Phoenix

Half year 2024 results

Phoenix Group Holdings plc

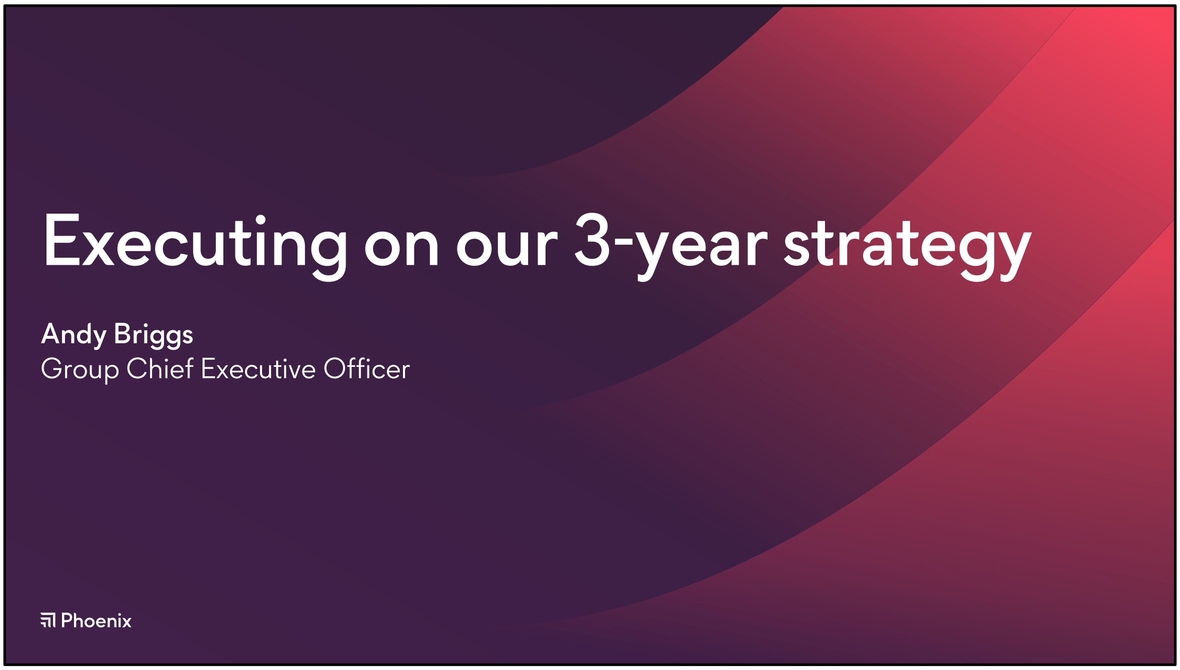
16 September 2024

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

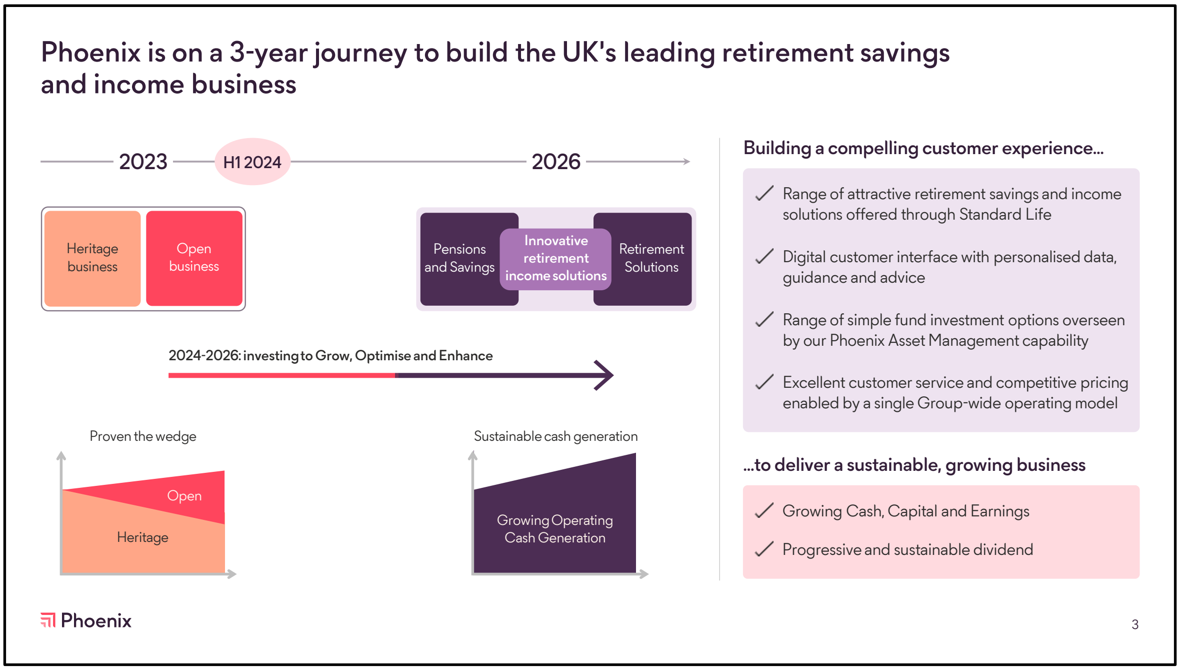


Good morning to those of you in the room, and to those joining on the webcast.

And welcome to Phoenix Group's 2024 half year results presentation.

I am delighted to have Stephanie Bruce joining me on stage today, who started in June as our Interim Chief Financial Officer, and who will talk through our first half financial results later.

But starting first with the strategic progress we have made in the first half…



Back in March, we set out that we are on a 3-year journey, to build the UK's leading retirement savings and income business, and fulfil our purpose of Helping People Secure a Life of Possibilities.

We said we would deliver our ambition, by executing our strategy, as we invest in our business to Grow, Optimise and Enhance.

Building on the strong foundations we have put in place, over the previous three years.

This means combining our Heritage and Open divisions together, and restructuring them into Pensions and Savings, and Retirement Solutions, businesses.

Which are very focused on meeting customer needs, as they save for, transition to, and secure income in retirement, with innovative retirement income solutions at our core.

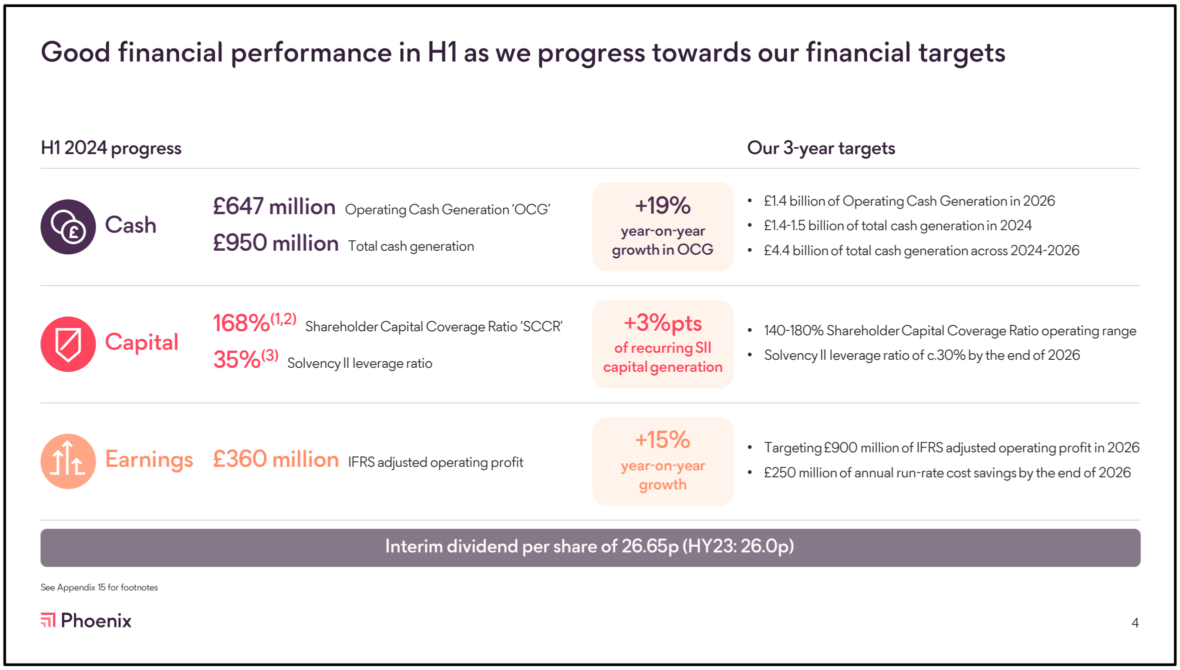
To win in this market, we need to offer a compelling customer experience.

That means offering the full range of retirement savings and income solutions. Through a slick digital interface. With a range of simple fund investment options. Supported by excellent customer service. And which is sold at a competitive price, that is enabled by a single Group-wide operating model.

The outcome of that will be a sustainable, growing business.

Delivering growing cash, capital and earnings. Which supports our progressive and sustainable dividend.

Now we are, of course, only six months into a 3-year strategy, but I am pleased with our progress to date.



Back in March, we introduced an evolved financial framework of cash, capital and earnings. Against which we set very clear 3-year targets.

And our first half financial performance demonstrates that we are on track, to deliver all of those targets.

We have delivered a 19% year-on-year increase in Operating Cash Generation, to £647 million.

This in turn supported strong total cash generation of £950 million in the period. And means we are now confident of delivering at the top-end of our £1.4-to-£1.5 billion target range for the year. And are also on track for our 2026 cash targets too.

Our Shareholder Capital Coverage Ratio is comfortably in the top-half of our operating range. While reducing, as expected, to 168%.

There are two drivers here. I'm particularly pleased with the strong performance from our underlying business, which delivered recurring capital generation of 3 percentage points. And growth in recurring Own Funds.

This was more than offset by the impact of our planned debt repayment, and our planned investment into the business.

We are targeting a SII leverage ratio of 30% by the end of 2026, and intend to repay at least £500 million of debt over this period.

I am delighted that only 6 months into this 3-year period, we have already repaid £250 million of our existing debt.

Now, the headwind of higher interest rates in the first half on Own Funds, has dampened the benefit that this debt repayment had on our leverage ratio – which is sitting at 35% at the end of June.

But with long-term rates having reduced since then, we have already seen some of this headwind reverse.

We remain focused on achieving our target of 30% by the end of 2026, which we will deliver through a combination of further debt repayment, accelerating our organic growth, and delivering our cost savings, to drive stronger growth in Own Funds.

Finally, it was pleasing to see 15% year-on-year growth in IFRS adjusted operating profit, as both our Pensions & Savings, and Retirement Solutions businesses, delivered strong, profitable growth.

