Phoenix

Helping people secure a life of possibilities

Interim Financial Report 2024

Phoenix Group Holdings plc

Standard Life
Part of Phoenix Group

SunLife
Part of Phoenix Group

PHOENIX LIFE
Part of Phoenix Group

ReAssure
Part of Phoenix Group

Performance

Key performance indicators

Operating Cash Generation

£647m

(HY 2023: £543m) APM

Total cash generation

£950m

(HY 2023: £898[1]m) REM APM

Solvency II surplus (estimated)

£3.5bn

(FY 2023: £3.9bn)

Group Solvency II shareholder capital coverage ratio (estimated)

168%

(FY 2023: 176% APM

All amounts throughout the report marked with REM are KPIs linked to Executive remuneration.

All amounts throughout the report marked with APM are alternative performance measures.

Read more on page 63.

Other performance indicators

Interim ordinary dividend per share

26.65p

(HY 2023: 26.0p)

IFRS adjusted operating profit

£360m

(HY 2023: £313[2]m) APM

IFRS loss after tax

£(646)m

(HY 2023: £(245)m)

IFRS adjusted shareholder equity

£4.2bn

(FY 2023: £4.8[3]bn) APM

Solvency II leverage ratio

35%

(FY 2023: 36%) APM

In this report

1 HY 2023 includes £450 million remitted from the Life Companies in July 2023.
2 Incorporates changes to the Group's methodology for determining adjusted operating profit since HY 2023 (see Note 3 to the condensed consolidated interim financial statements for further details.
3 The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY2023 adjusted equity from £4.6 billion as reported to £4.8 billion. Further information on this restatement can be found in Note 1 to the condensed consolidated interim financial statements.

Group Chief Executive Officer's report

Phoenix is making progress in executing against its 3-year strategy

Phoenix Group manages £289 billion of assets for c.12 million customers. Our purpose of 'helping people secure a life of possibilities' is embedded in everything that we do as we help customers journey to and through retirement.

In March we outlined a 3-year strategy for 2024-2026, which will support us in delivering our vision of being the UK's leading retirement savings and income business. The outcome of this will be a sustainable and growing business, which delivers growing cash, capital and earnings, and which can support a progressive and sustainable dividend.

First half 2024 performance demonstrates progress against our 3-year strategy

I am pleased with the progress we have made in the first six months of this 3-year strategic journey. There is clearly more to do, but with operating momentum in the business we are on track to deliver all our financial targets.

Operating Cash Generation ('OCG') grew by 19% to £647 million (HY 2023: £543 million), driven by increased surplus emerging from our growing business and a strong first half of recurring management actions. This in turn supported total cash generation of £950 million in the period (HY 2023: £898[1] million) and means we are confident of delivering at the top-end of our £1.4-1.5 billion target range in 2024.

Our Solvency balance sheet remains resilient with our Shareholder Capital Coverage Ratio ('SCCR') of 168% (FY 2023: 176%) in the top-half of our 140-180% operating range. We generated 3%pts of recurring Solvency II capital in the period, but this was more than offset by our planned debt repayment of £250 million and investment of c.£0.2 billion across our strategic priorities.

The Group's IFRS adjusted operating profit grew 15% to £360 million (HY 2023: £313[2] million) driven by profitable growth in both our Pensions and Savings business and our Retirement Solutions business.

However, we are reporting an IFRS loss after tax of £646 million (HY 2023: £245[2] million loss). This primarily reflects adverse economic variances which are a consequence of our Solvency hedging approach that protects our cash and dividend, as well as elevated non-operating expenses related to our investment programme and the accounting impact of a buy-out of our internal pension scheme. This means our IFRS shareholder equity has reduced in the period to £1.8 billion (FY 2023: £2.7[3] billion). We recognise the importance of the metric for investors, and are focused on driving strong growth in IFRS adjusted operating profit and better optimising our IFRS balance sheet over time.

In line with our usual approach, the Board has declared an Interim dividend of 26.65p per share, equal to the prior year Final dividend. This is a 2.5% increase year-on-year (HY 2023: 26.0p).

Our H1 2024 financial performance is enabled by the progress we have made across our strategic priorities of Grow, Optimise and Enhance.

Grow

In our Pensions and Savings business, we have been investing to develop innovative retirement income solutions and have recently launched several new products. In May we launched the Standard Life Smoothed Return Pension Fund, exclusively through the Fidelity Adviser Solutions platform. This Fund is designed to help people grow their pension investments while providing some reassurance from the daily uncertainty of investing, through a "smoothing" process. We also continue to extend our range of individual propositions in response to increased customer demand for flexible retirement income solutions, with the launch of the Standard Life Guaranteed Fixed-term Income product in September.

We have enhanced our annuity customer proposition, with the introduction of our Bulk Purchase Annuity ('BPA') buy-out capability to complete our full-service market offering and a new digital individual annuity quote capability. This means that over 90% of our quotations are underwritten and returned within seconds, and the other 10% we aim to respond in two days, providing a differentiator in the market.

We are also taking action to retain our existing customers for longer, through offering our Workplace customers our Retail consolidation offering, and our Pension and Savings customers our annuity offering. Both are examples of our ability to bring together our Group-wide capabilities under the Standard Life brand to better meet our customers' needs and support our customers for longer.

Ahead of the UK General Election we joined forces with a range of partners to call for all political parties to commit to addressing pensions adequacy in the UK. Workplace pensions are the primary retirement savings vehicle for most UK adults and we have been calling for incremental increases to the minimum auto-enrolment pension contribution rate from the current 8%, based on an agreed set of economic metrics. We therefore welcome the new Government's reviews into pension investments and pensions adequacy.

Optimise

We are targeting a Solvency II leverage ratio of c.30% by the end of 2026, supported by at least £500 million of debt repayment, and we reduced our ratio to 35% at the end of June (FY 2023: 36%). In the first half we repaid £250 million of debt, however this was partially offset by the impact of higher interest rates reducing Regulatory Own Funds, which is a consequence of our Solvency II surplus hedging strategy.

[1] HY 2023 includes £450 million remitted from the Life Companies in July 2023.
[2] Incorporates changes to the Group's methodology for determining adjusted operating profit since HY 2023. See Note 3 to the condensed consolidated interim financial statements for further details.
[3] The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY2023 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 interim financial statements.

Through our in-house asset management function we have delivered £264 million of recurring management actions (HY 2023: £178 million). This reflects a large number of actions as we seek to more efficiently manage our portfolio, whilst ensuring that our risk profile remains unchanged. Given this strong first half, we now expect to deliver c.£400 million of recurring management actions in 2024 and beyond.

In July we announced that Phoenix Group and Schroders will be launching Future Growth Capital ('FGC'), the UK's first dedicated private markets investment manager to promote the objectives of the Mansion House Compact, of which Phoenix is a signatory. FGC also aligns with the aims of the new Government. It aims to unlock investment opportunities in private markets for pension savers to benefit from the diversification and investment return opportunities that these asset classes can offer, and will play a major role in the future design of our flagship default funds.

Enhance

We continued to make good progress in delivering our customer migrations, with c.550k ReAssure customers scheduled to migrate to the TCS Diligenta platform at the end of September. We also collapsed our Heritage and Open divisions into a single Group-wide operating model, through our Pensions and Savings and Retirement Solutions businesses, supporting better customer outcomes and improved cost efficiency. We are therefore on track to deliver c.£50 million of run-rate cost savings by the end of 2024, as we progress towards our £250 million run-rate cost savings target by the end of 2026.

In June we announced that we were exploring a potential sale of our SunLife Limited business. However, given the current uncertainty in the protection market, the Board has decided to discontinue the sale process as it would not maximise value for shareholders. Phoenix will now explore ways of enhancing the value SunLife generates within the Group.

Pensions and Savings business performance

We are improving our capital-light Pensions and Savings profitability through growing our assets and enhancing our operating margin through improved cost efficiency. This has supported increased IFRS adjusted operating profit of £149 million in the first half (HY 2023: £76 million).

We have built a scale Workplace business under the Standard Life brand by improving our proposition, the outcome of which is that we are retaining schemes and winning new schemes of all sizes in the market. This has helped us to drive strong growth in net fund flows, with 83% year-on-year growth in Workplace net fund inflows to £3.3 billion in H1 (HY 2023: £1.8 billion). This included the transfer of c.£900 million of Workplace assets from a technology business new scheme win.

Our Retail business remains in net fund outflow at present, but through better supporting the 1-in-5 adults who are already Phoenix customers, we will be able to reduce the outflows from our legacy products over time.

Retirement Solutions business performance

In the first half we wrote £1.7 billion of annuity premiums (HY 2023: £3.2 billion) with a further £0.4 billion transacted since the period end and an additional £2.2 billion of exclusive transactions in progress. After a quieter first half market, we expect to see a strong second half BPA deal flow and we are confident of deploying c.£200 million of capital into annuities this year.

Importantly, we are now able to write more annuity premiums for less capital, due to the further progress we have made in reducing our annuity capital strain, to around 3% in H1 (FY 2023: 4.7%). This reflects the full benefit of the Part VII funds merger completed last year and demonstrates the benefits of our diversified balance sheet. At this lower level of strain and with c.£200 million capital to deploy, we expect to write annual annuity premiums of c.£6 billion in 2024 and beyond. This, in turn, will support strong ongoing Contractual Service Margin ('CSM') growth, with 10% Group CSM growth in the first half, reflecting new business, management actions and some one-off items.

Group Chief Financial Officer update

Rakesh Thakrar stood down from his position as Group CFO in September, with Stephanie Bruce having joined as Interim Group CFO in June. Rakesh has been a huge asset to the Group and we thank him for his significant contribution including his oversight of a number of transformational projects. The Board is well progressed with its process to find a permanent successor and will provide an update on the outcome when appropriate.

Summary and Outlook

I am pleased with the initial progress we have made in the first six months of our 3-year strategy, which is enabling us to deliver improved performance, across our financial framework of cash, capital and earnings. We are therefore on track to deliver all of our financial targets, in support of our progressive and sustainable ordinary dividend policy.

Thank you

Our strong performance is only achieved through the hard work and dedication of our exceptional people, so I would like to take this opportunity to thank each and every one of my colleagues across the Group for their contributions.

Andy Briggs

Group Chief Executive Officer

Delivering cash, capital and earnings

Clear operating momentum in H1 2024, with consequences from our Solvency II hedging strategy

Phoenix operates a financial framework that focuses on the three financial outcomes we deliver for our shareholders: cash, capital and earnings.

We have delivered total cash generation of £950 million in the first half, with strong growth in Operating Cash Generation to £647 million that more than covers our recurring cash uses of £497 million in the period.

Our resilient capital position with a Solvency II surplus of £3.5 billion has enabled us to repay debt and invest in our business, and our Shareholder Capital Coverage Ratio of 168% has remained in the upper half of our target operating range. In addition, our Solvency II leverage ratio has reduced in the period to 35%, reflecting £250 million of debt repayment.

Pleasingly, our operating earnings are growing strongly, with IFRS adjusted operating profit increasing by 15% to £360 million, reflecting profitable growth in both the Pensions and Savings and Retirement Solutions businesses.

We have operating momentum in the business which is helping to drive our performance. For instance, our average Pensions and Savings assets under administration ('AUA') increased 9% in the period, supported by 83% year-on-year growth in Workplace net fund flows and positive market movements, and our Group CSM grew 10% in the first half.

We have made progress with improving our capital efficiency in annuities, where a reduced capital strain of c.3% means we can now deliver more volume for less capital, and we expect to write c.£6 billion of annuity premiums annually in 2024 and beyond.

However, we have reported a statutory loss after tax of £646 million in the period. This is primarily due to £698 million of adverse economic variances, principally relating to higher interest rates and global equities in the first half. The variances arise as a consequence of our Solvency II hedging strategy, which is designed to protect our cash generation and ensure we offer a sustainable dividend. However, it creates volatility in shareholders' equity, and to a lesser extent in SII Own Funds and the SII leverage ratio. Long-term interest rates have already fallen since June and further reductions are expected going forward. We are therefore well positioned to benefit from lower interest rates going forward.

