



Phoenix Group announces strong results and new cash generation target. ReAssure acquisition on track to complete mid-2020.

Phoenix Group, Europe's largest life and pensions consolidator¹, announces strong results for the year ended 31 December 2019.

Financial highlights

- Strong cash generation² of £707 million in 2019 (2018: £664 million) exceeding the upper end of its cash generation target range of £600 million - £700 million³ for the year.
- Solvency II surplus of £3.1 billion⁴ as at 31 December 2019 (£3.2 billion⁵ as at 31 December 2018).
- Shareholder Capital Coverage Ratio of 161%^{4,6} as at 31 December 2019 (167%⁵ as at 31 December 2018) demonstrating continued resilience.
- Group operating profit of £810 million in 2019 (2018: £708 million).
- Proposed final dividend of 23.4p per share (2018 final dividend: 23.4p per share) with 2019 full year dividend of 46.8p per share (2018 full year dividend⁷: 46.0p per share).
- New business in 2019 enhances the sustainability of our dividend by delivering £475 million of incremental long-term cash generation:
 - £240 million from UK Open and Europe businesses (2018 pro forma⁸: £280 million); and
 - £235 million from bulk purchase annuities (2018: £250 million).
- Assets under administration of £248 billion as at 31 December 2019 (£226 billion as at 31 December 2018).
- Fitch Ratings affirmed the Group's rating as A+⁹; "positive" outlook. Leverage ratio¹⁰ of 22% as at 31 December 2019 (22% as at 31 December 2018).

Cash generation targets

- 2020 cash generation target of £800 - £900 million.
- 5 year cash generation target (2019 - 2023) increased by £0.1 billion to £3.9 billion for new business written during 2019.
- Long-term cash generation guidance remains at £12 billion after 2019 cash remittance of £707 million, demonstrating offsetting nature of new business written in the year.

Standard Life Assurance transition programme

- Remains on track to deliver the £1.2 billion total synergy target.
- Enlarged partnership with Tata Consultancy Services announced will support delivery of Hybrid end state Customer Service and IT operating model.
- £145 million of capital synergies delivered in 2019, taking cumulative capital synergies to £645 million against a target of £720 million (90% of total).
- £33 million per annum cost savings delivered to date against a target of £75 million per annum (44% of total).

Delivering on strategic priorities

- £3.2 billion acquisition of ReAssure Group plc on track to complete mid-2020, subject to regulatory approvals.
- Exceeded all customer service metric targets and continued investment in customer proposition.



PHOENIX GROUP

Phoenix Group Holdings plc: 2019 Full Year Results

9 March 2020

- £7.0 billion gross new business inflows for UK Open and Europe businesses in 2019 (2018 pro forma⁸: £8.5 billion) generating a new business contribution¹¹ of £158 million (2018 pro forma⁸: £154 million).
- £1.1 billion of bulk purchase annuity liabilities contracted in 2019 (2018: £0.8 billion).
- £1.1 billion buy-in from the PGL Pension Scheme successfully completed.
- £1.3 billion of illiquid assets sourced, taking allocation of illiquid assets backing annuity liabilities to 26%.
- £500 million Solvency II benefit from management actions delivered in the year in addition to £145 million of Standard Life Assurance transition programme capital synergies.

Commenting on the results, Group CEO, Clive Bannister said:

“Phoenix has had a strong year – we beat our cash generation target, made significant progress in the transition of Standard Life Assurance and announced the £3.2 billion acquisition of ReAssure. With circa £0.5 billion of incremental cash generation delivered from new business written in the year, we have demonstrated that our Open businesses and BPA bring sustainability to Phoenix, offsetting the run-off of our in-force business. I am extremely proud of the evolution of Phoenix during my time as CEO and I would like to thank all of the colleagues I have worked with throughout to deliver benefits to both our customers and shareholders.”

Nicholas Lyons, Chairman commented:

“I am delighted to welcome Andy Briggs to the Group as Clive’s successor as CEO and to announce today that Rakesh Thakrar will succeed Jim McConville as Group Finance Director when he retires in May. Andy and Rakesh inherit a Group that is delivering on its financial and operational targets and is strategically positioned to capture future opportunities in the life and pensions industry. The ReAssure transaction will deliver £7 billion of incremental cash generation and, alongside supporting the dividend, will give us an enhanced platform to pursue further growth opportunities. I would like to reiterate my thanks to both Clive and Jim for everything they have achieved at Phoenix, during which time they have transformed and grown the business to become the largest life and pensions consolidator in Europe.”

Presentation

There will be a presentation for analysts and investors today at 9.30am (BST) at J.P. Morgan, 1 John Carpenter Street, London, EC4Y 0JP

A link to a live webcast of the presentation, with the facility to raise questions, and a copy of the presentation will be available at www.thephoenixgroup.com

Participants may dial in as follows:

Dial-in number: +44 (0)330 336 9105

Confirmation code: 2736838

Please dial in 10 minutes prior to the beginning of the conference call in order to register.

To register for the live webcast please go to:

https://kvgo.com/IJLO/Phoenix_Group_2019_Full_Year_Results

A replay of the presentation will also be available through the website.

Dividend

The recommended final dividend of 23.4p per share is expected to be paid on 19 May 2020, subject to shareholder approval at Phoenix Group Holdings plc’s AGM on 15 May 2020.



PHOENIX GROUP

Phoenix Group Holdings plc: 2019 Full Year Results

9 March 2020

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 2 April 2020. The record date for eligibility for payment will be 3 April 2020.

Enquiries

Investors/analysts:

Claire Hawkins, Head of Investor Relations, Phoenix Group
+44 (0)20 3735 0575

Media:

Andy Donald and Vikki Kosmalska, Maitland
+ 44 (0)20 7379 5151

Shellie Wells, Head of Corporate Communications, Phoenix Group
+44 (0)203 735 0922

Notes

1. Phoenix Group is the largest life and pensions consolidator in Europe as at 31 December 2019 with 10 million policies and £248 billion of assets under administration.
2. Cash generation is a measure of cash and cash equivalents, remitted by the Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
3. 2019 cash generation target is net of the £250 million cost of capitalising Standard Life International Designated Activity Company for Brexit.
4. The Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2019.
5. The 31 December 2018 Solvency II capital position includes the impact of a regulator approved recalculation of transitionals for Standard Life Assurance Limited only. Had a dynamic recalculation of transitionals been assumed for the Phoenix Life companies, the Group's Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.1 billion and 3% respectively.
6. The 2019 Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and the PGL and Pearl Pension Schemes.
7. 2018 full year dividend rebased to take into account the bonus element of the rights issue completed in July 2018.
8. The pro forma assumes that the acquisition of the Standard Life Assurance businesses took place on 1 January 2018.
9. Insurer Financial Strength rating of Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.
10. Current leverage ratio is estimated by management.
11. "New business contribution" is the increase in Solvency II own funds arising from new business written in the period excluding risk margin and contract boundary restrictions.
12. This announcement in relation to Phoenix Group Holdings plc 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.
13. 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



PHOENIX GROUP

Phoenix Group Holdings plc: 2019 Full Year Results

9 March 2020

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.

14. 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; the political, legal and economic effects of the UK's vote to leave 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 (including without limitation the acquisition of ReAssure Group plc) 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.
15. 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 announcement. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this announcement or any other forward-looking statements or data it may make or publish. Nothing in this announcement should be construed as a profit forecast or estimate.