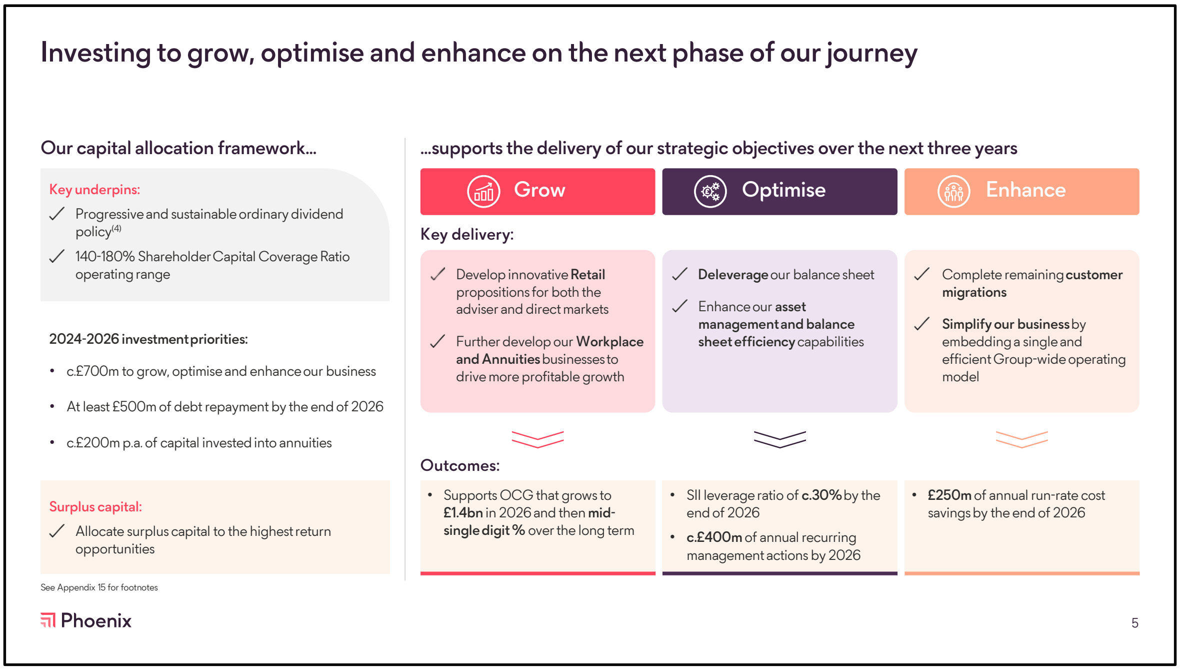
I am therefore confident that we are on track to deliver our 2026 operating profit target of £900 million.

And over the longer-term, we are focused on driving operating profit higher, so that it more than covers our recurring uses on an IFRS earnings basis. Which of course, across the other parts of our financial framework, on cash and capital, we already do today.

However, we have seen further adverse accounting volatility in shareholders' equity in the first half. This is a consequence of our hedging approach, which protects our surplus capital, and makes our dividend very secure.

Stephanie will cover this in detail later, including the fact that some of the accounting volatility will have reversed, with the reduction in rates since June, and will continue to reverse as rates reduce further.

Finally, consistent with prior years, the Board has declared an Interim Dividend of 26.65 pence per share, which is equal to our 2023 final dividend, and a 2.5% year-on-year increase.



In March, we set out our capital allocation framework, to deliver our 3-year targets. This has two key underpins.

The first is that we will operate a progressive and sustainable ordinary dividend policy.

And the second is that we will maintain our strong and resilient balance sheet, with a 140-180% operating range, for our shareholder capital coverage ratio.

We have also been very clear in explaining how we will balance the investment of our capital, across our strategic priorities, in order to deliver the next phase of our journey, as outlined on the slide.

The investment we are making into our business is significant, and will enable us to deliver our ambition of building the UK's leading retirement savings and income business, as well as delivering strong shareholder returns.

Our first strategic priority is to grow. And here we will develop a range of innovative Retail propositions, and further develop our established Workplace and Annuities businesses.

Which will deliver strong growth in Operating Cash Generation, over the long term.

Our second strategic priority is optimise.

Here we will deleverage our balance sheet as planned. And further develop our strong existing capabilities in asset and liability optimisation, to deliver sustainable recurring management actions, over the long term.

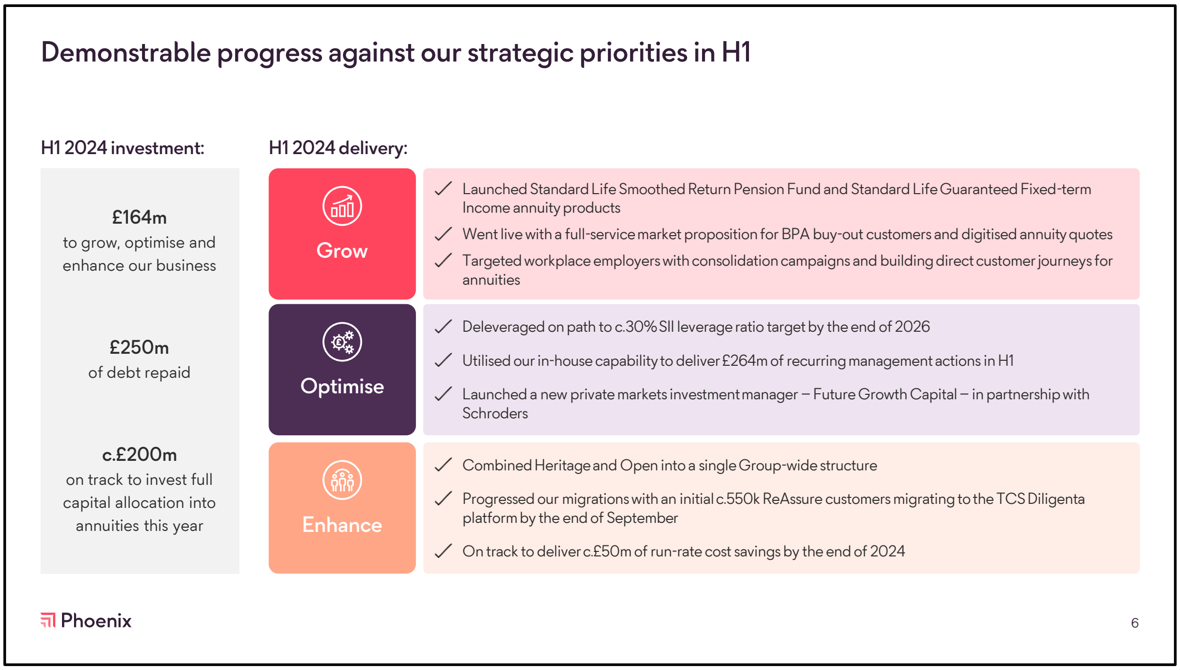
Our third strategic priority is enhance.

Here our focus is on delivering our remaining migration and transformation programmes.

As well as integrating our businesses, into a single Group-wide operating model.

All of which will deliver £250 million of annual run-rate cost savings, by the end of 2026.

Turning now to the progress we have made in the first half…



We have invested £164 million, of the planned £700 million, to grow, optimise and enhance our business. Repaid £250 million of debt. And are on track to invest around £200 million of capital into annuities this year.

This combined investment has enabled us to make good initial progress on our three strategic priorities.

Firstly, we have continued to invest in growing our business in the first half.

Where we have launched innovative new retirement income products, and enhanced our annuity market propositions.

We are also taking action to retain our existing customers for longer. Through offering our Workplace customers our Retail consolidation offering, and our Pension & Savings customers our annuity offering.

Secondly, we remain laser-focused on optimising our balance sheet.

As I have already outlined, our first half debt repayment has supported progress towards our target 30% Solvency II leverage ratio.

Mike Eakins, our Group CIO, and his team, have been investing into our asset and liability optimisation capabilities, over the past few years. And I was therefore delighted to see this deliver £264 million of recurring management actions, in just six months.

This is made up of a large number of BAU actions that we, and all of our peers, undertake week-in, week-out, to optimise our portfolios, while ensuring our risk profile remains unchanged.

Given this strong first half performance, we are now confident of delivering £400 million of recurring management actions this year, ahead of plan. And to be able to sustain this level every year, going forward.

I was also pleased that we have launched Future Growth Capital. This is the first private markets investment manager to be established in the UK, to promote the objectives of the Mansion House Compact. As we target higher returns for customers, from a broader range of assets.

Finally, we have made good progress in simplifying our business, to deliver cost efficiency.

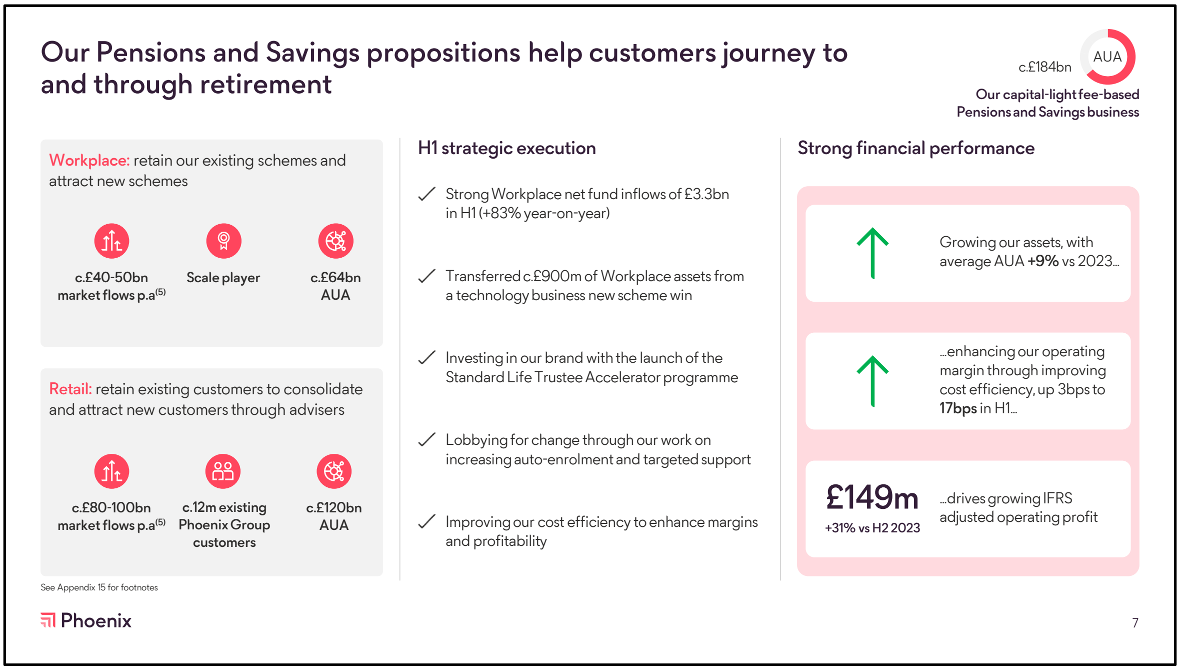
Through collapsing our former Heritage and Open divisions, into a single Group-wide structure.

Which means, for instance, that we now have a single Pensions and Savings business, that is focused on both attracting new Workplace and Retail customers, and retaining the Legacy Retail outflows.

And we also continue to migrate our customers to the modern, digitally enabled, TCS Diligenta platform. With an initial 550,000 ReAssure customers scheduled to migrate, by the end of this month.

All of which means we expect to deliver around £50 million of run-rate cost savings by the end of this year, and are on track for our 2026 target.

And the investment we are making to grow, optimise and enhance our business, is supporting strong trading performance in our business units…



Our capital-light, fee-based, Pensions and Savings propositions, help customers journey to and through retirement.