As a result of our overall performance, the Board has declared an Interim dividend of 26.65p per share, in line with our Final 2023 dividend, which is a 2.5% year-on-year increase.

H1 2024 financial summary

Financial performance metrics:		30 June 2024	30 June 2023	YOY change
Cash	Operating Cash Generation	£647m	£543m	+19%
	Total cash generation	£950m	£898[1]m	+6%
Dividend	Interim dividend per share	26.65p	26.0p	+2.5%
IFRS	Adjusted operating profit	£360m	£313[2]m	+15%
	Loss after tax	£(646)m	£(245)[2]m	+164%

Balance sheet metrics:		30 June 2024	31 December 2023	6-mth change
Solvency II capital	PGH Solvency II surplus	£3.5bn	£3.9bn	-10%
	PGH Shareholder Capital Coverage Ratio	168%	176%	-8%pts
Leverage	Solvency II leverage ratio	35%	36%	-1%pt
IFRS	Shareholders' equity	£1.8bn	£2.7[3]bn	-33%
	Contractual Service Margin	£3.1bn	£2.9bn	+10%
Assets	Assets under administration	£289bn	£283bn	+2%

1 Includes £450 million remitted from the Life Companies in July 2023
2 Incorporates changes to the Group's methodology for determining adjusted operating profit since HY 2023 (see note 3 to the condensed consolidated interim financial statements for further details)
3 The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY2023 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 interim financial statements.

Alternative performance measures

With our financial framework designed to deliver cash, capital and earnings, we recognise the need to use a broad range of metrics to measure and report the performance of the Group, some of which are not defined or specified in accordance with Generally Accepted Accounting Principles ('GAAP') or the statutory reporting framework. We use a range of alternative performance measures ('APMs') to evaluate our business, which are summarised on page 63.

Cash

£647m

Operating Cash Generation APM

£950m

Total cash generation REM APM

Group cash flow analysis

£m	H1 2024	H1 2023
Cash and cash equivalents at 1 January	**1,012**	**503**
Operating Cash Generation	647	543
Non-operating cash generation	303	355
Total cash generation[1]	**950**	**898[2]**
Recurring uses of cash:		
Operating expenses	(47)	(44)
Pension scheme contributions	(9)	(9)
Debt interest	(138)	(125)
Shareholder dividend	(267)	(260)
Support of BPA activity	(36)	(195)
Total recurring uses of cash	**(497)**	**(633)**
Non-recurring uses of cash:		
Non-operating cash (outflows) / inflows	(185)	178
Debt repayments	(643)	–
Debt issuance	390	–
Cost of Sun Life of Canada UK acquisition	–	(250)
Closing cash and cash equivalents at 30 June	**1,027**	**696**

1 Total cash receipts include £28 million received by the holding companies in respect of tax losses surrendered (HY 2023: £139 million).
2 Includes £450 million remitted from the Life Companies in July 2023

Operating Cash Generation

Operating Cash Generation ('OCG') represents the sustainable level of ongoing cash generation from our underlying business operations that is remitted from our Life Companies to the Group.

In the first half, OCG grew 19% to £647 million (HY 2023: £543 million). This was driven by a 5% increase in surplus emergence to £383 million (HY 2023: £365 million), primarily reflecting the growth of new business in Pensions and Savings. The remaining £264 million was generated through recurring management actions (HY 2023: £178 million), comprising a large number of asset and liability optimisation actions to more efficiently manage our portfolio.

Importantly, OCG of £647 million more than covered recurring uses of cash in the period of £497 million, which includes dividend, operating costs, pensions contributions, debt interest and BPA capital.

This demonstrates the strong operating performance in our business and we are on track to deliver our target of £1.4 billion of OCG in 2026.

Total cash generation

Total cash generation represents the total cash remitted from the operating entities to the Group, comprising OCG, non-recurring management actions and the release of free surplus above capital requirements in the Life Companies.

In addition to the OCG generated in the first half, we also delivered £303 million (HY 2023: £355 million) of non-operating cash generation. This included free surplus release to support the £250 million debt repayment made in the period and one-off management actions.

Total cash generated during the period was therefore £950 million (HY 2023: £898[2] million), which gives us confidence that we can deliver at the top-end of our 2024 target range of £1.4-£1.5 billion. The Group has also set a 3-year target of £4.4 billion across 2024-2026 and remains on track.

Recurring uses of cash

Operating expenses, pension scheme contributions and debt interest were all broadly in line with the prior year.

The shareholder dividend of £267 million represents the payment of the 2023 Final dividend in May. This has increased year-on-year, from £260 million in 2023, due to the 2.5% increase announced alongside our full year 2023 results.

Non-recurring uses of cash

Non-operating net cash outflows of £185 million (HY 2023: £178 million net cash inflow) primarily relate to £164 million of investment across our strategic priorities, the majority of which supported the delivery of our migration programmes. H1 2023 benefited by £266 million in respect of net collateral cash and hedge close outs which did not repeat in 2024.

Debt movements reflect the £250 million Tier 2 note redemption in support of the Group's deleveraging programme and the refinancing of $500 million of Restricted Tier 1 notes, both of which completed in June 2024.

Capital

£3.5bn

Solvency II surplus (estimated)

168%

Group Solvency II shareholder capital Cover Ratio (estimated) APM

35%

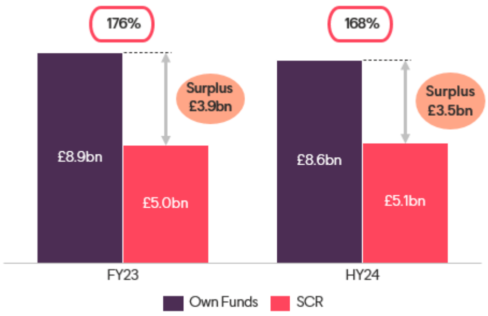
Solvency II leverage ratio APM

Group Solvency II capital position

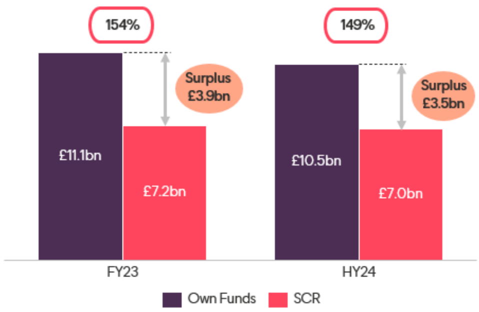
Our Solvency II ('SII') capital position remains resilient, with a surplus of £3.5 billion (FY 2023: £3.9 billion), and includes the accrual for the 2024 Interim dividend.

Our Shareholder Capital Coverage Ratio ('SCCR') reduced 8%pts to 168% (FY 2023: 176%) and the ratio remains in the top-half of our 140%-180% target operating range.

£3.5 billion Group Solvency II Shareholder surplus[(1,2)]



£3.5 billion Group Solvency II Regulatory surplus[(1)]



Notes

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. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.2 billion and increase by 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.

Change in Group Solvency II surplus and SCCR (estimated)

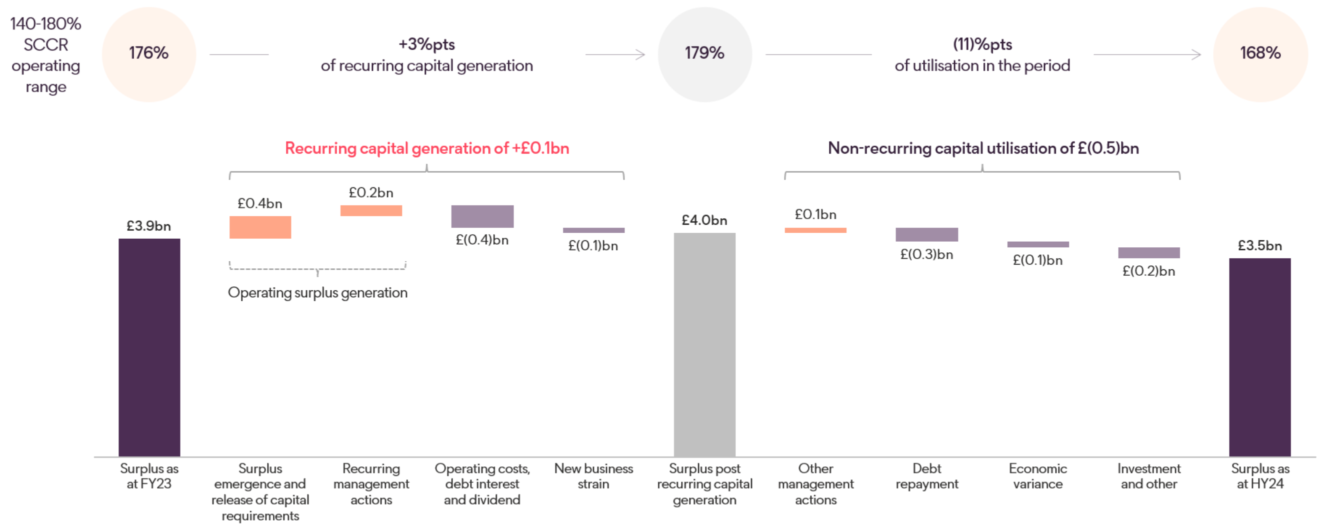
We generated £0.1 billion of recurring SII capital in the first half of 2024, which increased the SCCR by 3%pts.

Ongoing surplus emergence and release of capital requirements contributed £0.4 billion to SII surplus, increasing the SCCR by 8%pts. We have also delivered recurring management actions of £0.2 billion in the period, increasing the SCCR by 6%pts.

Operating costs, dividends and interest totalled £0.4 billion , reducing the SCCR by 8%pts. We incurred new business strain of £0.1 billion which reduced the SCCR by 3%pts, primarily related to annuity growth, with £1.7 billion of premiums written in the period.

Non-recurring capital utilisation reduced the SII surplus by £0.5 billion and the SCCR by 11%pts. This included the planned repayment of £250 million of debt to reduce leverage, and c.£0.2 billion of Investment and Other, the majority of which reflects our planned investment to grow, optimise and enhance our business.

H1 2024 change in Group Solvency II surplus



Life Company Free Surplus

Life Company Free Surplus represents the SII surplus of the Life Companies that is in excess of their Board-approved capital management policies. As at 30 June 2024, the Life Company Free Surplus was £1.7 billion (FY 2023: £2.2 billion), which is broadly in line with the reduction in the Group's Solvency II surplus, reflecting a free surplus remittance to the Group to support the repayment of £250m of debt in June and investment into the business.

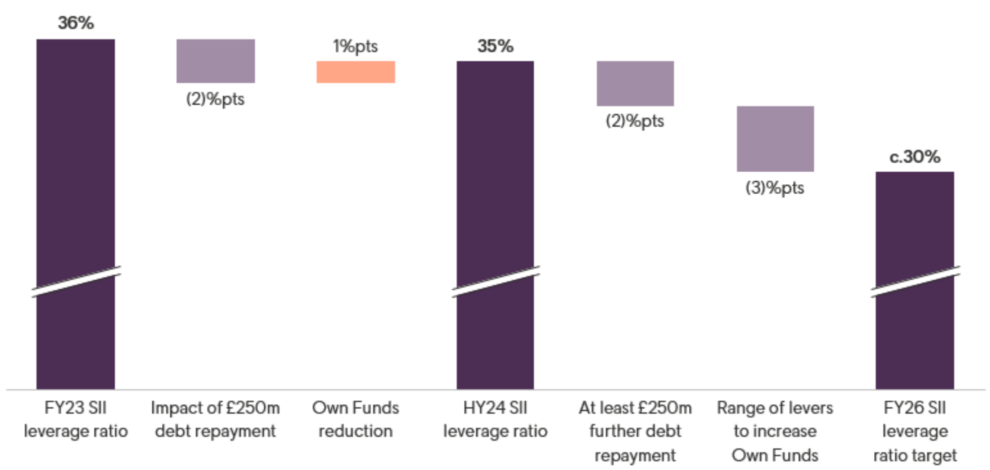
Leverage

As at 30 June 2024, Solvency II leverage ratio was 35% (FY 2023: 36%). This reduction in the period was largely due to the repayment of £250 million of debt in June, which reduced the ratio by 2%pts. In the period, Regulatory Own Funds reduced as a result of rising markets, principally from higher interest rates, which partially offset some of the debt repayment impact by 1%pt.

