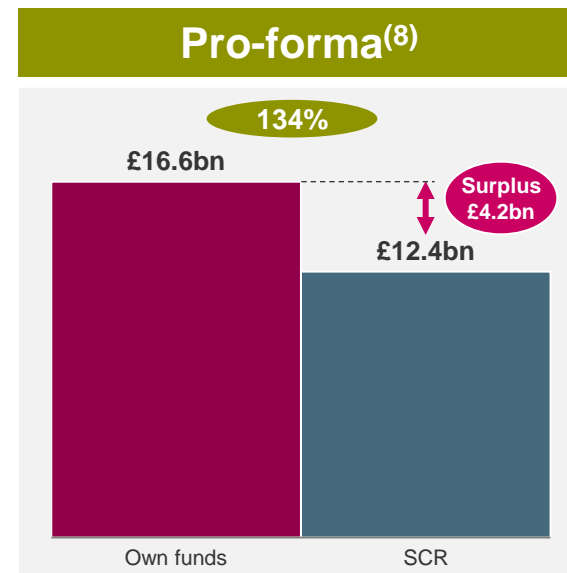
PGH Solvency II Own Funds	11.4
Less: Unsupported with-profit funds	(2.6)
Less: PGL pension scheme	(0.4)
PGH Shareholder own funds	8.4

See Appendix IV for footnotes



Q3 2019 (£bn)

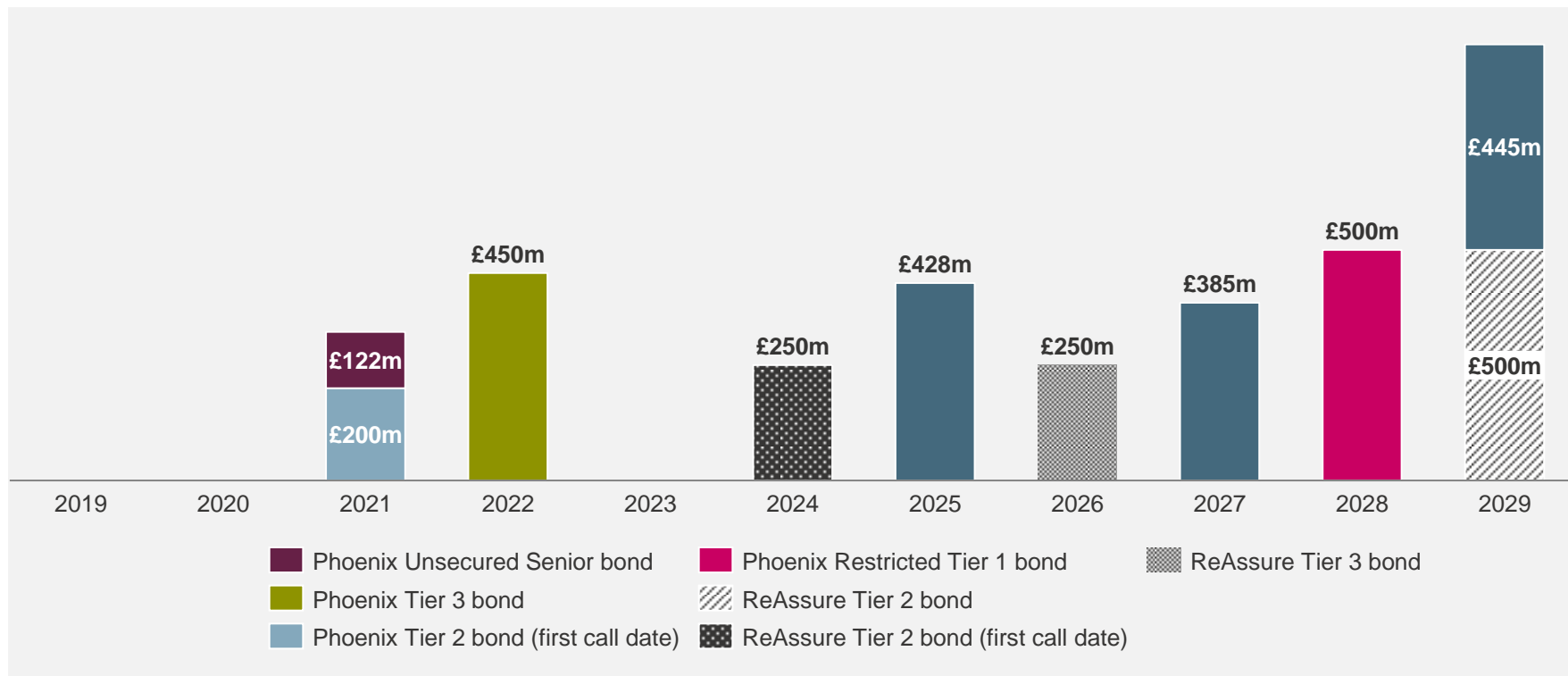
ReAssure Solvency II Own Funds	5.2
Less: Unsupported with-profit funds	(0.7)
ReAssure Shareholder own funds	4.5