The markets we operate in, under the Standard Life brand, are huge and growing.

With £40-50 billion of annual flows in the Workplace market, and £80-100 billion of annual flows in the Retail market.

And the opportunity is even greater than this, with only 1 in 7 people saving enough, and only 10% getting advice.

As an established scale player, with £184 billion of assets, and 12 million existing customers, we are well positioned to access these markets.

Our strategy is clear. We are customer centric, and purpose-led, in retaining our existing customers, and attracting new customers, by meeting more of their needs over time.

I am therefore delighted to see the good progress we have made in enhancing our customer propositions. With the launch of the Standard Life Smoothed Return Pension Fund, and Standard Life Guaranteed Fixed Term Income products, this year.

And we continue to be relentless in advocating for the changes that will help our customers. Where we are working with the Government to secure an increase in auto-enrolment contributions, and the introduction of targeted support.

Our focus on customer needs is translating into strong trading performance.

In Workplace, we have continued to retain our existing schemes, and win new schemes in the market, thanks to our continually improving proposition.

And this has supported strong net fund flows of £3.3 billion in the first half, up 83% year-on-year.

Which included the transfer of £900 million of customer assets from a large technology company. Another example of the strength of our proposition with corporates.

We also remain focused on improving our cost efficiency, to enhance our margin, and drive increased profitability.

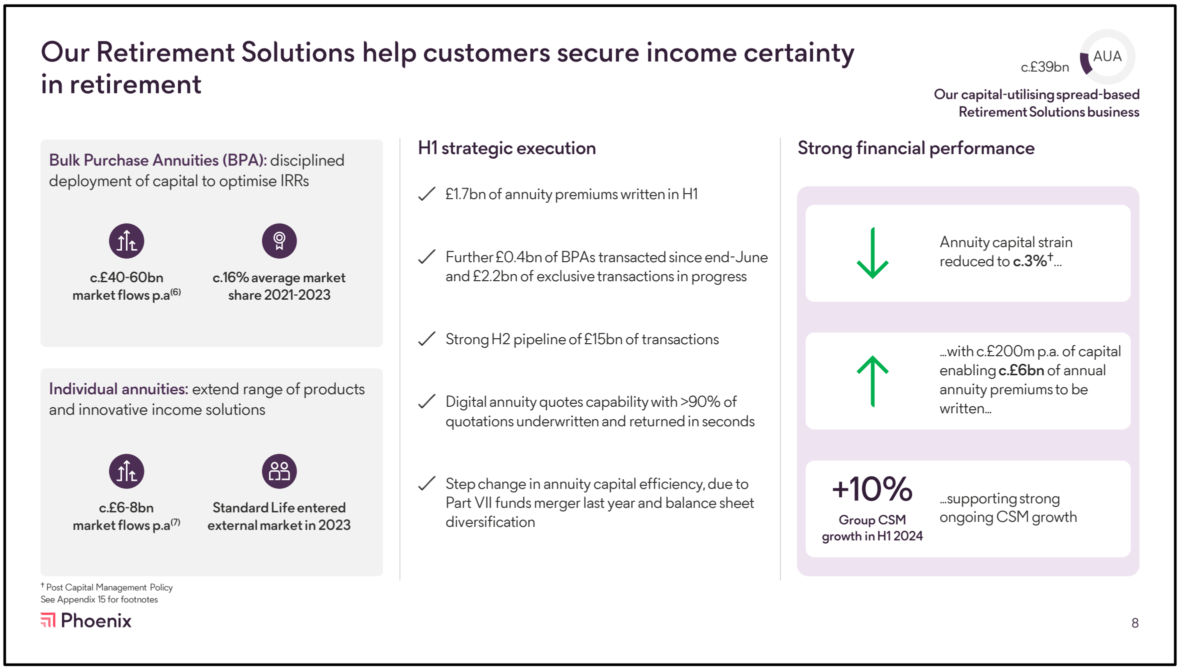
This is a simple business. We make money by firstly growing our assets, through improving our net fund flows. And then secondly by enhancing our margin through improving our cost efficiency.

Andy Curran and his team have delivered both in the first half, with average assets under administration up 9%, and our operating margin increasing from 14bps to 17bps.

This has enabled us to increase our Pensions and Savings IFRS operating profit to £149 million, up 31% compared to the second half of 2023.

Importantly, we have delivered this excellent performance while still being in net fund outflow.

So, as we execute our strategy to retain our legacy retail outflows over time, by retaining more of our customers, this will drive even stronger performance in future.



Our Retirement Solutions business is focused on helping people secure income in retirement.

We have an annuity portfolio of £39 billion, which represents 14% of our total assets, and reflects our strategic decision, to limit the shareholder credit risk we retain on our balance sheet.

We operate in both the BPA and individual annuity markets, with our strategies designed to leverage the strong demand from corporates and individuals.

And I am really pleased with our performance in the first half, and the enhancements we have made to our customer proposition.

In the annuity market, we wrote £1.7 billion of premiums in the first half, reflecting slower BPA market demand in the period.

But we have already transacted a further £400 million since June, and have an additional £2.2 billion of exclusive transactions we are working on.

And with a £15 billion pipeline of deals for the remainder of 2024, we are confident of delivering a strong second half of BPA premiums.

In the individual annuity market, we have been seeking to expand our range of propositions, and it is therefore great to see strong initial trading from our Standard Life Pension Annuity.

We also know that when our customers make the decision to seek income security in retirement, they want to move quickly.

Which is why we recently launched our new digital individual annuity quote capability. Where over 90% of our quotations are underwritten and returned within seconds.

These are clear examples of where we are investing to leverage our capabilities, and balance sheet, to meet a clear customer need, under the trusted Standard Life brand.

Now, key to ever stronger financial performance in this market, is to write new business in a capital efficient way.

So, I am particularly pleased that we are now able to write more premiums for less capital, due to the step change we have made in reducing our annuity capital strain, to around 3%.

Reflecting the full benefit of the Part VII funds merger we completed last year, and demonstrating the benefits of our diversified balance sheet.

With our £200 million of capital enabling us to write around £6 billion of annuity premiums annually.

Which, in turn, will be the key driver of strong future CSM growth over time. And I am pleased with the 10% CSM growth delivered in the first half.

So, in summary.

When you look at the first six months of our three-year strategy, there's a lot to like.

Excellent growth in our capital-light Pensions and Savings business, through growing our assets with improving net fund flows, and enhancing our margin by reducing costs.

This has been a huge area of focus for me since I joined, and so it is great to see the momentum we are now building.

And disciplined deployment of capital into annuities, with excellent progress in reducing our new business strain, to optimise our returns, and deliver strong CSM growth.

We are also deleveraging our balance sheet. And delivering recurring management actions, that create value by growing Own Funds.

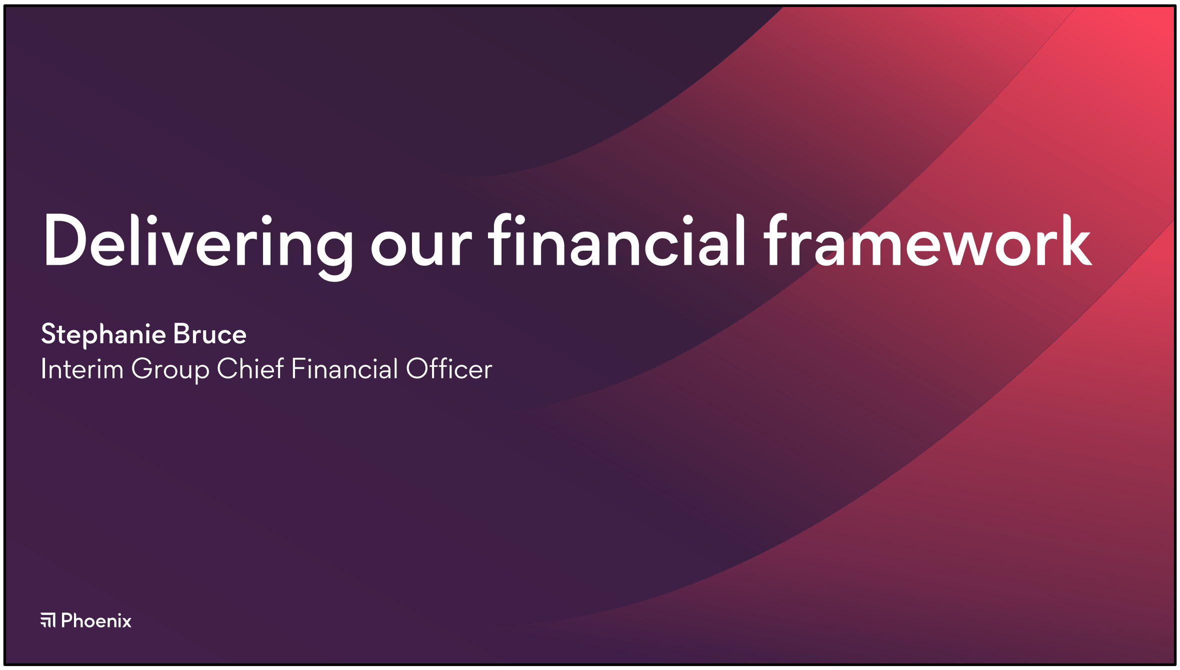
And we are making clear progress on delivering our migrations, and implementing the changes needed to simplify our business, to reduce costs.

Phoenix is now an attractive, organically growing business. That delivers growing cash, capital and earnings.

With strong growth in our operating cash generation, our recurring capital generation and Own Funds, and our operating profit and CSM.

All of which underpin our progressive and sustainable dividend.

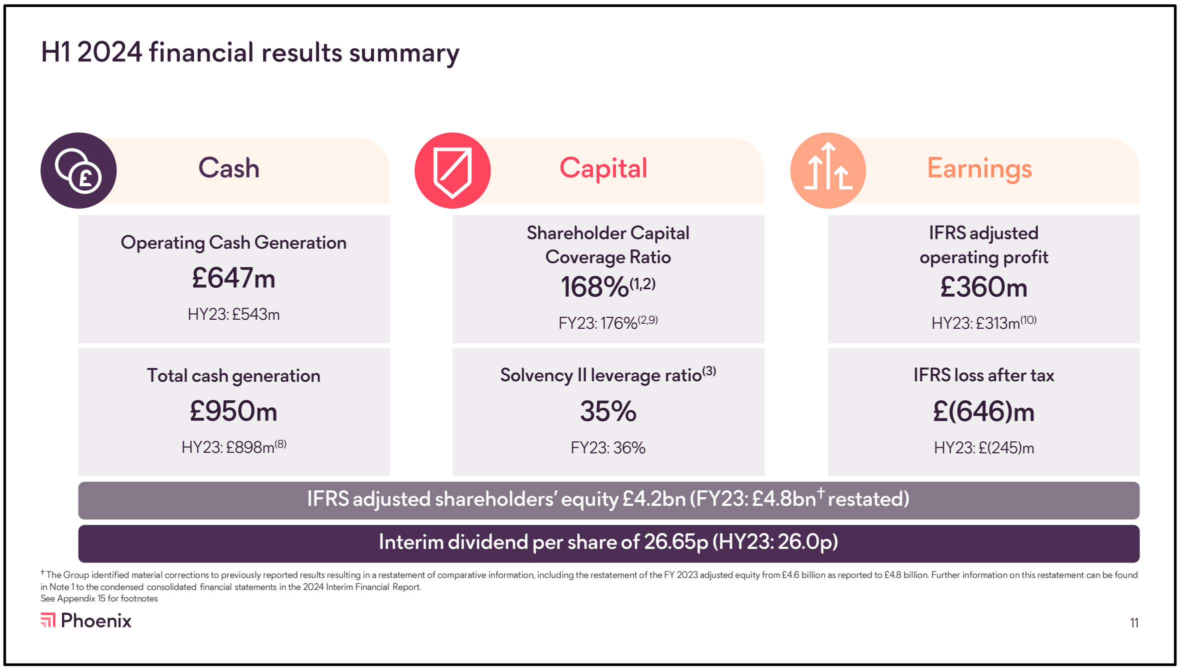
And with that, I will now hand you over to Stephanie, who will explain our first half financial results in more detail...