Looking forward, we have a number of levers to support us in meeting our Solvency II leverage ratio target of c.30% by the end of 2026. These include further debt repayment of at least £250 million and increasing Own Funds organically through 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. In addition, we would expect to see some reversal of the adverse impact on Regulatory Own Funds if interest rates reduce.

The Group's Fitch leverage ratio was 22% (FY 2023: 23%), favourably below Fitch's stated 25-30% range for an investment grade credit rating.

Solvency II leverage ratio trajectory



Earnings

£360m

IFRS adjusted operating profit APM

£4.2bn

IFRS adjusted shareholders' equity APM

IFRS income statement	30 June 2024	30 June 2023[1]
Pensions and Savings	£149m	£76m
Retirement Solutions	£210m	£179m
Europe and Other	£50m	£85m
With-Profits	£3m	£6m
Corporate Centre	£(52)m	£(33)m
Adjusted operating profit	**£360m**	**£313m**
Economic variances	£(698)m	£(313)m
Amortisation and impairment of intangibles	£(131)m	£(161)m
Other non-operating items	£(302)m	£(193)m
Finance costs attributable to owners	£(101)m	£(99)m
Profit before tax attributable to non-controlling interest	£10m	£16m
Loss before tax attributable to owners	**£(862)m**	**£(437)m**
Tax credit attributable to owners	£216m	£192m
Loss after tax attributable to owners	**£(646)m**	**£(245)m**

1 Incorporates changes to the Group's methodology for determining adjusted operating profit since HY 2023 (see note 3 to the condensed consolidated interim financial statements for further details).

IFRS loss after tax attributable to owners

The Group generated an IFRS loss after tax attributable to owners of £646 million (HY 2023: loss of £245 million), with the year-on-year reduction primarily driven by £698 million of adverse economic variances due to higher levels of interest rates and global equities.

IFRS adjusted operating profit

IFRS adjusted operating profit is an alternative performance measure (see APMs on page 63).

The Group generated a 15% year-on-year increase in IFRS adjusted operating profit to £360 million (HY 2023: £313[4] million).

We delivered strong growth in our Pensions and Savings business, with increased IFRS adjusted operating profit of £149 million (HY 2023: £76 million). This was driven by improved profitability as we grew our assets and delivered stronger net fund inflows in Workplace, and through enhancing our IFRS operating margin through cost efficiency. In HY 2023 there were one-off adverse experience variances related to IFRS 17 insurance contracts which did not repeat in H2 2023 or in H1 2024.

Our Retirement Solutions business delivered IFRS adjusted operating profit of £210 million (HY 2023: £179 million). The 17% year-on-year increase primarily reflects strong ongoing annuity growth.

Europe and Other profit decreased to £50 million (HY 2023: £85 million), primarily due to the prior period one-off impact of experience and assumption updates which did not repeat. The With-Profits segment profit decreased to £3 million (HY 2023: £6 million) due to the run-off of this business. The Group's Corporate Centre includes net operating costs in the period of £52 million (HY 2023: £33 million), which primarily reflect investment in central functions to support our growth ambitions, partially offset by increased interest income on Holding Company cash.

Economic variances

The net adverse economic variances of £698 million (HY 2023: £313[4] million) have primarily arisen as a result of losses from rising interest rates and a rise in global equity markets on the hedges the Group holds to protect its Solvency II surplus. This is a known consequence of our hedging strategy, where we hedge our Solvency II surplus to protect our cash generation and ensure we offer a sustainable dividend.

Amortisation and impairment of intangibles

The previously acquired in-force business, relating to IFRS 9 accounted capital-light fee-based business, is being amortised in line with the expected run-off profile of the investment contract profits to which it relates. Amortisation during the period reduced to £131 million (HY 2023: £161 million) largely reflecting the impact of run-off.

Other non-operating items

Other non-operating items in the period totalled a £302 million loss (HY 2023: £193 million loss). The majority of this reflects £196 million of investment across our strategic priorities, in line with our committed investments under our capital allocation framework. There is also a £106 million adverse one-off impact from the buyout of our internal PGL Pension Scheme in the period, with a partial £87 million offset in the Group's CSM.

[4] Incorporates changes to the Group's methodology for determining adjusted operating profit since Half Year 2023 (see Note 3 to the consolidated financial statements for further details).

Shareholders' equity
Principally as a result of the IFRS loss after tax, shareholders' equity reduced in the period to £1.8 billion (FY2023: £2.7 billion). The Group identified material corrections to previously reported results resulting in a restatement of comparative information, including the restatement of the FY2023 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 interim financial statements.

Contractual Service Margin ('CSM')
The Group's CSM (gross of tax) was £3.1 billion as at 30 June 2024, which grew by 10% in the first half (FY 2023: £2.9 billion), and represents a significant stock of future profits that will unwind into the income statement in future years. The increases in the period primarily include new annuity business written, interest accretion and management actions, totalling £257 million. In addition, there was a one-off £87 million increase related to the internal PGL pension scheme buy-out, which is broadly offset in shareholders' equity, and an £81 million one-off impact relating to modelling refinements and adjustments. The HY 2024 CSM release into the income statement was 9% on an annualised basis.

Assets under administration ('AUA')
Group AUA as at 30 June 2024 was £289 billion (FY 2023: £283 billion), an increase of 2%. This was primarily driven by a £8.8 billion benefit from positive market movements. Net inflows in Workplace, Retirement Solutions, Europe and Other were £3.3 billion, £0.1 billion and £0.3 billion respectively, offset by £4.6 billion of primarily legacy outflows in Retail and £1.9 billion of With-Profits outflows as that book runs off.

The Group's strategy is designed to grow net fund flows over time as we both retain our existing customers and attract new customers.

Dividend

In line with previous years, our declared 2024 Interim dividend of 26.65 pence per share is equal to the 2023 Final dividend, which is a 2.5% year-on-year increase compared to the 2023 Interim dividend, reflecting the dividend growth delivered as a result of our 2023 performance.

The Board will continue to announce any potential annual dividend increase alongside the Group's Full Year results and 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.

Outlook

We have a 3-year strategy to deliver our ambition of becoming the UK's leading retirement savings and income business, which will enable us to deliver on our targets across our financial framework of cash, capital and earnings, to deliver strong shareholder returns.

Phoenix Group's financial targets

Cash
- Operating Cash Generation target of £1.4bn in 2026.
- Total cash generation 1-year target range of £1.4bn-1.5bn in 2024 and 3-year target of £4.4bn across 2024-26.

Capital
- Continue to operate within our 140-180% Shareholder Capital Coverage Ratio operating range.
- Targeting a SII leverage ratio of c.30% by the end of 2026.

Earnings
- Targeting £900m of IFRS adjusted operating profit in 2026.
- £250m of annual run-rate cost savings by the end of 2026.

Stephanie Bruce
Interim Group Chief Financial Officer

Principal risks and uncertainties facing the Group

The Group's principal risks and uncertainties are detailed in this section, highlighting any change in risk exposure since the Group's 2023 Annual Report and Accounts, published in March 2024.

Risk environment

The Group continues to operate in a volatile risk environment with multiple external factors requiring navigation to enable the Group to deliver on its strategic priorities. These include:

- The global macro-economic environment remains highly uncertain and volatile including interest rates, ongoing geopolitical risks and impacts arising from multiple conflicts, and whilst UK inflation has moderated, it is yet to be seen as stable.
- The regulatory change agenda continues to develop at a fast pace, and the likelihood of further legislative and regulatory reform remains high under a new Government. The Group continues to monitor any developments in the legislative and regulatory space and to engage with regulators and industry bodies on reforms to aid the management of our key risks, including climate change, to ensure ongoing resilience.
- Cyber Risk remains a key threat to the Group and strategic partners, and the Group remains alert to do everything possible in being cyber resilient to avoid any business interruptions if the Group is targeted.

Principal Risks

The 13 principal risks facing the Group remain in line with those detailed on pages 50 to 57 of the 2023 Annual Report with no material changes. Page 56 of this report outlined the operational risk in implementing and embedding the new IFRS 17 reporting process and corrections were needed to year-end 2023 reported results. This process is being further enhanced over 2024 and the overall risk remains at "Unchanged".

Financials

Statement of Directors' responsibilities

The Board of Directors of Phoenix Group Holdings plc hereby declares that, to the best of its knowledge:

- the condensed consolidated interim financial statements set out on pages 16 to 56 have been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting'; and
- the Interim Financial Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R:
  - an indication of important events that have occurred during the first six months ended 30 June 2024 and description of principal risks and uncertainties for the remaining six months of the financial year; and
  - transactions with related parties and any material changes in related party transactions described in the last Annual Report and Accounts that could have a material effect on the financial position or performance of Phoenix Group in the six months ended 30 June 2024.

Information on the current directors responsible for providing this statement can be found on the Phoenix Group Holdings plc website at www.thephoenixgroup.com

By order of the Board

Andy Briggs
Group Chief Executive Officer

13 September 2024

Phoenix Group Holdings plc Board of Directors

Chair
Sir Nicholas Lyons

Executive Directors
Andy Briggs

Non-Executive Directors
Eleanor Bucks
Karen Green
Mark Gregory
Hiroyuki Iioka
Katie Murray
John Pollock
Belinda Richards
David Scott
Margaret Semple, OBE
Nicholas Shott

Independent auditor's review report

To: Phoenix Group Holdings plc

Conclusion

We have been engaged by Phoenix Group Holdings plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the condensed consolidated income statement, condensed statement of consolidated comprehensive income, condensed statement of consolidated financial position, condensed statement of consolidated changes in equity, condensed statement of consolidated cash flows and the related notes to the condensed consolidated interim financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Director's responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Stuart Crisp
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

13 September 2024

Condensed consolidated income statement (unaudited)

For the half year ended 30 June 2024

	Notes	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 restated[1] £m
Insurance revenue	5	**2,572**	2,523
Insurance service expenses		**(2,223)**	(2,261)
Insurance service result before reinsurance contracts		**349**	262
Net expenses from reinsurance contracts		**(91)**	(120)
Insurance service result		**258**	142
Fees and commissions		**483**	422
Net investment income		**11,571**	5,087
Other operating income		**19**	84
Gain on acquisition		**-**	66
Total income		**12,331**	5,801
Net finance expense from insurance contracts		**(2,116)**	(423)
Net finance expense from reinsurance contracts		**(56)**	(139)
Net insurance finance expense	6	**(2,172)**	(562)
Change in investment contract liabilities		**(9,779)**	(4,696)
Change in reinsurers' share of investment contract liabilities		**341**	181
Amortisation and impairment of acquired in-force business		**(129)**	(158)
Amortisation of other intangibles		**(3)**	(3)
Administrative expenses		**(996)**	(759)
Net expense attributable to unit holders		**(115)**	(42)
Loss before finance costs and tax		**(522)**	(238)
Finance costs		**(147)**	(134)
Loss for the period before tax		**(669)**	(372)
Tax charge attributable to policyholders' returns	7	**(193)**	(65)
Loss before the tax attributable to owners		**(862)**	(437)
Tax credit	7	**23**	127
Add: tax attributable to policyholders' returns	7	**193**	65
Tax credit attributable to owners	7	**216**	192
Loss for the period attributable to owners		**(646)**	(245)
Attributable to:			
Owners of the parent		**(656)**	(261)
Non-controlling interests	12	**10**	16
		(646)	(245)
Earnings per ordinary share			
Basic (pence per share)	8	**(66.6)p**	(27.1)p
Diluted (pence per share)	8	**(66.6)p**	(27.1)p

1 See note 1 for details of the restatement to insurance revenue and insurance service expenses.

Condensed statement of consolidated comprehensive income (unaudited)