Q3 2019 (£bn)

Pro-forma Solvency II Own Funds	16.6
Less: Unsupported with-profit funds	(3.2)
Less: PGL pension scheme	(0.4)
Pro-forma Shareholder own funds	13.0

III. Outline of pro-forma debt maturity profile



IV. Footnotes

- (1) ReAssure's Solvency II Own Funds as at 30 September 2019 have been derived from ReAssure Solvency II figures and have been adjusted to be presented on a shareholder basis, excluding debt and assuming a dynamic recalculation of transitionals (subject to PRA approval), and including the pro forma impact of the Part VII of the mature savings business of the L&G Group Business and the acquisition of Old Mutual Wealth Life Assurance Limited (both based on financial information as at 31 December 2018).
- (2) Incremental cash generation arising from the acquisition of ReAssure is calculated using Phoenix's assumptions and reporting bases.
- (3) As at 30 September 2019. £10.3 billion Old Mutual Wealth Life Assurance Limited assets under administration categorised as unit-linked.
- (4) Employee numbers as at 18 November 2019.
- (5) ReAssure's assets under administration as at 30 September 2019 assume completion of the Part VII transfer of the mature savings business of the L&G Group and completion of acquisition of Old Mutual Wealth Life Assurance Limited from Quilter plc which are expected prior to Completion of the Acquisition.
- (6) ReAssure's number of policies as at 1 November 2019 assume completion of the Part VII transfer of the mature savings business of the L&G Group and completion of acquisition of Old Mutual Wealth Life Assurance Limited from Quilter plc which are expected prior to Completion of the Acquisition.
- (7) The Solvency II capital position of Phoenix is an estimated position and reflects a regulatory approved recalculation of transitionals as at 30 September 2019 and a £0.1 billion benefit to Solvency II surplus from a release of longevity reserves.
- (8) The 30 September pro-forma position for the enlarged Group has been prepared using the Deduction and Aggregation method ("Method 2") approach for incorporating the ReAssure regulated entities in the Group solvency calculation. Under this method, ReAssure regulated entities will continue to calculate their solvency capital requirements in accordance with the existing ReAssure Partial Internal Model. The use of the Method 2 approach is subject to approval at the discretion of the PRA. The 30 September 2019 pro-forma assumes the cash consideration of £1.2 billion is entirely funded by the issuance of hybrid debt under a fully underwritten facility.
- (9) The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL Pension Scheme.
- (10) As at 30 June 2019. Fitch leverage calculation = debt (senior debt + RCF + T2 bonds + T3 bonds)/debt + equity (Shareholder equity + Unallocated surplus + RT1).
- (11) As at 30 June 2019.
- (12) Illustrative combined group operating expenses of £45m p.a. over 2019 to 2023. Phoenix pension scheme contributions estimated in line with current funding agreements, comprising £110m in respect of the Pearl Scheme and £49m in respect of the Abbey Life Scheme. Assumes integration costs of c£200m net of tax, split c£150m on Standard Life integration and c. £50m on Reassure integration.
- (13) 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.
- (14) Illustrative dividend allowing for the issue of equity and 3% increase.
- (15) Assumes all maturing debt during the period is repaid at first call date.

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