Thank you, Andy, and good morning everybody.

I have now been with Phoenix a couple of months and have been so struck by the focus of our colleagues on delivering the strategy right across the business.

It is readily apparent that the wide range of capabilities and specialisms here at Phoenix is key to the momentum the team is achieving as we progress towards our ambition of being the UK's leading retirement savings and income business, and create shareholder value through delivering strong performance across our financial framework of cash, capital and earnings.



For the first half of 2024, we are reporting against these three key areas.

In cash, total cash generation has increased to £950m, and importantly, was delivered through strong growth in Operating Cash Generation from our businesses.

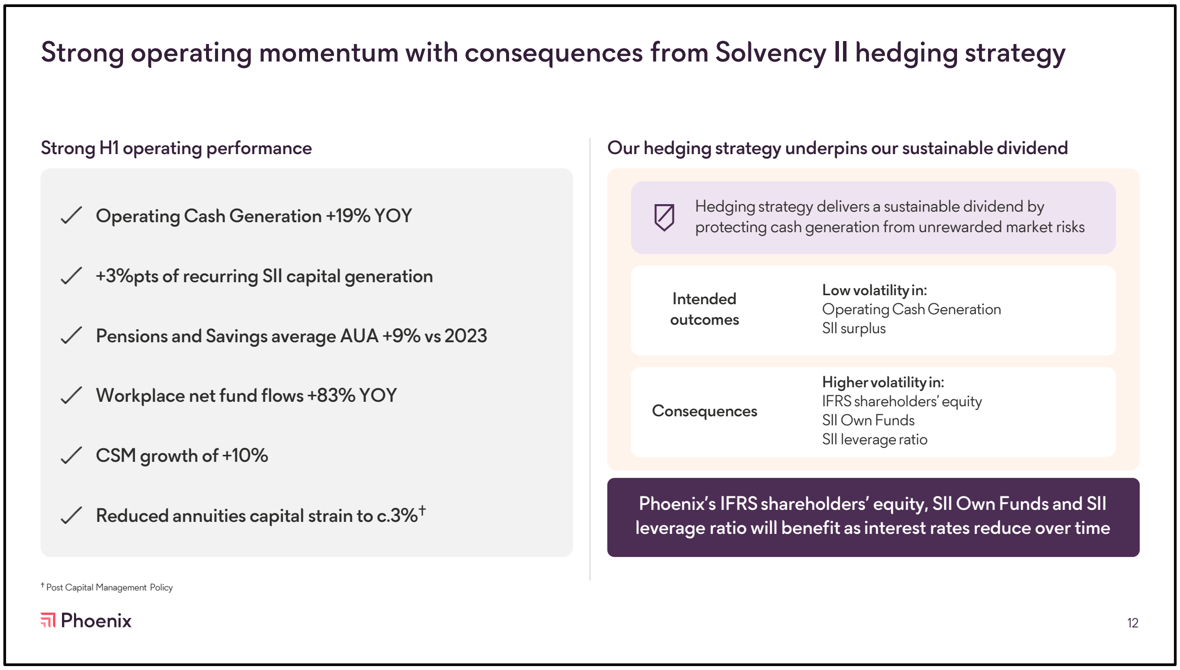
In capital terms, the balance sheet's resilience enabled both the repayment of debt and investment into the business, with the Shareholder Capital Coverage Ratio remaining in the upper half of the target operating range and the Solvency II leverage ratio reducing in the period to 35%.

In earnings, adjusted operating profit increased by 15% to £360 million, reflecting growth in both the Pensions and Savings and Retirement Solutions businesses.

However, we have reported a statutory loss after tax of £646 million, due principally to the consequences in this period of our Solvency II hedging strategy in IFRS reporting.

This has therefore reduced shareholder equity and adjusted shareholders' equity in the period, which I will cover in detail shortly.

And finally, as Andy outlined, the Board has declared an Interim dividend of 26.65 pence per share, which is a 2.5% year-on-year increase.



The operating momentum in the business is driving strong performance across the key metrics that demonstrate growth.

Operating Cash Generation is the primary metric, and therefore 19% year-on-year growth in the first six months of a 3-year strategy is encouraging.

Similarly, improving the recurring capital generation by 3ppts in the period is an important indicator that the underlying business, before the non-recurring debt repayment and strategic investment, is self-sustaining.

Other key metrics are Pensions and Savings' average assets, which grew 9%, as well as our Workplace net fund flows which increased 83%. Both are good signs of the growth in the capital-light business.

CSM growth of 10% is a strong increase in the store of future value that will emerge in operating profit over time and an annuities capital strain of 3% is an important metric for enabling growth in the

Retirement Solutions business.

However, in this period, the known consequences of our hedging strategy have impacted the IFRS result in particular.

As a reminder, Phoenix hedges its Solvency II surplus, which was £3.5 billion at the end of June. This is because a stable surplus protects our cash generation from unrewarded market risks and therefore underpins our sustainable dividend – this strategy works well.

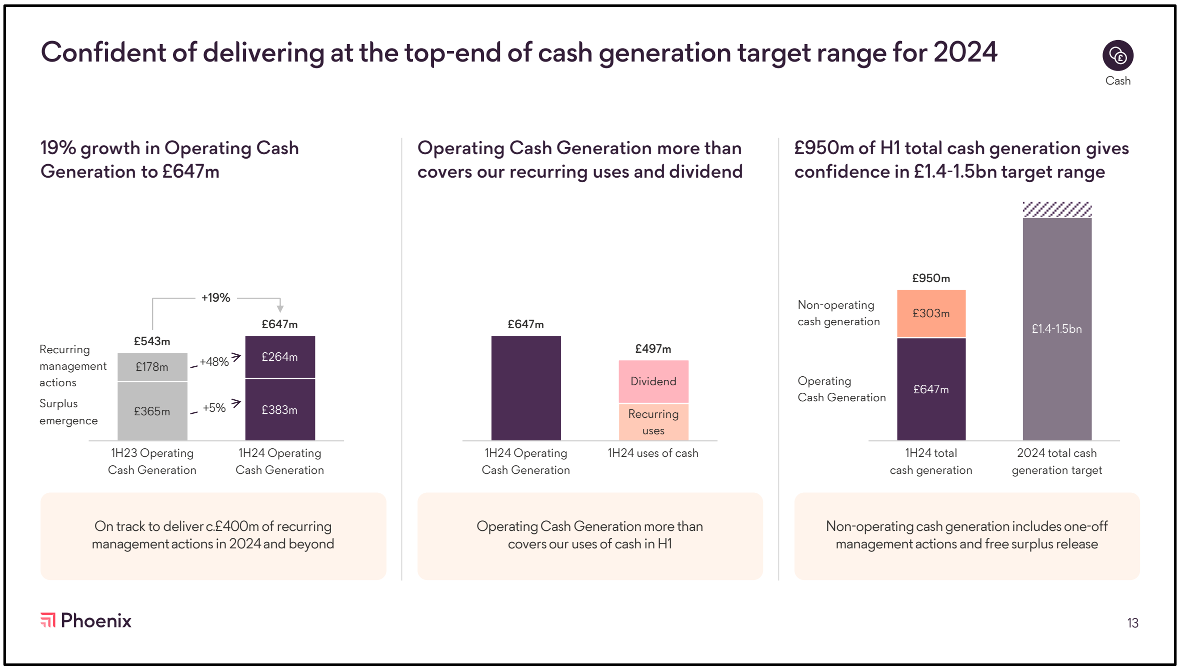
However, in an environment of higher interest rates and rising markets, there are consequences of the hedging strategy, particularly for IFRS shareholders' equity, and to a lesser extent, Own Funds, which in turn impacts the leverage ratio.

Interest rates and equities markets were higher in the period to June which therefore created an adverse impact in the first half.

But we believe the end of June represented the peak for interest rates, with long-term rates having already fallen around 35 basis points by mid-September, with further reductions expected.

We have therefore already seen improvements in all of these metrics since June and are well positioned to benefit further from lower interest rates going forward.

So, turning to the detail of our first half results, starting with cash…



At Phoenix, operating cash generation is the sustainable level of cash remitted from the life companies to Group, and comprises both the surplus emerging and recurring management actions.

It is therefore very pleasing to have delivered 19% growth to £647 million in the first half.

The key components of growth are a 5% increase in surplus emerging to £383 million, reflecting particularly the growth of new business in Pensions and Savings, and a 48% increase in recurring management actions to £264 million, which reflects a large number of actions to optimise the Solvency 2 balance sheet.

Given the strong start to the year, we are now confident of delivering £400 million of recurring management actions in 2024 and maintaining that level.

As Andy explained earlier, “Recurring management actions” are simply the same day-to-day actions others across the industry undertake to efficiently manage their balance sheets, and which is normally embedded in the surplus emergence. This includes, for example, optimising the shareholder credit portfolio.

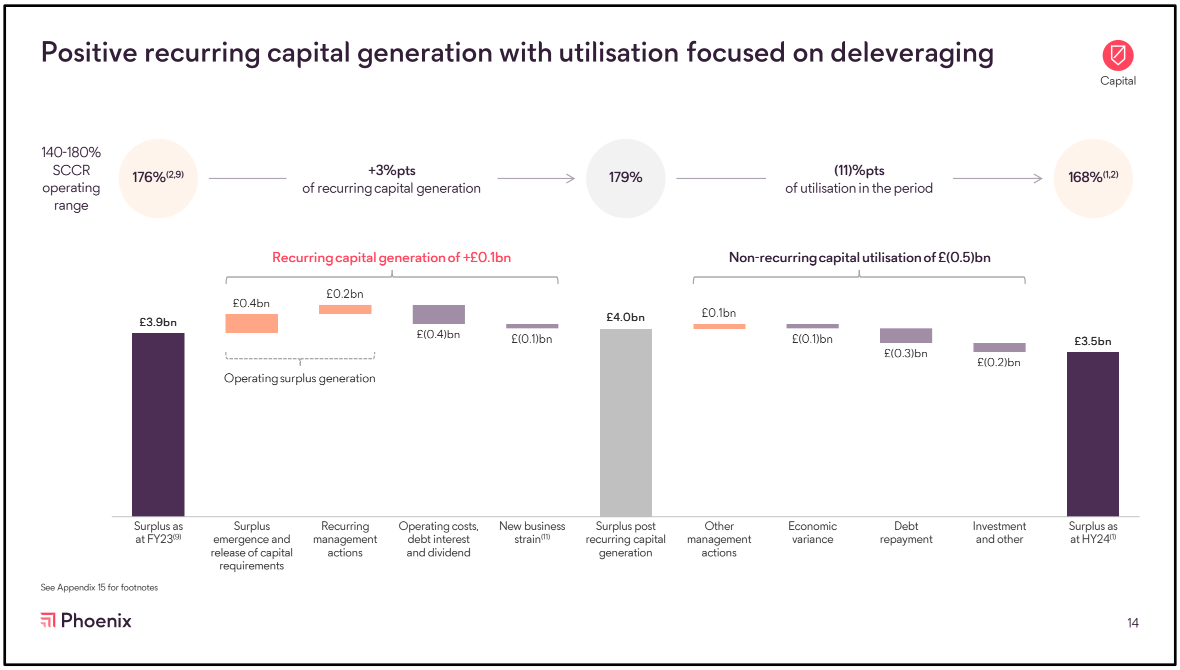
The separate reporting of these management actions made sense as Phoenix transitioned its reporting framework and could be simplified over time.