For the half year ended 30 June 2024

	Notes	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Loss for the period		**(646)**	(245)
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Cash flow hedges:			
Fair value gains/losses arising during the period		**2**	(45)
Reclassification adjustments for amounts recognised in profit or loss		**(9)**	81
Exchange differences on translating foreign operations		**17**	17
Items that will not be reclassified to profit or loss:			
Remeasurements of net defined benefit asset/liability		**71**	39
Tax charge relating to other comprehensive income items	7	**(16)**	(21)
Total other comprehensive income for the period		**65**	71
Total comprehensive expense for the period		**(581)**	(174)
Attributable to:			
Owners of the parent		**(591)**	(190)
Non-controlling interests	12	**10**	16
		(581)	(174)

Condensed statement of consolidated financial position (unaudited)

As at 30 June 2024

	Notes	30 June 2024 £m	31 December 2023 restated[1] £m
Assets			
Pension scheme asset	13	33	26
Reimbursement right assets	13	191	215
Intangible assets			
Goodwill		10	10
Acquired in-force business		1,783	1,912
Other intangibles		103	106
		1,896	2,028
Property, plant and equipment		98	106
Investment property		3,927	3,698
Financial assets			
Loans and deposits		264	248
Derivatives		2,250	2,766
Equities		95,870	87,628
Investment in associate	16.1	-	349
Debt securities		88,169	93,374
Collective investment schemes		80,160	78,909
Reinsurers' share of investment contract liabilities		9,116	9,672
	16	275,829	272,946
Insurance assets			
Reinsurance contract assets	14	4,889	4,876
Deferred tax assets		100	143
Current tax		514	502
Prepayments and accrued income		562	439
Other receivables		3,482	2,578
Cash and cash equivalents		9,659	7,168
Assets classified as held for sale	2.1	3,354	4,594
Total assets		304,534	299,319

1 See note 1 for details of the prior year restatements.

Condensed statement of consolidated financial position (unaudited)

As at 30 June 2024

	Notes	30 June 2024 £m	31 December 2023 restated[1] £m
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	10	100	100
Share premium		16	16
Shares held by employee benefit trust		(8)	(15)
Foreign currency translation reserve		108	91
Merger relief reserve	10	1,294	1,819
Other reserves	11	9	16
Retained earnings		288	641
Total equity attributable to owners of the parent		1,807	2,668
Tier 1 Notes		494	494
Non-controlling interests	12	542	549
Total equity		2,843	3,711
Liabilities			
Pension scheme liability	13	1,373	2,557
Reimbursement right liabilities	13	32	79
Insurance liabilities			
Insurance contract liabilities	14	115,565	115,727
Reinsurance contract liabilities	14	147	147
		115,712	115,874
Financial liabilities			
Investment contracts		166,598	157,715
Borrowings	15	3,689	3,892
Derivatives		3,542	3,342
Net asset value attributable to unit holders		2,646	2,921
Obligations for repayment of collateral received		656	1,005
		177,131	168,875
Provisions		160	155
Deferred tax liabilities		186	320
Current tax		31	41
Lease liabilities		64	74
Accruals and deferred income		487	579
Other payables		2,668	2,272
Liabilities classified as held for sale	2.1	3,847	4,782
Total liabilities		301,691	295,608
Total equity and liabilities		304,534	299,319

1 See note 1 for details of the prior year restatements.

Condensed statement of consolidated changes in equity (unaudited)

For the half year ended 30 June 2024

	Share capital (note 10) £m	Share premium £m	Shares held by the employee benefit trust £m	Foreign currency translation reserve £m	Merger relief reserve (note 10) £m	Other reserves (note 11) £m	Retained earnings £m	Total £m	Tier 1 Notes £m	Non-controlling interests (note 12) £m	Total equity £m
At 31 December 2023 as reported	100	16	(15)	91	1,819	16	469	2,496	494	549	3,539
Restatements[1]	-	-	-	-	-	-	172	172	-	-	172
At 1 January 2024 (restated)	100	16	(15)	91	1,819	16	641	2,668	494	549	3,711
(Loss)/profit for the period	-	-	-	-	-	-	(656)	(656)	-	10	(646)
Other comprehensive income/(expense) for the period	-	-	-	17	-	(7)	55	65	-	-	65
Total comprehensive income/(expense) for the period	-	-	-	17	-	(7)	(601)	(591)	-	10	(581)
Dividends paid on ordinary shares	-	-	-	-	-	-	(267)	(267)	-	-	(267)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(6)	(6)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	12	12	-	-	12
Reserve movement on exercise of share scheme awards	-	-	11	-	-	-	(11)	-	-	-	-
Shares acquired by the employee benefit trust	-	-	(4)	-	-	-	-	(4)	-	-	(4)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(11)	(11)
Coupon paid on Tier 1 Notes, net of tax relief	-	-	-	-	-	-	(11)	(11)	-	-	(11)
Transfer of merger reserve	-	-	-	-	(525)	-	525	-	-	-	-
At 30 June 2024	100	16	(8)	108	1,294	9	288	1,807	494	542	2,843

1 See note 1 for details of the prior year restatements.

Condensed statement of consolidated changes in equity (unaudited)

For the half year ended 30 June 2023

	Share capital (note 10)	Share premium	Shares held by the employee benefit trust	Foreign currency translation reserve	Merger relief reserve	Other reserves (note 11)	Retained earnings restated	Total restated	Tier 1 Notes	Non-controlling interests (note 12)	Total equity restated
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2022 as reported	100	10	(13)	87	1,819	46	1,162	3,211	494	532	4,237
Restatements[1]	-	-	-	-	-	-	33	33	-	-	33
At 1 January 2023 (restated)	100	10	(13)	87	1,819	46	1,195	3,244	494	532	4,270
(Loss)/profit for the period	-	-	-	-	-	-	(261)	(261)	-	16	(245)
Other comprehensive income for the period	-	-	-	17	-	36	18	71	-	-	71
Total comprehensive income/(expense) for the period	-	-	-	17	-	36	(243)	(190)	-	16	(174)
Issue of ordinary share capital, net of associated commissions and expenses	-	4	-	-	-	-	-	4	-	-	4
Dividends paid on ordinary shares	-	-	-	-	-	-	(260)	(260)	-	-	(260)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(5)	(5)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	10	10	-	-	10
Reserve movement on exercise of share scheme awards	-	-	9	-	-	-	(9)	-	-	-	-
Shares acquired by the employee benefit trust	-	-	(8)	-	-	-	-	(8)	-	-	(8)
Coupon paid on Tier 1 Notes, net of tax relief	-	-	-	-	-	-	(11)	(11)	-	-	(11)
At 30 June 2023 (restated)	100	14	(12)	104	1,819	82	682	2,789	494	543	3,826

1 See note 1 for details of the prior year restatements.

Condensed statement of consolidated cash flows (unaudited)

For the half year ended 30 June 2024

	Notes	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Cash flows from operating activities			
Cash generated/(utilised) by operations	17	3,200	(262)
Taxation paid		(106)	(47)
Net cash flows from operating activities		3,094	(309)
Cash flows from investing activities			
Acquisition of SLF of Canada UK Limited, net of cash acquired	2.2	-	(20)
Net cash flows from investing activities		-	(20)
Cash flows from financing activities			
Proceeds from issuing ordinary shares, net of associated commission and expenses		-	4
Acquisition of non-controlling interests	12	(11)	-
Ordinary share dividends paid	9	(267)	(260)
Dividends paid to non-controlling interests	12	(6)	(5)
Repayment of policyholder borrowings		(15)	(22)
Repayment of shareholder borrowings		(643)	-
Repayment of lease liabilities		(6)	(6)
Proceeds from new shareholder borrowings, net of associated expenses		390	-
Proceeds from new policyholder borrowings, net of associated expenses		68	50
Coupon paid on Tier 1 Notes		(14)	(14)
Interest paid on policyholder borrowings		(3)	(1)
Interest paid on shareholder borrowings		(124)	(114)
Net cash flows from financing activities		(631)	(368)
Net increase/(decrease) in cash and cash equivalents		2,463	(697)
Cash and cash equivalents at the beginning of the period (before reclassification of cash and cash equivalents held for sale)		7,220	8,839
Less: cash and cash equivalents of operations classified as held for sale	2.1	(24)	(87)
Cash and cash equivalents at the end of the period		9,659	8,055

Notes to the condensed consolidated interim financial statements (unaudited)

1. Basis of preparation

The condensed consolidated interim financial statements ('the interim financial statements') for the half year ended 30 June 2024 comprise the interim financial statements of Phoenix Group Holdings plc ('the Company') and its subsidiaries (together referred to as 'the Group') as set out on pages 16 to 56 and were authorised by the Board of Directors for issue on 13 September 2024.

These interim financial statements are unaudited but have been reviewed by the Group's auditor, KPMG LLP. They do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative results for the year ended 31 December 2023 are not the Group's statutory accounts for that financial year but have been taken from the Group's 2023 Annual Report and Accounts. Those accounts were reported on by the Group's previous auditor and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The comparative information for the half year ended 30 June 2023 is taken from the 2023 Interim Financial Statements. Detail of any restatements to the comparative information is set out in this note below.

The interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

The interim financial statements have been prepared on a going concern basis and on a historical cost basis except for investment property, owner-occupied property and those financial assets and financial liabilities (including derivative instruments) that have been measured at fair value.

The interim financial statements are presented in sterling (£) rounded to the nearest million except where otherwise stated.

Assets and liabilities are offset and the net amount reported in the condensed statement of consolidated financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the condensed consolidated income statement unless required or permitted by an International Financial Reporting Standard ('IFRS') or interpretation, as specifically disclosed in the accounting policies of the Group.

The interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UK. The accounting policies applied in the interim financial statements are consistent with those set out in the 2023 consolidated financial statements with the exception of those policies that have been updated as part of the restatements in the period. In preparing the interim financial statements the Group has adopted the following standards and amendments effective from 1 January 2024 and which have been endorsed by the UK Endorsement Board ('UKEB'):

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16;
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

None of the above interpretations and amendments to standards are considered to have a material effect on these interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Going concern

As part of the Directors' consideration of the appropriateness of adopting the going concern basis for the preparation of the interim financial statements, the Directors have assessed whether the Group can meet its obligations as they fall due and can continue to meet its solvency requirements over a period of at least twelve months from the approval of this report.

The Board performs a comprehensive assessment of whether the Group and the Company are a going concern and as part of this assessment the Board has considered financial projections over the period to 31 December 2025, which demonstrate the ability of the Group to withstand market shocks in a range of severe but plausible stress scenarios. The projections demonstrate that appropriate levels of capital and liquidity would remain in the Life Companies supporting cash generation in the Going concern period. In addition, the Board noted Phoenix Group's access to additional funding through its undrawn £1.75 billion revolving credit facility. The stresses do not give rise to any material uncertainties over Phoenix Group's ability to continue as a Going concern.

As a result of the above assessment, these interim financial statements have been prepared on the basis that the Group will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the period covered by the assessment.

Restatement of prior period primary statements

Following the introduction of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments in the Group's interim financial statements for the half year ended 30 June 2023, the Group has continued to embed its processes and controls associated with this significant change. In doing so, the Group has identified material corrections to previously reported results, resulting in the restatement of comparative information included in these interim financial statements. In addition, it has made an accounting policy change associated with IFRS 17. Further details on these items and their impact on the interim financial statements are set out below.