Importantly, the operating cash generation in the period more than covered the recurring uses and dividend, which demonstrates the stronger operating performance in the business.

We have also delivered £303 million of non-operating cash generation. This includes one-off management actions and free surplus release.

Total cash generation is therefore £950 million, and this strong first half performance increases our confidence in delivering at the top-end of our cash generation target range of £1.4-to-£1.5 billion this year.

Turning to capital…



The resilience of our Solvency II capital position provides the capacity to support both deleveraging and investment into the business.

Our shareholder capital coverage ratio remained in the top-half of the target operating range throughout the period and was 168% at the end of June.

There are a number of moving parts within the Solvency walk, but I particularly wanted to draw your attention to the positive nature of the recurring Solvency II capital generation in the period.

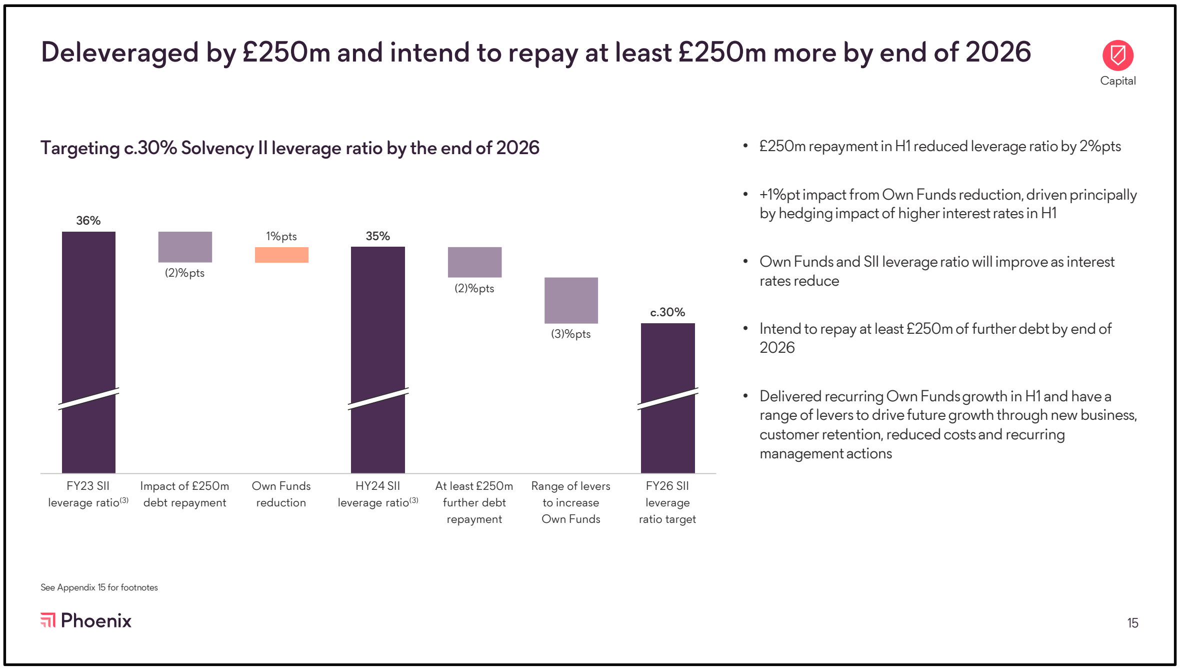
The 3 percentage points increase means that the operating surplus generation more than covers our operating costs, debt interest, dividend and new business strain, and reflects the stronger operating performance from the business.

The majority of the economic movements were mitigated by the hedging strategy, with only a limited £100 million adverse economic variance in the surplus during the period.

And as Andy explained earlier, we also had a number of planned non-recurring uses of surplus capital, including £250 million of debt repayment and nearly £200 million of investment into the business.

Our closing surplus was therefore £3.5 billion.

Turning to leverage…



We have repaid £250 million of debt in the first half of 2024 and intend to repay at least another £250 million by the end of 2026.

This will contribute to achieving the target of a 30% Solvency II leverage ratio by the end of 2026, which we consider to be an appropriate level for the business.

As at June, the ratio had reduced to 35% which reflected a 2 percentage points reduction from the debt repayment.

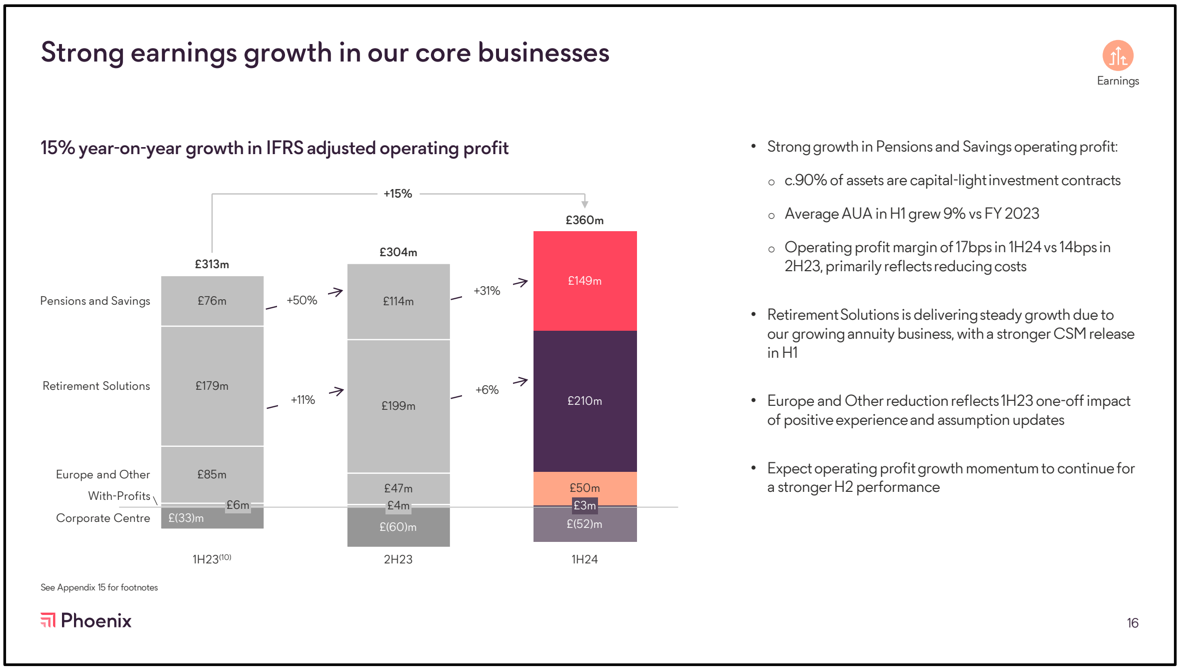
This was partially offset by a 1 percentage point increase due to the impact on regulatory own funds from the hedging strategy, primarily as a result of higher interest rates. But this impact is reversing as interest rates reduce.

Importantly, we have a number of levers within our control that contribute to achieving the target of 30%. These include the planned repayment of at least £250 million of debt which will reduce the ratio by around 2 percentage points all else being equal.

We are also focused on growing Own Funds through the delivery of our strategy and will accelerate this growth by

- writing profitable new business and retaining more of our existing customers,
- realising our targeted cost savings and reducing our investment spend,
- and through delivering recurring management actions.

Turning to IFRS earnings…



We are pleased to report a 15% year-on-year increase in IFRS adjusted operating profit to £360 million.

Our Pensions and Savings business is primarily a capital-light business, with around 90% of its assets being investment contracts. Profitable growth in this business is delivered through growing assets and improving the net operating margin, and these half year results show further successful action on both, building on the past 18 months or so.

In the first half of 2024, our average assets under administration increased by 9% compared to 2023, driven by growing workplace assets as we improve our net fund flows, and through positive market movements.

Operating margin across Pensions and Savings has also increased to 17 basis points, an increase of 3 basis points compared to the second half of 2023 as costs are reduced.

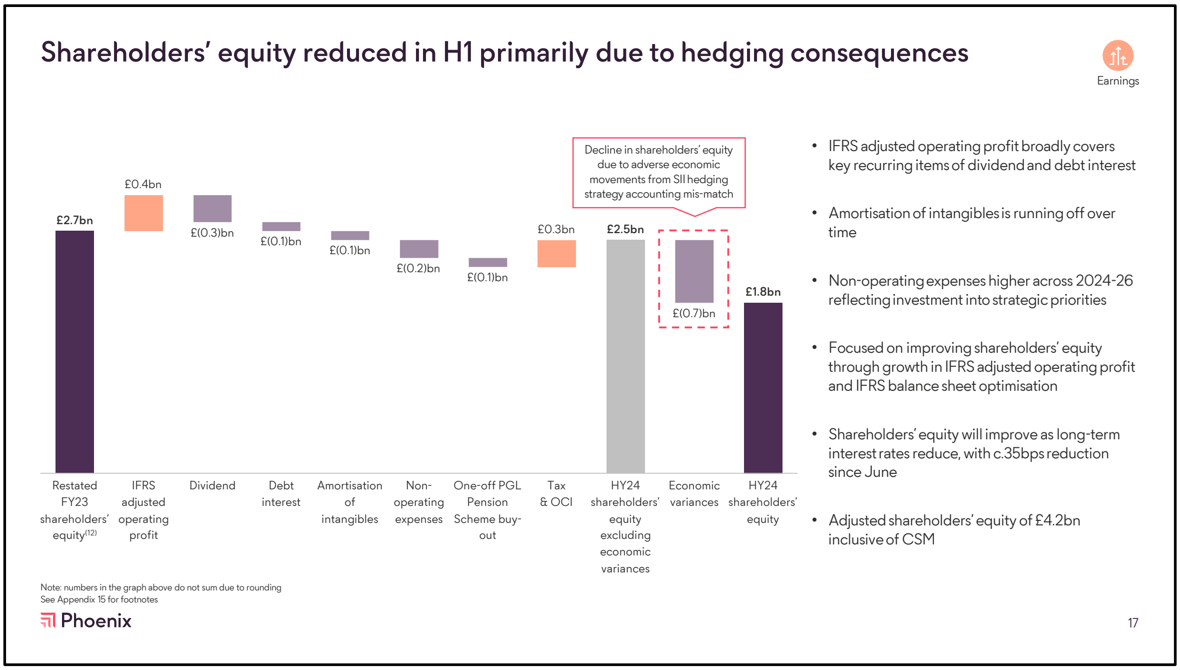
These factors have helped to increase the operating profit of Pensions and Savings in the half year to

June, and it's worth noting that the lower profit in the first half of 2023 reflected one-off adverse experience variances related to the small proportion of insurance contracts in the Pensions and Savings business which has not repeated since.