Year ended 31 December 2023

The following table sets out the impact of the restatements on opening retained earnings and the results as at 31 December 2023:

Full year 2023	As reported £m	Correction of errors £m	Change in accounting policy £m	Restated £m
Reimbursement right assets	204	11	-	215
Total assets	299,308	11	-	299,319
Reimbursement right liabilities	-	79	-	79
Insurance contract liabilities	115,741	5	(19)	115,727
Investment contract liabilities	158,004	(289)	-	157,715
Deferred tax liabilities	257	58	5	320
Total liabilities	295,769	(147)	(14)	295,608
Retained earnings at 1 January 2023	1,162	33	-	1,195
Retained earnings at 31 December 2023	469	158	14	641
Total equity	3,539	158	14	3,711

- Valuation of IFRS 17 and IFRS 9 liabilities - As a result of the continued embedding of processes and controls following the implementation of IFRS 17 the Group has identified a number of corrections to previously reported IFRS 17 insurance contract liabilities, IFRS 9 investment contract liabilities and associated deferred tax. This included errors identified in the calculation of inputs to the IFRS 17 liability calculation, and an overstatement of liabilities arising from the inclusion of the liability for a group of contracts erroneously in both IFRS 17 and IFRS 9 liabilities. As at 1 January 2023 insurance contract liabilities were overstated by £71 million, deferred tax liabilities understated by £9 million, and consequently opening retained earnings were understated by £62 million. At 31 December 2023, insurance contracts liabilities were understated by £5 million, investment contract liabilities were overstated by £289 million and deferred tax liabilities understated by £75 million, resulting in closing retained earnings being understated by £209 million.
- Valuation of reimbursement rights – It has been identified that the calculation of reimbursement rights used an out of date input resulting in an understatement of net reimbursement rights at 31 December 2022 by £38 million and at 31 December 2023 by £68 million and an associated overstatement of deferred tax liabilities by £9 million at 31 December 2022 and £17 million, consequently overstating opening and closing retained earnings by £29 million and £51 million respectively.
- Tax-free cash methodology – The Group has made a change to its accounting policies such that it now treats tax-free cash payments on deferred annuities as a settlement of a non-distinct investment component (if a guaranteed annuity exists) and a premium refund where a non-distinct investment component does not exist or to the extent that the tax-free cash amount exceeds the value of the non-distinct investment component. This approach aligns with the requirements of IFRS 17 and therefore is no less relevant or reliable and simplifies internal processes. The impact is a decrease in insurance service expenses of £19 million for 2023 (HY24: £18 million), and a corresponding decrease in the CSM within insurance contract liabilities by the same amount.

The impact on earnings per share of the tax-free cash methodology change in the period to 30 June 2024 is an increase in basic earnings per share and an increase in diluted earnings per share of 1.4 pence per share. There was no impact on either basic operating earnings net of financing costs per share or diluted operating earnings net of financing costs per share in the period.

Half year ended 30 June 2023

No adjustments have been required to the condensed consolidated income statement for the corrections or change in accounting policy noted above as there is no associated material impact on the income statement either cumulatively or at a financial statement line-item level as the items above primarily impacted on the second half of the year.

However, the condensed consolidated income statement for half year ended 30 June 2023 has been restated to reflect a correction to the expected and actual amounts of claims associated with non-distinct investment components. Insurance revenue has reduced by £379 million and there has been a corresponding decrease in insurance service expenses in the condensed consolidated income statement. There is no impact on Loss for the period attributable to owners, IFRS adjusted operating profit or other primary statements.

In addition, the methodology to determine adjusted operating profit was revised during the year ended 31 December 2023 and differs to that previously disclosed in the 2023 interim financial statements. Further details of these restatements are included in note 3.

Disclosures

In addition, corrections have been made to the disclosures in respect of fair value hierarchy of corporate bonds in note 16.2.2, the allocation of BEL between disclosure groups in note 14 and the illiquidity premiums in note 14.1.1. Further details of these corrections are set out in the relevant note.

2. Significant transactions

2.1 Agreement with abrdn plc

On 23 February 2021, the Group entered into an agreement with abrdn plc to simplify the arrangements of their Strategic Partnership, enabling the Group to control its own distribution, marketing and brands, and focusing the Strategic Partnership on using abrdn plc's asset management services in support of Phoenix Group's growth strategy. Under the terms of the transaction, the Group agreed to sell its UK investment and platform-related products, comprising Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to abrdn plc through a Part VII transfer. The economic risk and rewards for this business transferred to abrdn plc effective from 1 January 2021 via a profit transfer arrangement. Consideration received of £62 million in respect of this business was deferred until completion of the Part VII and the payments to abrdn plc in respect of the profit transfer arrangement are being offset against the deferred consideration balance.

Since 2021, the balances in the statement of consolidated financial position relating to the Wrap SIPP, Onshore Bond and TIP business have been classified as a disposal group held for sale. The total proceeds of disposal were not expected to exceed the carrying value of the related net assets and accordingly the disposal group was measured at fair value less costs to sell, resulting in an impairment of the acquired in-force business ('AVIF') of £59 million at the date of the transaction.

Prior to 31 December 2023, a re-scoping exercise was undertaken with abrdn plc and it was agreed that the insured funds elements of the Wrap SIPP and Onshore Bond businesses will no longer transfer to abrdn plc, and as a result this business no longer meets the requirements to be classified as held for sale. The self-invested elements of the Wrap SIPP business, which are held off-balance sheet, are still expected to transfer after April 2025. Following the re-scoping exercise, effective from 31 December 2023, only the TIP business has been classified as a disposal group held for sale and as at 30 June 2024 both parties remain committed to completing the transfer of the TIP business in March 2025. The balances relating to the Wrap SIPP and Onshore Bond business have from 31 December 2023 been included within the respective line items in the condensed consolidated statement of financial position.

At 30 June 2024, £311 million of pooled property funds were excluded from the assets classified as held for sale. During the period, agreement was reached with abrdn to enter into an External Funds Link ('EFL') reinsurance arrangement upon completion of the Part VII to provide access to the retained pooled property funds. On completion of the Part VII in 2025, a financial liability will be recognised in respect of the EFL arrangement. No profit or loss is expected to be recognised upon completion of the Part VII and initial recognition of the EFL reinsurance arrangement. The major classes of assets and liabilities classified as held for sale are as follows:

	30 June 2024 £m	31 December 2023 £m
Investment property	1,274	2,044
Financial assets	2,056	2,498
Cash and cash equivalents	24	52
Assets classified as held for sale	3,354	4,594
Assets in consolidated funds[1]	182	188
Total assets of the disposal group	3,536	4,782
Investment contract liabilities	(3,847)	(4,780)
Other financial liabilities	-	(2)
Liabilities classified as held for sale	(3,847)	(4,782)

1 Included in assets of the disposal group are assets in consolidated funds, which are held to back investment contract liabilities of the Wrap SIPP, Onshore bond and TIP business and are disclosed within financial assets in the condensed consolidated statement of financial position. The Group controls these funds at each reporting date and therefore consolidates 100% of the assets with any non-controlling interest recognised as net asset value attributable to unit holders.

2.2 Acquisition of SLF Canada UK Limited

On 3 April 2023, the Group acquired 100% of the issued share capital of SLF of Canada UK Limited from Sun Life Assurance Company of Canada, part of the Sun Life Financial Inc. Group, for total cash consideration of £250 million. SLF of Canada UK Limited and its subsidiaries are a closed book life insurance business that has a portfolio of pension, life and annuity products.

The acquisition was in line with the Group's strategy to undertake mergers and acquisitions ('M&A') to acquire new customers at scale and deliver better outcomes for them. The Group also transforms acquired businesses to deliver significant cost and capital synergies, creating significant shareholder value. Further details are included in note H2 of the Group's consolidated financial statements for the year ended 31 December 2023.

3. Segmental analysis

The Group defines and presents operating segments in accordance with IFRS 8 *Operating Segments* which requires such segments to be based on the information which is provided to the Board, and therefore segmental information in this note is presented on a different basis from profit or loss in the consolidated financial statements.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. For management purposes the Group is organised into value centres. During the second half of 2023, the Group reassessed its reportable segments to reflect its transition to a purpose-led retirement specialist and the commencement of the grow, optimise and enhance stage of our strategic journey. The Group now has five operating segments comprising Retirement Solutions, Pensions & Savings, With-Profits, SunLife & Protection, and Europe & Other. The comparative segmental information for half year ended 30 June 2023 has been restated to reflect this change. For reporting purposes, operating segments are aggregated where they share similar economic characteristics including the nature of products and services, types of customers and the nature of the regulatory environment. The SunLife & Protection operating segment has been aggregated with the Europe operating segment into the Europe & Other reportable segment.

The Retirement Solutions segment includes new and in-force individual annuity and Bulk Purchase Annuity contracts written within shareholder funds, with the exception of individual annuity contracts written as a result of Guaranteed Annuity Options on with-profit contracts. Such contracts remain in the With-Profits segment following the transition to IFRS 17, as they fall within the contract boundary of the original savings or pension contract. The Retirement Solutions segment also includes UK individual annuity business written within the Standard Life Heritage With-Profit Fund as the profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism established on demutualisation.

The Pensions & Savings segment includes new and in-force life insurance and investment unit-linked policies in respect of pensions and savings products that the Group continues to actively market to new and existing policyholders. This includes products such as workplace pensions and Self-Invested Personal Pension ('SIPPs') distributed through the Group's Strategic Partnership with abrdn plc. In addition, it includes in-force insurance and investment unit-linked products from legacy businesses which no longer actively sell products to policyholders and which therefore run-off gradually over time. The Pensions & Savings segment also includes UK unitised business written in the Standard Life Heritage With-Profit funds, as profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism.

The With-Profits segment includes all policies written by the Group's with-profit funds, with the exception of Standard Life Heritage With-Profit Fund contracts reflected in other segments as noted above for Retirement Solutions and Pensions & Savings where profits are primarily attributable to the shareholder through the Recourse Cash Flow mechanism.

The Europe & Other segment includes business written in Ireland and Germany. This includes products that are actively being marketed to new policyholders and legacy in-force products that are no longer being sold to new customers. The segment also includes protection products and products sold under the SunLife brand.

The Corporate Centre segment, which is not a reportable segment, principally comprises central head office costs that are not directly attributable to the Group's insurance or investment contracts. Management services costs are now allocated to the four reportable segments.

Inter-segment transactions are set on an arm's length basis in a manner similar to transactions with third parties. Segmental results include those transfers between business segments which are then eliminated on consolidation.

Segmental measure of performance: Adjusted operating profit

The Group uses a non-GAAP measure of performance, being adjusted operating profit, to evaluate segmental performance. Adjusted operating profit is considered to provide a comparable measure of the underlying performance of the business as it excludes the impact of short-term economic volatility, one-off items and certain other items.

The Group's adjusted operating profit methodology was updated following the transition to IFRS 17 *Insurance Contracts*.

The following sets out the adjusted operating profit methodology:

For unit-linked business accounted for under IFRS 9, adjusted operating profit includes the fees collected from customers less operating expenses including overheads.

For unit-linked and with-profits business accounted for under IFRS 17, adjusted operating profit includes the release of the risk adjustment, amortisation of CSM, and demographic experience variances in the period.

For shareholder annuity, other non-profit business and with-profits funds receiving shareholder support accounted for under IFRS 17, adjusted operating profit includes the release of the risk adjustment, amortisation of CSM, and demographic experience variances in the period. Adjusted operating profit also incorporates an expected return on the financial investments backing this business and any surplus assets, with allowance for the corresponding movement in liabilities.

Adjusted operating profit excludes the above items for non-profit business written in a with-profits fund where these amounts do not accrue directly to the shareholder.

Adjusted operating profit includes the effect of experience variances relating to the current period for non-economic items, such as mortality and expenses. It also incorporates the impacts of asset trading and portfolio rebalancing where not reflected in the discount rate used in calculating expected return.

Adjusted operating profit is reported net of policyholder finance charges and policyholder tax.

Adjusted operating profit excludes the impacts of the following items:

Economic variances

- the difference between actual and expected experience for economic items recognised in the income statement in respect of insurance business, impacts of economic assumptions on the valuation of liabilities measured under the General Model and the change in value of loss components on Variable Fee Approach business resulting from market movements on underlying items;
- economic volatility arising from the Group's hedging strategy which is calibrated to protect the Solvency II capital position and cash generation capability of the operating companies;
- the accounting mismatch resulting from the application of IFRS 17 between the measurement of non-profit business in a with-profit fund (as noted above) and the change in fair value of this business included within the measurement of the with-profit contracts under the Variable Fee Approach;
- the accounting mismatch resulting from buy-in contracts between the Group's pension schemes and Phoenix Life Limited, the Group's main insurance subsidiary. The mismatch represents the difference between the unwind of the IAS 19 discount rate calculated with reference to a AA-rated corporate bond and the expected investment returns on the backing assets; and
- the effect of the mismatch between changes in estimates of future cash flows on General Model contracts measured at current discount rates and the corresponding adjustment to the CSM measured at the discount rate locked-in at inception.

Other

- amortisation and impairment of intangible assets (net of policyholder tax);
- finance costs attributable to owners;
- gains or losses on the acquisition or disposal of subsidiaries (net of related costs);
- the financial impacts of mandatory regulatory change;
- the profit or loss attributable to non-controlling interests;
- integration, restructuring or other significant one-off projects impacting the income statement; and
- any other items which, in the Director's view, should be disclosed separately by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. This is typically the case where the nature of the item is not reflective of the underlying performance of the operating companies.

The items excluded from adjusted operating profit are referred to as 'non-operating items'. Whilst the excluded items are important to an assessment of the consolidated financial performance of the Group, management considers that the presentation of adjusted operating profit provides a good indicator of the underlying performance of the Group's operating segments and the Group uses this, as part of a suite of measures, for decision-making and monitoring performance. The Group's adjusted operating profit should be read in conjunction with the IFRS profit before tax.

Revisions to methodology and other segmental restatements

The methodology to determine adjusted operating profit was revised in year ended 31 December 2023, and differs to that disclosed in the Interim Financial Report 2023, for the following items:

- a 1-year (rather than a 15-year) risk-free rate has been used to derive the expected investment return assumption on assets backing insurance contract liabilities to reduce unintended economic volatility (see note 4.1);
- an adjustment to remove mismatches between the discount rate used within the valuation of the Group's pension scheme liabilities and the returns on the underlying assets, as noted under Economic Variances above; and
- a refinement to the approach used to quantify the level of trading profits.

The segmental result for the half year ended 30 June 2023 presented in note 3.1 incorporates these revisions. The impact of these revisions is to increase total segmental adjusted operating profit and correspondingly decrease economic variances by £60 million.

In addition to the above, the segmental result for the half year ended 30 June 2023 has been restated to reflect that the Group now has five operating segments (as outlined above) and also to include £13 million of other corporate project costs within operating profit. The impact of these restatements has been to reduce total segmental adjusted operating profit and increase other non-operating items by £13 million.

There is no impact on the loss before the tax attributable to owners of the parent for the half year ended 30 June 2023 from any of the above.

3.1 Segmental result

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 restated £m
Adjusted operating profit		
Retirement Solutions	210	179
Pensions & Savings	149	76
With-Profits	3	6
Europe & Other	50	85
Corporate Centre	(52)	(33)
Total segmental adjusted operating profit	360	313
Economic variances	(698)	(313)
Amortisation and impairment of acquired in-force business	(128)	(158)
Amortisation of other intangibles	(3)	(3)
Other non-operating items	(302)	(193)
Finance costs attributable to owners	(101)	(99)
Loss before the tax attributable to owners of the parent	(872)	(453)
Profit before tax attributable to non-controlling interests	10	16
Loss before the tax attributable to owners	(862)	(437)

Other non-operating items in respect of the half year ended 30 June 2024 include:

- £208 million loss reflecting the net loss from the derecognition of the IAS 19 defined benefit obligation and reimbursement rights and the recognition of an insurance contract and associated reinsurance contracts following the completion of the PGL Pension Scheme buy-out transaction. A gain of £108 million arose on the remeasurement of the BEL and risk adjustment using the discount rate implicit in the buy-out transfer amount at initial recognition and the Group's discount rate applied for the subsequent measurement of annuity insurance and reinsurance contracts immediately after initial recognition. The resulting net loss of £106 million also includes pension scheme wind up costs of £6 million incurred in the period to date. Note 13 provides more detail on the derecognition of the IAS 19 balances;
- £48 million of costs associated with strategic growth initiatives, including investment in digital and direct asset sourcing capabilities, establishment of the Group's Bermudan reinsurance operations and transformation of the Group's operating model to support efficient growth;
- £47 million of costs associated with the delivery of the Group Target Operating Model for IT and Operations, including the migration of policyholder administration onto the Tata Consultancy Services ('TCS') platform. Under IFRS 17, the expected costs in respect of this activity that are directly attributable to insurance contracts have been included within insurance contract liabilities;
- costs of £35 million associated with finance transformation activities, including the migration to cloud-based systems and enhancements to actuarial modelling capabilities and the related control environment;
- £19 million of costs associated with delivery of the Group's 3-year cost saving programme;
- £10 million of costs associated with ongoing integration programmes;
- Corporate project costs and net other one-off items totalling a cost of £37 million.

Other non-operating items in respect of the half year ended 30 June 2023 include:

- a gain on acquisition of £66 million reflecting the excess of the fair value of the net assets acquired over the consideration paid for the acquisition of SLF of Canada UK Limited;
- a £52 million adverse impact associated with the Part VII transfer of certain European business from the Group's UK Life Companies to a newly established European subsidiary;
- £49 million of costs associated with the development of new product propositions and strategic growth initiatives;
- costs of £38 million associated with ongoing integration and finance transformation projects;
- ongoing costs of £25 million associated with the consolidation of four Life Companies into a single entity, with the Part VII transfers expected to complete in Q4 2023;
- £17 million costs associated with the delivery of the Group Target Operating Model for IT and Operations, including the migration of policyholder administration onto the TCS platform. Under IFRS 17, the majority of the expected costs in respect of this project are directly attributable to insurance contracts and have therefore been included within insurance contract liabilities;
- £12 million of past service costs in relation to a Group pension scheme;
- £10 million of costs associated with regulatory and optimisation activity, representing a one-time expenditure;
- £39 million (restated) of other corporate project costs; and
- net other one-off items totalling a cost of £17 million.

Further details of the economic variances are included in note 4.

3.2 Segmental revenue

Half year ended 30 June 2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Revenue from external customers:					
Insurance revenue	1,974	152	154	292	2,572
Fees and commissions	-	414	26	43	483
Total segmental revenue	**1,974**	**566**	**180**	**335**	**3,055**

Of the revenue from external customers presented in the table above for the half year ended 30 June 2024, £2,924 million is attributable to customers in the United Kingdom ('UK') and £131 million to the rest of the world. No revenue transaction with a single customer external to the Group amounts to greater than 10% of the Group's revenue.

The Group has total non-current assets (other than financial assets, deferred tax assets, pension schemes and rights arising under insurance contracts) as at 30 June 2024 of £3,884 million located in the UK and £253 million located in the rest of the world.

Half year ended 30 June 2023 restated[1]	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Revenue from external customers:					
Insurance revenue	1,878	133	177	335	2,523
Fees and commissions	-	361	17	44	422
Total segmental revenue	1,878	494	194	379	2,945

1 See note 3 for further details of the segmental restatement and note 1 for details of the restatement of total insurance revenue from £2,902 million to £2,523 million.

Of the revenue from external customers presented in the table above for the half year ended 30 June 2023, £2,779 million (restated) is attributable to customers in the UK and £166 million (restated) to the rest of the world. No revenue transaction with a single customer external to the Group amounts to greater than 10% of the Group's revenue.

The Group has total non-current assets (other than financial assets, deferred tax assets, pension schemes and rights arising under insurance contracts) as at 30 June 2023 of £3,816 million located in the UK and £321 million located in the rest of the world.

4. Economic variances

The long-term nature of much of the Group's operations means that, for internal performance management, the effects of short-term economic volatility are treated as non-operating items. The Group focuses instead on an adjusted operating profit measure that incorporates an expected return on investments supporting its long-term insurance business. The methodology for the determination of the expected investment return is explained below together with an analysis of investment return variances and economic assumption changes recognised outside of adjusted operating profit.

4.1 Calculation of the long-term investment return

Adjusted operating profit for life assurance business is based on expected investment returns on financial investments backing shareholder annuity, other non-profit business, with-profit funds receiving shareholder support and surplus assets, with allowance for the corresponding movements in liabilities.

The methodology to determine the expected investment returns on financial investments was revised during the year ended 31 December 2023, and differs to that disclosed in the Interim Financial Report 2023, to use the 1-year (rather than 15-year) risk-free rate for deriving the expected investment return assumption on assets backing the insurance contract liabilities to reduce unintended economic volatility as set out in note 4. The information below for the half year ended 30 June 2023 includes these revisions and is presented on a consistent basis to that at 30 June 2024.

The long-term risk-free rate used as the basis for deriving the long-term investment return is consistent with that set out in note 14.1 at the 1-year duration for assets backing the insurance contract liabilities and surplus cash assets, and at the 15-year duration for surplus non-cash assets.

A risk premium of 400 bps is added to the risk-free yield for equities (30 June 2023 restated: 380 bps), 50 bps for properties (30 June 2023 restated: 50 bps) and 140 bps for debt securities (30 June 2023 restated: 130 bps).

The principal assumptions, determined as at 1 January of each reporting period, underlying the calculation of the long-term investment return for surplus assets are:

	Half year ended 30 June 2024	Half year ended 30 June 2023 restated[1]
	%	%
Equities	7.4	7.4
Property	3.9	4.1
Debt Securities	4.8	4.9

1 See note 3 for further details.

4.2 Life assurance business

The economic variances excluded from the long-term business adjusted operating profit are as follows:

	Half year ended 30 June 2024	Half year ended 30 June 2023 restated[1]
	£m	£m
Economic variances	(698)	(313)

1 See note 3 for further details.

The net adverse economic variances of £698 million (half year ended 30 June 2023: adverse £313 million (restated)) have primarily arisen as a result of higher yields and a rise in global equity markets. Movements in yields and equity markets are hedged to protect our Solvency II surplus from volatility, but our IFRS balance sheet is, in effect, 'over-hedged' as it does not recognise the additional Solvency II balance sheet items such as future profits on investment contracts measured under IFRS 9 and the Solvency Capital Requirements.

5. Insurance revenue

An analysis of insurance revenue from groups of insurance contracts held are included in the following tables. Additional information on amounts recognised in profit or loss is included in the insurance contract balances reconciliation in note 14.

	Half year ended 30 June 2024	Half year ended 30 June 2023 restated[1]
	£m	£m
Amounts relating to changes in liabilities for remaining coverage:		
CSM recognised in period for services provided	222	208
Change in risk adjustment for non-financial risk	31	45
Expected incurred claims and other insurance service expenses	2,280	2,254
Policyholder tax charges	34	12
Amounts relating to recovery of insurance acquisition cash flows	5	4
Insurance revenue	2,572	2,523

1 Insurance revenue and insurance service expenses have been restated for the half year ended 30 June 2023. See note 1 for further details.

6. Net insurance finance expense

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Insurance contracts		
Changes in fair value of underlying items of direct participating contracts	**(1,466)**	769
Group's share of changes in fair value of underlying items or fulfilment cash flows that do not adjust the CSM	**19**	26
Unwind of discount on fulfilment cash flows	**(2,807)**	(2,785)
Interest accreted on the CSM	**(56)**	(36)
Effect of changes in interest rates and other financial assumptions	**2,194**	1,603
Insurance finance expense	**(2,116)**	(423)
Reinsurance contracts		
Unwind of discount on fulfilment cash flows	**197**	126
Interest accreted on the CSM	**24**	11
Effect of changes in interest rates and other financial assumptions	**(277)**	(276)
Reinsurance finance expense	**(56)**	(139)
Net insurance finance expense	**(2,172)**	(562)

7. Tax credit

7.1 Current period tax credit

Income tax comprises current and deferred tax. Income tax is recognised in the condensed consolidated income statement except to the extent that it relates to items recognised in the condensed statement of consolidated comprehensive income or the condensed statement of consolidated changes in equity, in which case it is recognised in these statements. Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws enacted or substantively enacted at the date of the condensed statement of consolidated financial position together with adjustments to tax payable in respect of previous periods. The tax charge is analysed between tax that is payable in respect of policyholders' returns and tax that is payable on owners' returns. This allocation is calculated based on an assessment of the effective rate of tax that is applicable to owners for the period.