Retirement Solutions contributed £210 million of operating profit in the period, with steady growth due to success in the annuity market and our ability to improve the investment return. This is continuing to build good momentum.

The decrease in Europe and Other primarily reflects positive one offs in the prior period for experience and assumption updates that were not repeated.

Looking forward, we expect to see our operating profit growth momentum continue with a stronger second half performance, as we progress towards our target of £900 million by 2026.



The loss after tax I highlighted earlier has resulted in a further decline in shareholders' equity at the end of June. We are very focused on rectifying this over time.

Our operating profit is growing strongly and in the first half it broadly covered the key recurring expenditure of our dividend and debt interest.

It does not yet cover the accounting impact from the amortisation of intangibles which is running off over time or the non-operating expenses.

We are incurring higher non-operating expenses during our three-year investment phase as we invest to grow, optimise and enhance our business, after which this should reduce to a low level.

We therefore are focused on growing operating profit to cover all expected uses over the long-term.

In the first half we also had a one-off accounting impact in shareholders' equity of the buy-out of our internal PGL Pension Scheme, although that is broadly offset in the CSM I will cover shortly, so is neutral from an adjusted equity perspective.

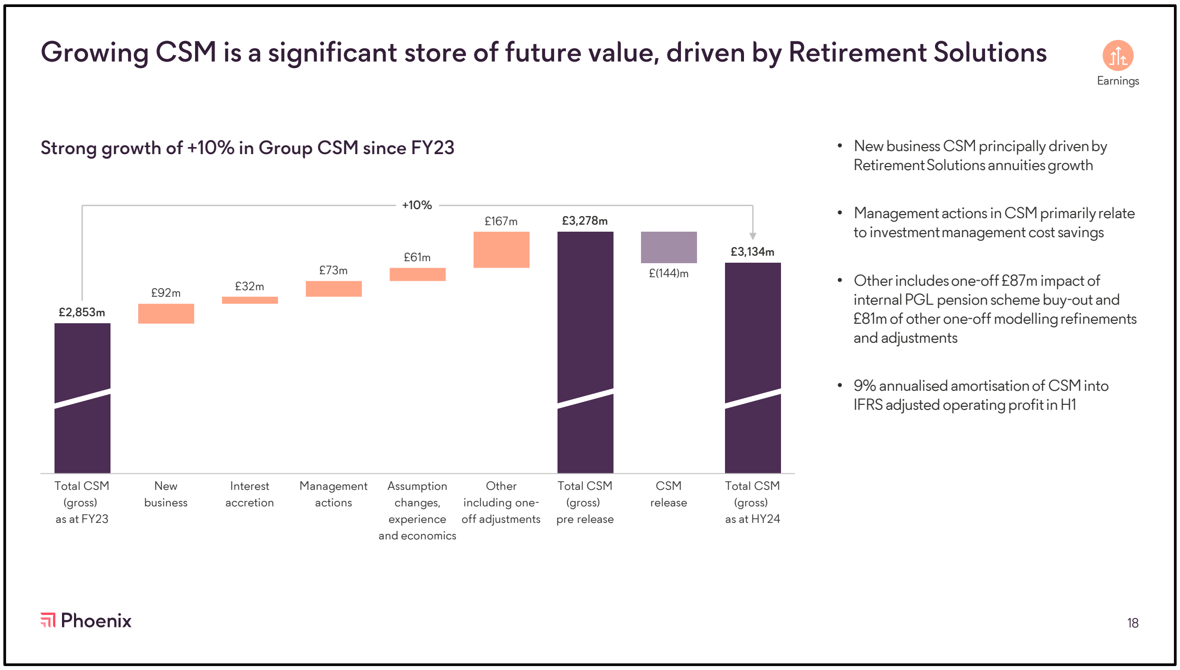
The main driver of our reduced shareholders' equity in the period is therefore the adverse economic variances from higher interest rates and equities, due to the accounting mismatch related to our Solvency hedging.

Looking forward, our shareholder's equity is positively geared to lower long-term interest rates, with a 35 basis points reduction since June having already improved the position, and further improvements to come as rates reduce further.

Importantly though we are focused on driving increased shareholders' equity through the factors which we can control. This includes our target to increase adjusted operating profit by 2026 to £900 million through business growth and by delivering annual run-rate cost savings of £250 million.

In addition, Phoenix has long demonstrated its strong capabilities in optimising its cash and capital position and we are now looking to apply that same discipline to optimising the IFRS balance sheet.

Adjusted shareholders' equity was £4.2 billion as at the end of June which we believe is a far better measure for life insurance companies, as it includes the CSM, which represents a significant store of future value that will emerge over time into operating profit, creating value for shareholders.



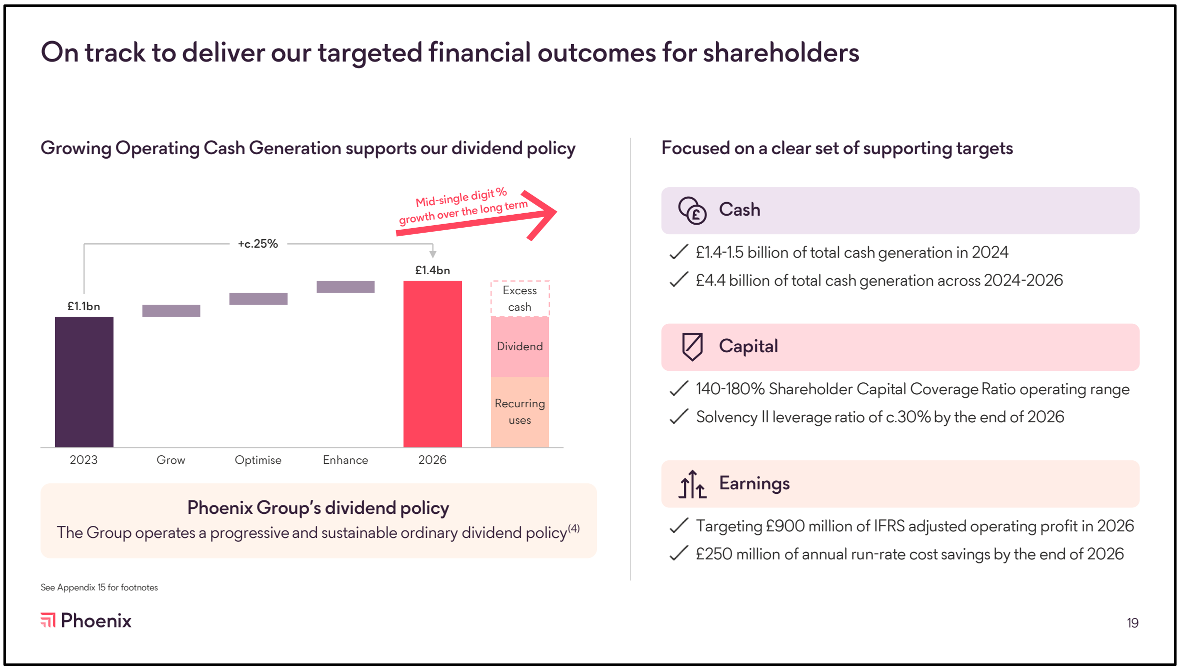
And the CSM grew in the period by 10% to £3.1 billion gross of tax.

New business contributed 3% growth in the CSM in the first half, lower than in 2023 due to a slower first half BPA market.

Management actions of £73 million primarily reflect lower investment manager fees that we have negotiated.

There was also a one-off £87 million increase from the buy-out of our internal pension scheme, that I explained on the prior slide, as well as £81 million of one-off modelling refinements and adjustments.

So strong growth for the CSM in the first half, with the impact from some one-offs. Looking forward, we expect increased new business growth in the second half, given our aim to achieve £6 billion of annuity volumes with competitive pricing, and less one-off impacts.



In conclusion.

We are executing on our 3-year strategy as we invest to grow, optimise and enhance the business.

We have a clear set of financial outcomes for shareholders across cash, capital and earnings, as outlined on the slide.

This includes the primary reporting metric of operating cash generation, with a target of £1.4 billion in 2026, and which is then expected to grow at a mid-single digit percentage growth rate over the long term.

We have made good progress in the first half and are on track to meet our financial targets.

For 2024, we are confident that we will deliver at the top-end of our 2024 total cash generation target range of £1.4-to-£1.5 billion.

So Andy back to you for the summary.

Summary

Andy Briggs
Group Chief Executive Officer

Phoenix

Thanks Stephanie

In summary.

We have a clear vision here at Phoenix – to be the UK's leading retirement savings and income business.

And I'm really passionate about this.

With the level of under-saving, and lack of advice for the majority of people, someone needs to stand up for ordinary customers, to help them get a better later life.

And I believe that we at Phoenix are the best placed in the industry to do that.

And this is also a huge commercial opportunity, given the scale of fund flows, and structural growth this societal need offers.

We are therefore executing on our 3-year strategy, building a sustainably growing business. And I am really pleased with the initial progress we have made, in these first six months.

As the turnaround of our Workplace business delivers strong net fund inflows. The launch of our new retirement income products begin to help address our legacy outflows. And our asset management capabilities now creating significant value.

We are therefore delivering profitable growth through our capital-light Pensions and Savings business, as we grow our assets, and reduce our costs.

And we remain disciplined in our deployment of capital into annuities, with our reduced capital strain a key enabler of strong returns, in our Retirement Solutions business.

All of which is delivering the strong operating momentum we are seeing in the business.

We are also committed to achieving our target leverage ratio. And I am very focused on ensuring we grow our balance sheet over time, through growing both our Own Funds and shareholders' equity.

We are therefore on track to deliver all of our financial targets, across our financial framework of cash, capital and earnings.

Which will support strong shareholder returns, enabled by our progressive and sustainable ordinary dividend policy.

And with that, we will move to questions.

So, we will start with questions from the audience in the room.

If you can raise your hand if you have a question, and we will direct one of our roaming microphones to you. Please can you start by introducing yourself and the institution you represent.

And for anyone watching on the webcast, please use the Q&A facility, and we will come to your questions after we've answered those in the room.