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Current tax:		
UK corporation tax	**40**	(2)
Overseas tax	**50**	62
	90	60
Adjustment in respect of prior periods	**(5)**	7
Total current tax charge	**85**	67
Deferred tax:		
Origination and reversal of temporary differences	**(81)**	(193)
Change in the rate of UK corporation tax	**-**	(1)
Adjustment in respect of prior periods	**(27)**	-
Total deferred tax credit	**(108)**	(194)
Total tax credit	**(23)**	(127)
Attributable to:		
– policyholders	**193**	65
– owners	**(216)**	(192)
Total tax credit	**(23)**	(127)

The Group, as a proxy for policyholders in the UK, is required to pay taxes on investment income and gains each period. Accordingly, the tax credit or expense attributable to UK life assurance policyholder earnings is included in income tax expense. The tax charge attributable to policyholder earnings is £193 million (half year ended 30 June 2023: £65 million charge).

7.2 Tax charged to other comprehensive income

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Current tax (credit)/charge	(1)	9
Deferred tax charge on defined benefit schemes	17	12
Total tax charge relating to other comprehensive income items	**16**	21

7.3 Tax credited to equity

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Current tax credit on Tier 1 Notes	(4)	(4)

7.4 Reconciliation of tax credit

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Loss before tax	(669)	(372)
Policyholder tax charge	(193)	(65)
Loss before the tax attributable to owners	**(862)**	(437)
Tax credit at standard UK rate of 25%/ 23.5%[1]	(216)	(103)
Non-taxable income and gains[2]	-	(15)
Disallowable expenses	1	(1)
Prior year tax (credit)/charge for shareholders[3]	(44)	9
Movement on acquired in-force amortisation at rates other than 25%/ 23.5%	5	10
Profits taxed at rates other than 25%/ 23.5%[4]	63	(65)
Recognition of previously unrecognised deferred tax assets[5]	(25)	(25)
Deferred tax rate change	-	(1)
Other	-	(1)
Owners' tax credit	(216)	(192)
Policyholder tax charge	193	65
Total tax credit for the period	**(23)**	(127)

1 The Group's operating segments are predominantly in the UK. The reconciliation of tax credit has therefore, been completed by reference to the standard rate of UK tax.
2 2023 movement relates principally to a profit arising on consolidation due to the acquisition of the Sun Life of Canada businesses, not subject to deferred tax.
3 The 2024 prior year tax credit relates principally to refinements in the allocation of profit between tax jurisdictions and the finalisation of the statutory accounts prepared on a local GAAP basis of certain subsidiaries after the completion of the Group's consolidated financial statements. The 2023 prior year tax charge relates to true-ups from the tax reporting provisions in various entities within the group.
4 Profits taxed at rates other than 25% (2023: 23.5%) relates to overseas profits, consolidated fund investments and UK life company profits subject to marginal shareholder tax rates.
5 Relates principally to Standard Life International DAC tax losses and the recognition of a tax asset in the period.

The standard rate of UK corporation tax for the accounting period is 25% (2023: 23.5%). An increase from the previous 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021 and substantively enacted on 24 May 2021. Accordingly, shareholder deferred tax assets and liabilities, where provided, are reflected at 25%. Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

The Group is continuing to monitor developments in relation to the G20-OECD Inclusive Framework "Pillar Two" rules, as the Group is within the scope of the rules from 1 January 2024. Broadly, these rules seek to ensure that, on a jurisdiction-by-jurisdiction basis, large multinational enterprises pay a minimum tax rate of 15% on worldwide profits arising after 31 December 2023.

The Group also notes the enactment of legislation in Bermuda in December 2023 which introduced a Corporate Income Tax with a headline rate of 15% effective from 1 January 2025. This legislation is expected to apply to the Group's local Bermudian operations. Given the current size of local operations, the Group does not expect the immediate impact to be material.

As at 30 June 2024, the Group has accrued £nil in respect of Pillar Two income taxes based on its latest assessment. The Group also notes that the Pillar Two income taxes legislation is expected to continue developing, the rules are inherently complex and can potentially lead to arbitrary outcomes and therefore, the Group is continuing to assess the impact of the Pillar Two income taxes legislation on its operations.

	30 June 2024 £m	31 December 2023 £m
Deferred tax assets have not been recognised in respect of:		
Tax losses carried forward	78	110
Excess expenses and deferred acquisition costs	-	9
Actuarial liability differences between local GAAP and IFRS 17	-	14
Intangibles	-	12
Capital losses	311	312

The Group has £nil BLAGAB (life business) trading losses carried forward as at 30 June 2024 (31 December 2023: £12 million). At 31 December 2023, the £12 million of gross losses were projected to be utilised, however no value was attributed to these deferred tax assets given the interaction with other deductible temporary differences.

There is a technical matter which is currently being discussed with HMRC in relation to the L&G insurance business transfer to ReAssure Limited. These discussions are not sufficiently progressed at this stage for recognition of any potential tax benefit arising.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

8. Earnings per share

The Group calculates its basic earnings per share based on the present shares in issue using the earnings attributable to ordinary equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated based on the potential future shares in issue assuming the conversion of all potentially dilutive ordinary shares. The weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive share awards granted to employees.

The basic and diluted earnings per share calculations are also presented based on the Group's adjusted operating profit net of financing costs. Adjusted operating profit is a non-GAAP performance measure that is considered to provide a comparable measure of the underlying performance of the business as it excludes the impact of short-term economic volatility and other one-off items.

The result attributable to ordinary equity holders of the parent for the purposes of computing earnings per share has been calculated as set out below.

Half year ended 30 June 2024	Adjusted operating profit £m	Financing costs £m	Adjusted operating earnings net of financing costs £m	Other non-operating items £m	Total £m
Profit/(loss) before the tax attributable to owners	360	(101)	259	(1,121)	(862)
Tax credit attributable to owners	(88)	25	(63)	279	216
Profit/(loss) for the period attributable to owners	272	(76)	196	(842)	(646)
Coupon paid on Tier 1 notes, net of tax relief	-	(11)	(11)	-	(11)
Deduct: Share of result attributable to non-controlling interests	-	-	-	(10)	(10)
Profit/(loss) for the period attributable to ordinary equity holders of the parent	272	(87)	185	(852)	(667)

Half year ended 30 June 2023 (restated[1])	Adjusted operating profit £m	Financing costs £m	Adjusted operating earnings net of financing costs £m	Other non-operating items £m	Total £m
Profit/(loss) before the tax attributable to owners	313	(99)	214	(651)	(437)
Tax credit attributable to owners	6	23	29	163	192
Profit/(loss) for the period attributable to owners	319	(76)	243	(488)	(245)
Coupon paid on Tier 1 notes, net of tax relief	-	(11)	(11)	-	(11)
Deduct: Share of result attributable to non-controlling interests	-	-	-	(16)	(16)
Profit/(loss) for the period attributable to ordinary equity holders of the parent	319	(87)	232	(504)	(272)

1 See note 3 for details of the prior period restatements.

The weighted average number of ordinary shares outstanding during the period is calculated as follows:

	Half year ended 30 June 2024 Number million	Half year ended 30 June 2023 Number million
Issued ordinary shares at beginning of the period	**1,002**	1,000
Effect of non-contingently issuable shares in respect of Group's long-term incentive plan	**1**	1
Own shares held by employee benefit trust	**(2)**	(2)
Weighted average number of ordinary shares	**1,001**	999

The diluted weighted average number of ordinary shares outstanding during the period is 1,004 million (half year ended 30 June 2023: 1,001 million). The Group's long-term incentive plan, deferred bonus share scheme and sharesave schemes increased the weighted average number of shares on a diluted basis 3,376,753 shares for the half year ended 30 June 2024 (half year ended 30 June 2023: 1,736,066 shares). As losses have an anti-dilutive effect, none of the share-based awards have a dilutive effect in the calculation of basic earnings per share for all periods presented.

Earnings per share disclosures are as follows:

	Half year ended 30 June 2024 pence	Half year ended 30 June 2023 restated[1] pence
Basic earnings per share	**(66.6)**	(27.1)
Diluted earnings per share	**(66.6)**	(27.1)
Basic operating earnings net of financing costs per share	**18.5**	23.2
Diluted operating earnings net of financing costs per share	**18.4**	23.2

1 See note 3 for details of the prior period restatements.

9. Dividends on ordinary shares

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Dividend declared and paid	**267**	260

On 21 March 2024, the Board recommended a final dividend of 26.65p per share in respect of the year ended 31 December 2023. The dividend was approved at the Company's Annual General Meeting, which was held on 14 May 2024. The dividend amounted to £267 million and was paid on 22 May 2024.

10. Share capital

	30 June 2024 £m	31 December 2023 £m
Issued and fully paid:		
1,001.6 million (31 December 2023: 1,001.5 million) ordinary shares of £0.10 each	**100**	100

Movements in share capital during the period:

2024	Number	£
Shares in issue at 1 January 2024	**1,001,538,419**	**100,153,841**
Ordinary shares issued in the period	**29,222**	**2,922**
Shares in issue at 30 June 2024	**1,001,567,641**	**100,156,763**

During the period, the Company issued 29,222 shares at a total premium of £0.1 million in order to satisfy its obligation to employees under the Group's Sharesave schemes.

2023	Number	£
Shares in issue at 1 January 2023	1,000,352,477	100,035,247
Ordinary shares issued in the period	1,185,942	118,594
Shares in issue at 31 December 2023	1,001,538,419	100,153,841

During the year ended 31 December 2023, 1,185,942 shares were issued at a premium of £6 million in order to satisfy obligations to employees under the Group's Sharesave schemes.

The balance in the merger reserve arose upon the issuance of equity shares in 2020 as part consideration for the acquisition of the entire share capital of ReAssure Group plc. The Group applied the relief in section 612 of the Companies Act 2006 to present the difference between the consideration received and the nominal value of the shares issued of £1,819 million in a merger reserve as opposed to in share premium. During the period £525 million of the reserve was transferred to retained earnings following the impairment of the Company's investment in the ReAssure group of companies as a result of the distribution of dividends to the Company.

11. Other reserves

2024	Owner-occupied property revaluation reserve	Cash flow hedging reserve £m	Total other reserves £m	£m
At 1 January 2024		**2**	**14**	**16**
Other comprehensive income for the period		**-**	**(7)**	**(7)**
At 30 June 2024		**2**	**7**	**9**

2023	Owner-occupied property revaluation reserve £m	Cash flow hedging reserve £m	Total other reserves £m
At 1 January 2023	-	46	46
Other comprehensive income for the period	2	(32)	(30)
At 31 December 2023	2	14	16

At 31 December 2023, the Group had in place four cross currency swaps which were designated as hedging instruments in order to effect cash flow hedges of the Group's Euro and US Dollar denominated borrowings. In June 2024, following the partial repurchase of US $500 million of the US $750 million Contingently Convertible T1 notes, US $500 million of the related swap arrangement was partially unwound and treated as a partial discontinuance. On 12 June 2024, the Company issued US $500 million Contingent Convertible Tier 1 notes and the cross currency swap that was entered into at this time was designated as a hedging instrument.

Hedge accounting has been adopted effective from the date of designation of the hedging relationships. The objective of the hedging relationships is to hedge the risk of variability in functional currency equivalent cash flows with the foreign currency denominated borrowings due to changes in forward rates. The hedge ratio (i.e. the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting) is such that there is an exact match in the relative weightings of the hedged items and hedging instruments within each of the hedging relationships.