Appendices

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Appendices

Appendix 1: Group cash flow analysis

	HY24
Cash and cash equivalents at 1 January 2024	**£1,012m**
Total cash generation[1]	**£950m**
Uses of cash:	
Operating expenses and pension scheme contributions	£(56)m
Non-operating net cash outflows	£(185)m
Debt interest	£(138)m
Support of BPA activity	£(36)m
Free cash flow generation	**£535m**
Shareholder dividend	£(267)m
Debt repayments	£(643)m
Debt issuance	£390m
Closing cash and cash equivalents at 30 June 2024	**£1,027m**

[1] Total cash generation includes £28 million received by the holding companies in respect of tax losses surrendered

- Strong total cash generation of £950m in the period funds our uses of cash
- Non-operating net cash outflows of £185m (HY23: £178m net cash inflows) include:
  - £164m of investment to grow, optimise and enhance our business
  - £21m of net other items
- Strong free cash flow generation of £535m underpins our dividend and deleveraging capacity
- Debt movements reflect the £250m Tier 2 note redemption and the refinancing exercise of $500m Restricted Tier 1 notes, both of which completed in June

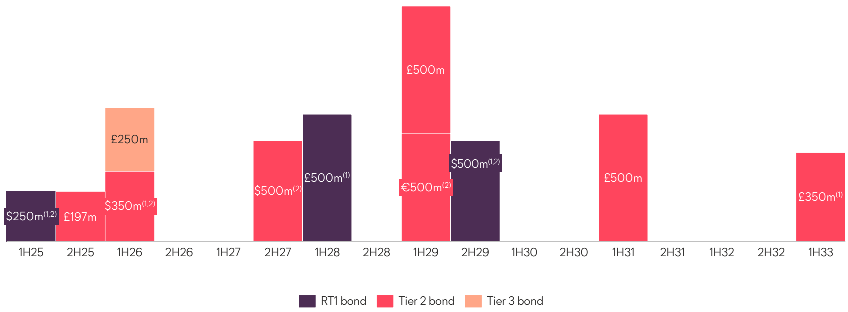
Appendix 2: Change in Life Company Free Surplus

[1] 31 December 2023 Life Company Free Surplus is an an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2023

[2] 30 June 2024 Life Company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals as at 30 June 2024. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would increase by £0.2bn

Appendix 3: Debt maturity profile and leverage ratios as at 30 June 2024

Debt maturity profile



Leverage ratios

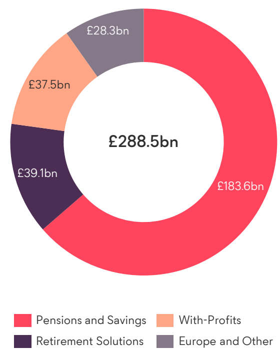
	FY23	HY24
SII leverage[3,6]	36%	35%
Fitch basis[4,6]	23%	22%
IFRS basis[5,6,7]	46%	48%

[1] First optional redemption
[2] All currency debt converted into GBP based on the closing 28 June 2024 exchange rates
[3] SII leverage calculation = debt (all debt including RT1) / SII regulatory eligible Own Funds
[4] Fitch leverage ratio is estimated by management based on Fitch's published methodology (calculation = debt (senior debt + RCF + T2 bonds + T3 bonds) / debt + equity (Adjusted shareholders' equity + NCI + policyholder surplus in with-profits funds + RT1))
[5] IFRS leverage calculation = debt (all debt including RT1) / debt + equity (Adjusted shareholders' equity)
[6] Ratios allow for currency hedges over foreign currency denominated debt
[7] FY23 IFRS leverage ratio updated to reflect prior period restatements (see note 1 to the 2024 interim financial statements for further details)

Appendix 4: Movement in assets under administration

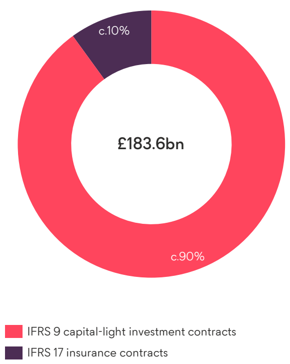
Movement in AUA from 1 January 2024 to 30 June 2024

Split by segment

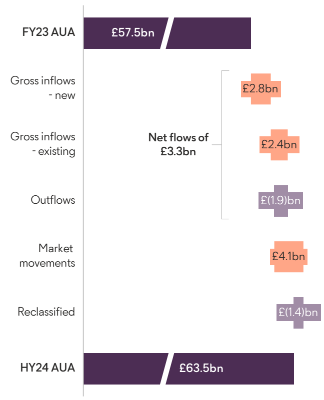


Appendix 5: Movement in assets under administration by segment (Pensions and Savings)

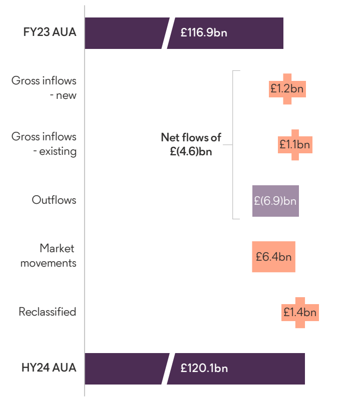
Pensions and Savings – Total AUA



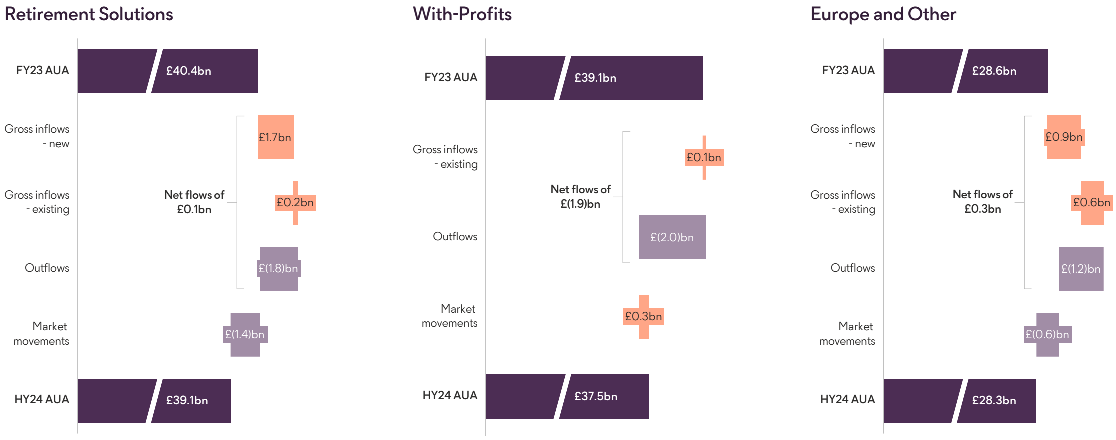
Pensions and Savings – Workplace



Pensions and Savings – Retail and Legacy



Appendix 6: Movement in assets under administration by segment



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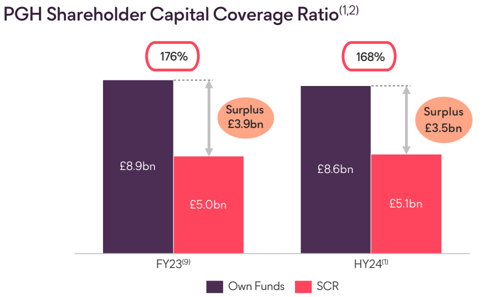
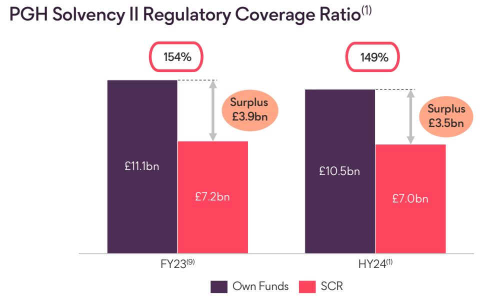
Appendix 7: Estimated PGH Solvency II surplus and coverage ratios

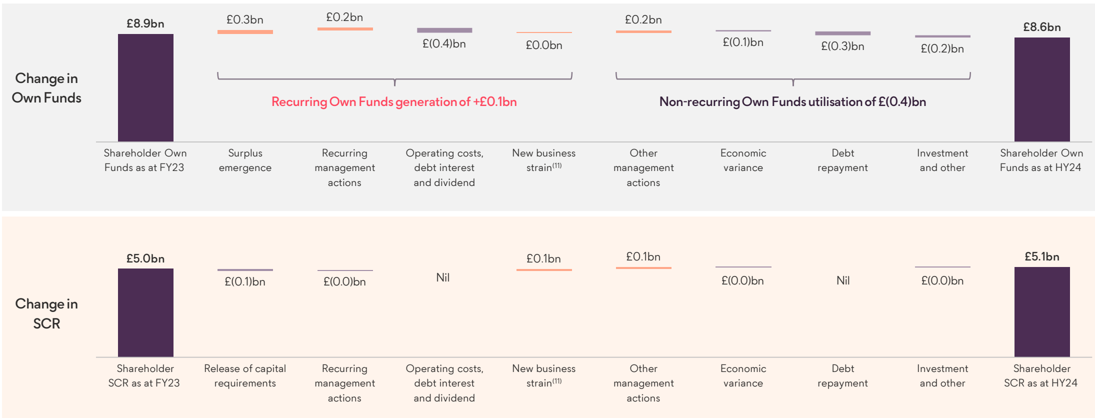




	FY23	HY24
PGH Solvency II Own Funds	**£11.1bn**	**£10.5bn**
Less: Unsupported With-Profit funds	£(2.4)bn	£(2.0)bn
Adjustment for unsupported pension schemes and restrictions	£0.2bn	£0.1bn
PGH Shareholder Own Funds	**£8.9bn**	**£8.6bn**

See Appendix 15 for footnotes

Appendix 8: Change in Solvency II Own Funds and SCR



Impact on SII surplus	**£3.9bn[9]**	£0.4bn	£0.2bn	£(0.4)bn	£(0.1)bn	£0.1bn	£(0.1)bn	£(0.3)bn	£(0.2)bn	**£3.5bn[1]**

See Appendix 15 for footnotes

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Appendix 9: PGH Solvency II Shareholder Capital Coverage Ratio sensitivities

	Base position	Unrewarded market risks[13]						Demographic risks[13]		Rewarded market risks[13]		
		Equities 20% fall in markets	**Long-term rates** 100bps rise in interest rates[14]	**Long-term rates** 100bps fall in interest rates[14]	**Long-term inflation** 50bps rise[15]	**Currency** 15% reduction[16]	**Currency** 10% increase[16]	**Lapse** 10% increase/ decrease in rates[17]	**Longevity** 6 months increase[18]	**Property**† 12% fall in values[19]	**Credit** 115bps spread widening[20]	**Credit**†† 20% portfolio full letter downgrade[21]
Impact on Solvency II surplus	£3.5bn	£0.1bn	£0.1bn	£(0.1)bn	£(0.1)bn	£0.1bn	£(0.1)bn	£(0.1)bn	£(0.4)bn	£(0.2)bn	£(0.2)bn	£(0.3)bn
Impact on SCCR (Target range: 140-180%)	168%[1,2]	6%pts	5%pts	(5)%pts	(1)%pts	0%pts	0%pts	(2)%pts	(10)%pts	(6)%pts	(3)%pts	(9)%pts

† Property lending includes ERM and Commercial Real Estate
†† Downgrade sensitivity includes an estimate for realistic management actions
See Appendix 15 for footnotes

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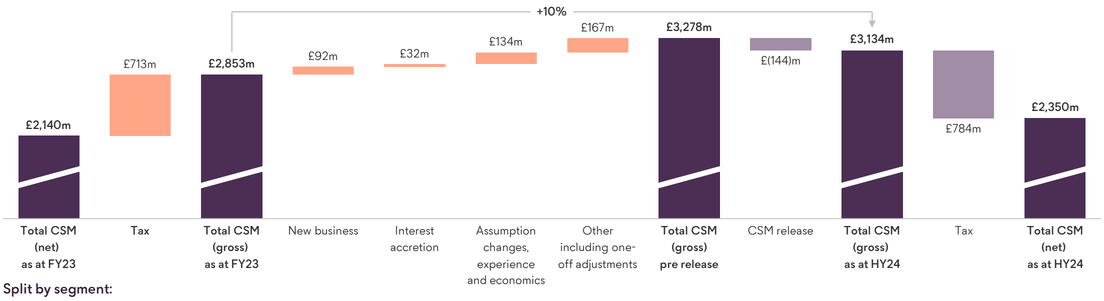
Appendix 10: IFRS income statement

	HY23[10]	HY24
Pensions and Savings	£76m	£149m
Retirement Solutions	£179m	£210m
With-Profits	£6m	£3m
Europe and Other	£85m	£50m
Corporate Centre	£(33)m	£(52)m
Adjusted operating profit	**£313m**	**£360m**
Non-operating items:		
Economic variances	£(313)m	£(698)m
Amortisation and impairment of intangibles	£(161)m	£(131)m
Other non-operating items	£(193)m	£(302)m
Finance costs attributable to owners	£(99)m	£(101)m
Profit before tax attributable to non-controlling interest	£16m	£10m
Loss before tax attributable to owners	**£(437)m**	**£(862)m**
Tax credit attributable to owners	£192m	£216m
Loss after tax attributable to owners	**£(245)m**	**£(646)m**

See Appendix 15 for footnotes

Appendix 11: Movement in Group Contractual Service Margin, including segmental split

Movement of the Group CSM from 1 January 2024 to 30 June 2024



Split by segment:

	Total CSM (gross) as at FY23	New business	Interest accretion	Assumption changes, experience and economics	Other including one-off adjustments	Total CSM (gross) pre release	CSM release	Total CSM (gross) as at HY24	Tax	Total CSM (net) as at HY24
With-Profits	£442m[1]	-	£3m	£29m	£58m	£532m	£(31)m	£501m	£(125)m	£376m
Retirement Solutions	£2,145m[1]	£69m	£27m	£71m	£26m	£2,338m	£(73)m	£2,265m	£(566)m	£1,699m
Pensions and Savings	£201m	-	-	£27m	£(2)m	£226m	£(13)m	£213m	£(53)m	£160m
Europe and Other	£65m	£23m	£2m	£7m	£85m	£182m	£(27)m	£155m	£(40)m	£115m
Total Group	**£2,853m**	**£92m**	**£32m**	**£134m**	**£167m**	**£3,278m**	**£(144)m**	**£3,134m**	**£(784)m**	**£2,350m**

[1] FY23 CSM (gross) for With-Profits and Retirement Solutions restated due to refinements since FY 2023

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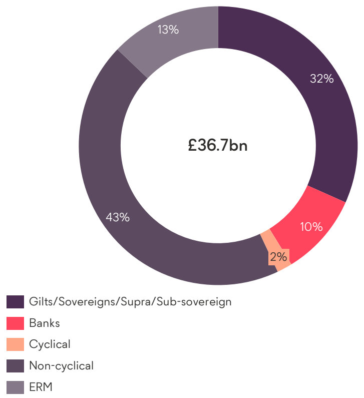
Appendix 12: Shareholder credit portfolio

Prudently positioned shareholder credit portfolio



† Excluding non-rated

Credit rating

- ✓ Shareholder credit assets are a small proportion of our c.£289bn balance sheet (c.13%)
- ✓ Our prudent portfolio is c.99% investment grade†
- ✓ More upgrades than downgrades experienced in H1

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Appendix 13: Diversification of illiquid asset portfolio as at 30 June 2024

Equity Release Mortgages
£4.7 billion with AA rating

- Broad regional spread with average LTV of 33%
- Secured on property assets with average time to redemption 11 years

Private Corporate Credit
£2.6 billion with A rating

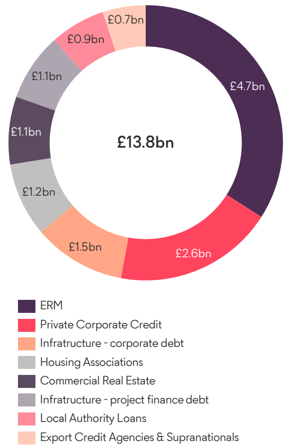
- Diversified portfolio with c.30% of exposure secured on variety of assets
- Loans across 51 different counterparties

Infrastructure – corporate debt
£1.5 billion with BBB+ rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- 10% of portfolio backed by UK Government (directly or indirectly)

Housing Associations
£1.2 billion with A rating

- 100% of portfolio is secured on assets
- Average loan size of c.£21 million across 28 different counterparties



Commercial Real Estate
£1.1 billion with BBB rating

- Structured with robust covenant protection, a combination of loan-to-value and interest coverage ratio
- Average LTV for portfolio is 46%

Infrastructure – project finance debt
£1.1 billion with BBB+ rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- 57% of portfolio backed by UK Government (directly or indirectly)

Local Authority Loans
£0.9 billion with A+ rating

- Unsecured but with implicit Government support
- Loans across 35 different counterparties with average loan size of c.£22m

Export Credit Agencies and Supranationals
£0.7 billion with AA rating

- 58% of portfolio is Government-backed
- Loans across 10 different counterparties

Appendix 14: ESG ratings and key targets

Strong ESG ratings

Ratings agency	FY23	HY24	Change
MSCI	AA	AA[1]	↔
Sustainalytics	20.3 / medium risk	18.6 / low risk	↑
CDP	A-	A-	↔
S&P Global	90th percentile	90th percentile[1]	↔
ISS ESG corporate rating	C prime	C+ Prime	↑

ESG ratings may vary among ESG rating agencies as the methodologies used to determine ESG ratings may differ. The Group's ESG ratings are not indicative of its current or future operating or financial performance, and are only current as of the dates on which they were initially issued. Investors must determine for themselves the relevance of any such ESG ratings information contained in this presentation.

Key 2024 commitments

ESG Theme: Planet

- Complete • Begin implementing customised decarbonising benchmarks for our listed equities and create a roadmap for rolling out decarbonising strategies across the remainder of our listed equity and credit portfolios, in line with delivering good customer outcomes
- Complete • Develop a roadmap for our ambition to invest up to £40 billion in sustainable, transition, and productive[2] assets subject to overcoming barriers, and in line with commercial objectives and delivering good customer outcomes
- On track • Continue 50-70% target range for shareholder illiquid asset origination to be sustainable or transition assets
- On track • Continue our programme of thought leadership, collaboratively driving policy change to unlock investment in climate solutions through roundtables and political manifesto recommendations
- On track • Deliver a programme to engage colleagues to reduce our emissions from business travel

ESG Theme: People

- Complete • Increase awareness of the pensions savings gap and inspire one million people to take action
- On track • Through Phoenix Insights, build and launch a Longer Lives Tracker to provide evidence and insight to policymakers
- Complete • Launch a social impact initiative and partnership with a charity
- On track • Continue to scope the development of a long-term social target
- On track • Scale tailored financial inclusion solutions to meet the needs of different customer segments
- On track • Inspire people to manage and change careers through extending the 'Careers can change' campaign

[1] Most recent scores, expected to change by the end of 2024.
[2] Productive Finance Working Group, convened in November 2020 by the Bank of England, HM Treasury and the FCA. Current guidance.

Appendix 15: Footnotes

1. 30 June 2024 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life Companies and recognition of the foreseeable 2024 interim shareholder dividend of £267m. Had the dynamic calculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.2bn and 3%pts respectively
2. The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported With-Profit funds and unsupported pension schemes
3. Solvency II leverage ratio calculation = debt (all debt including RT1) / SII regulatory Own Funds. Ratio allows for currency hedges over foreign currency denominated debt
4. The Board will continue to prioritise the sustainability of our dividend over the long term. Future dividends and annual increases will continue to be subject to the discretion of the Board, following assessment of longer-term affordability
5. Source: Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021)
6. Source: LCP report (A seismic shift in buy-ins/outs: how is the market adapting, October 2023)
7. c.£6-8bn market flows range for 2024 estimated by management. Estimate based on £3.6bn of individual annuities sales in H1 2024, as revealed by the Association of British Insurers - https://www.professionalpensions.com/news/4348724/annuity-sales-reach-gbp-6bn-h1-2024-abi-figures-show
8. HY23 includes £450m of cash remittances in July 2023
9. 31 December 2023 Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2023 and recognition of the Final 2023 shareholder dividend of £267m
10. Incorporates changes to the Group's methodology for determining IFRS adjusted operating profit since HY 2023. Further information on these changes can be found in Note 3 to the condensed consolidated financial statements in the 2024 Interim Financial Report.
11. New business strain principally reflects capital invested into annuities

Appendix 15: Footnotes

12. The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY 2023 shareholders' equity from £2.5 billion as reported to £2.7 billion. Further information on this restatement can be found in Note 1 to the condensed consolidated financial statements in the 2024 Interim Financial Report.
13. Illustrative impacts assume changing one assumption on 1 July 2024, while keeping others unchanged, and that there is no market recovery. They should not be used to predict the impact of future events as this will not fully capture the impact of economic or business changes. Given recent volatile markets, we caution against extrapolating results as exposures are not all linear
14. Assumes the impact of a dynamic recalculation of transitionals (subject to PRA approval) 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. Rise in inflation: 15yr inflation +50bps
16. A 15% weakening/10% strengthening of GBP exchange rates against other currencies
17. Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups
18. Only applied to the annuity portfolio
19. Property stress represents an overall average fall in property values of 12%
20. Credit stress varies by rating and term and is equivalent to an average 115bps spread widening. It assumes the impact of a dynamic recalculation of transitionals (subject to PRA approval) and makes no allowance for the cost of defaults/downgrades
21. 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 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

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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, political, social, environmental and business conditions; asset prices; market-related risks such as fluctuations in investment yields, interest rates and exchange rates, the potential for a sustained low-interest rate or high interest rate environment, and the performance of financial or credit markets generally; the policies and actions of governmental and/or regulatory authorities including, for example, climate change and the effect of the UK's version of the 'Solvency II' regulations on the Group's capital maintenance requirements; developments in the UK's relationship with the European Union; the direct and indirect consequences for European and global macroeconomic conditions of the conflicts in Ukraine and the Middle East, and related or other geopolitical conflicts; political uncertainty and instability; the impact of changing inflation rates (including high inflation) and/or deflation; information technology or data security breaches (including the Group being subject to cyber-attacks); the development of standards and interpretations including evolving practices in ESG and climate reporting with regard to the interpretation and application of accounting; the limitation of climate scenario analysis and the models that analyse them; lack of transparency and comparability of climate-related forward-looking methodologies; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets); the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; 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 any acquisitions, disposals or other strategic transactions; risks associated with arrangements with third parties; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; and the impact of changes in capital, and implementing changes in IFRS 17 or any other regulatory, solvency and/or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate.

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