12. Non-controlling interests

2024	PPET £m
At 1 January 2024	549
Profit for the period	10
Dividends paid	(6)
Decrease in non-controlling interests	(11)
At 30 June 2024	**542**

2023	PPET £m
At 1 January 2023	532
Profit for the period	28
Dividends paid	(11)
At 31 December 2023	549

The non-controlling interests of £542 million (year ended 31 December 2023: £549 million) reflects third party ownership of Patria Private Equity Trust plc (formerly known as abrdn Private Equity Opportunities Trust plc) ('PPET') determined at the proportionate value of the third party interest in the underlying assets and liabilities. PPET is a UK Investment Trust listed and traded on the London Stock Exchange. As at 30 June 2024, the Group held 54.5% of the issued share capital of PPET (31 December 2023: 53.6%). The decrease in non-controlling interests reflects the impact of a share buy-back undertaken by PPET during the period.

The Group's interest in PPET is held in the with-profit and unit-linked funds of the Group's life companies. Therefore, the shareholder exposure to the results of PPET is limited to the impact of those results on the shareholder share of distributed profits of the relevant fund.

13. Pension schemes

The condensed statement of consolidated financial position incorporates the pension scheme assets and liabilities of the Pearl Group Staff Pension Scheme ('Pearl Scheme'), the Abbey Life Staff Pension Scheme, the ReAssure Staff Pension Scheme and the Sun Life Assurance Company of Canada 1988 UK and Irish Employee Benefits scheme ('Sun Life of Canada Scheme') as at 30 June 2024.

In January 2024, the trustees of the PGL Pension Scheme completed the buy-out of the scheme liabilities with Phoenix Life Limited ('PLL') whereby the existing annuity insurance policies were exchanged for individual policies between PLL and the scheme's members. As a result, all the Group's obligations under the pension scheme have now been fully extinguished and the defined benefit obligation as at the settlement date of £1,097 million, reimbursement right assets of £11 million and reimbursement right liabilities of £45 million were derecognised. An additional premium (in excess of the value of the collateral assets transferred as premium for the buy-in transactions) of £18 million was prepaid by the Scheme to PLL in 2023 and has been recognised upon completion of the settlement. The difference between the defined benefit obligation and associated reimbursement rights at this date and the total premium paid resulted in a loss on settlement of £208 million being recognised within administration expenses in the consolidated income statement. This loss reflects the difference between the measurement basis for the liabilities as prescribed by IAS 19 and the value prescribed for the buy-out transfer in the original buy-in agreement which is primarily based on collateral determined using the best estimate assumptions of PLL and the risk margin associated with those liabilities on a Solvency II basis. On completion of the buy-out, the Scheme held minimal residual assets which were used during the period to cover wind-up expenses. Further details of the full impact of the buy-out transaction are included in note 3.1.

At 30 June 2024, the economic surplus of the PGL Pension Scheme amounted to £nil (31 December 2023: £20 million). The carrying value of insurance policies and debtor balances held with PLL and eliminated on consolidation are £nil (31 December 2023: £1,093 million) and £nil (31 December 2023: £18 million) respectively. The net pension scheme liability of the PGL Pension Scheme amounted to £nil (31 December 2023: £1,091 million). The value of the collateral assets disclosed within financial assets in the condensed statement of consolidated financial position is £nil (31 December 2023: £1,206 million).

The Pearl Scheme has previously completed four 'buy-in' agreements with PLL covering 100% of the Scheme's pensioner in-payment and deferred member liabilities and transferred the associated risks including longevity improvement risk to PLL. In total, the Scheme has transferred £2,792 million of plan assets to PLL as payment of premium and these assets are recognised in the relevant line within financial assets in the condensed statement of consolidated financial position. The economic effect of the buy-in transactions in the Scheme is to replace the plan assets transferred with a single line insurance policy reimbursement asset which is subsequently eliminated on consolidation.

The economic surplus of the Pearl Scheme amounted to £47 million (31 December 2023: £50 million) and the carrying value of insurance policies eliminated on consolidation were £1,415 million (31 December 2023: £1,507 million). The net pension scheme liability of the Pearl Scheme amounted to £1,368 million (31 December 2023: £1,457 million) after deduction of the provision for tax on that part of the economic surplus available as a refund on a winding-up of the scheme.

PLL entered into a quota share reinsurance arrangement with an external insurer to reinsure c.91% of the risks transferred to PLL as part of the third buy-in transaction with the Pearl Scheme. As PLL expects to use the claims received to pay for its obligations under the insurance contract between it and the Pearl scheme (i.e. to settle the defined benefit obligation) the reinsurance arrangement is considered to be a non-qualifying insurance policy and is classified as a reimbursement right. The value of the reimbursement right asset amounted to £189 million (31 December 2023: £202 million). PLL also entered into longevity swap arrangements with external reinsurers to reinsure a proportion of the risks transferred as part of the first, second and fourth buy-in transactions. The value of the reimbursement right liabilities amounted to £32 million (31 December 2023: £34 million (restated)). Details of the restatement are included in note 1.

The pension scheme liability of the Abbey Life Staff Pension Scheme amounted to £5 million (31 December 2023: £9 million). Pension scheme assets are stated after deduction of the provision for tax on that part of the economic surplus available as a refund on a winding-up of the scheme and after adjusting for the irrecoverable amount of minimum funding requirement obligations.

The pension scheme asset of the ReAssure Staff Pension Scheme amounted to £16 million after deduction of the provision for tax on that part of the economic surplus available as a refund on a winding up of the scheme (31 December 2023: £9 million).

The pension scheme asset of the Sun Life of Canada Scheme amounted to £17 million (31 December 2023: £17 million) and the reimbursement right assets, representing non-qualifying insurance policies, were £2 million (31 December 2023: £2 million).

A High Court legal ruling in June 2023 (Virgin Media Limited v NTL Pension Trustees II Limited) decided that certain rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. While the ruling only applied to the specific pension scheme in question it could be expected to apply across other pension schemes. The ruling was appealed but in July 2024 the Court of Appeal dismissed the appeal. The Group is considering the implications of the case on its defined benefit schemes. At 30 June 2024, the defined benefit obligation for the Group's schemes has been calculated on the basis of the pension benefits currently being administered. The Group has not as yet assessed any likely impact due to the court ruling. Any subsequent developments following the Court of Appeal's judgement will be monitored by the Group.

14. Insurance contracts, investment contracts with DPF and reinsurance

The table below shows a summary of the carrying amount of insurance contracts and the related reinsurance contracts in the statement of consolidated financial position.

30 June 2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Insurance contracts issued					
Estimates of present value of future cash flows	(35,993)	(23,053)	(27,016)	(23,252)	(109,314)
Risk adjustment	(766)	(84)	(98)	(193)	(1,141)
CSM	(3,941)	(214)	(635)	(320)	(5,110)
Net insurance contract liabilities issued	(40,700)	(23,351)	(27,749)	(23,765)	(115,565)
Insurance contract liabilities	(40,700)	(23,351)	(27,749)	(23,765)	(115,565)
Insurance contract assets	-	-	-	-	-
Net insurance contract liabilities issued	(40,700)	(23,351)	(27,749)	(23,765)	(115,565)
Reinsurance contracts held					
Estimates of present value of future cash flows	1,017	14	760	346	2,137
Risk adjustment	536	2	42	49	629
CSM	1,676	1	134	165	1,976
Net reinsurance contract assets held	3,229	17	936	560	4,742
Reinsurance contract assets	3,376	17	936	560	4,889
Reinsurance contract liabilities	(147)	-	-	-	(147)
Net reinsurance contract assets held	3,229	17	936	560	4,742

31 December 2023 (restated[1])	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
Insurance contracts issued					
Estimates of present value of future cash flows (restated[1])	(35,713)	(23,164)	(27,700)	(23,195)	(109,772)
Risk adjustment	(767)	(84)	(104)	(217)	(1,172)
CSM (restated[1])	(3,749)	(201)	(589)	(244)	(4,783)
Net insurance contract liabilities issued (restated)	(40,229)	(23,449)	(28,393)	(23,656)	(115,727)
Insurance contract liabilities	(40,229)	(23,449)	(28,393)	(23,656)	(115,727)
Insurance contract assets	-	-	-	-	-
Net insurance contract liabilities issued	(40,229)	(23,449)	(28,393)	(23,656)	(115,727)
Reinsurance contracts held					
Estimates of present value of future cash flows	935	20	820	391	2,166
Risk adjustment	537	2	46	48	633
CSM	1,604	-	147	179	1,930
Net reinsurance contract assets held	3,076	22	1,013	618	4,729
Reinsurance contract assets	3,223	22	1,013	618	4,876
Reinsurance contract liabilities	(147)	-	-	-	(147)
Net reinsurance contract assets held	3,076	22	1,013	618	4,729

1 The segmental presentation of the 'Estimates of present value of future cash flows' for the year ended 31 December 2023 was restated to increase the values by £(628) million for Retirement Solutions, by £(1,123) million for Pensions & Savings, and by £(366) million for Europe & Other, and there was a corresponding decrease of £2,117 million for the With-Profits segment. In addition, 'Estimates of present value of future cash flows' were reduced by £14 million following the recent IFRS 17 valuation updates. These changes also impacted the CSM and as a result the Retirement Solutions CSM increased by £(8) million and the With-Profits CSM reduced by £8 million.

14.1 Assumptions

The assumptions used to determine the liabilities are updated at each reporting date to reflect recent experience, unless IFRS17 requires otherwise. Material judgement is required in calculating these liabilities and, in particular, in the choice of assumptions about which there is uncertainty over future experience. The principal assumptions are as follows:

14.1.1 Discount rate

All cash flows are discounted using risk-free yield curves adjusted to reflect the timing and liquidity characteristics of those cash flows. For the risk-free yield curve the Group uses those published by the PRA and EIOPA for regulatory reporting. Where necessary, yield curves are interpolated between the last available market data point and the ultimate forward rate.

The Group uses a top-down approach primarily for annuities and a bottom-up discount rate for all other business. Under the top-down approach, the discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liabilities. For annuity business, the Group determines the reference portfolio with reference to the strategic asset allocation ('SAA') which aligns to the strategic investment objectives of the Group. The SAA sets out the target level of investment in a range of illiquid asset classes and the yield for these asset classes is determined based on the fair value of assets in that class held at the valuation date.

Adjustments are made for differences between the reference portfolio and the insurance contract liability cash flows, including an allowance for credit defaults. The credit default deduction comprises an allowance for both expected and unexpected defaults and takes into consideration long-term historical data on actual defaults and an allowance for variability around these defaults. The credit default deduction is determined based on the assets held at the valuation date.

The approach to determining unexpected defaults is based on a percentage of spread less the expected default allowance. The percentage of spread is set using a top-down view that take into consideration management's best estimate as to the allocation of the spread between illiquidity factors and the risk of default. The Group has developed a credit model for use in the Phoenix Solvency II Internal Model (subject to PRA approval), which also provides a best estimate view of credit defaults. This model applies a stress to long-term historical actual default data to determine the variability of defaults and has been used as an input in determining the assumption for unexpected credit defaults as it is considered to provide a more refined view of the variability of defaults, particularly in volatile market conditions.

The top-down approach was refined as at 31 December 2023. This refinement related to the determination of the yield used in relation to the Equity Release Mortgages asset class. The previous approach calculated the yield by reference to the internal securitisation structure established for this asset class for Solvency II purposes. This was amended as at the reporting date to determine the yield based on the underlying Equity Release Mortgage loans themselves. This refinement had the impact of increasing the liquidity premium applied at 31 December 2023 for GBP Annuities by circa 19bps.

Under the bottom-up approach, the discount rate is determined as the risk-free yield curve, adjusted for differences in liquidity characteristics by adding an illiquidity premium. For with-profits business a single illiquidity premium is determined for each fund based on the cash flow characteristics of the contracts within the fund and applied to all contracts within the fund.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

	Risk-free rate (bps)				
30 June 2024	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
GBP	**489**	**396**	**386**	**399**	**392**
Euro	**343**	**277**	**273**	**266**	**236**

	Risk-free rate (bps)				
31 December 2023	1 year	5 years	10 years	20 years	30 years
GBP	474	336	328	343	336
Euro	336	232	239	240	218

	Liquidity premium over risk-free rate (bps)	
	30 June 2024	31 December 2023 restated[1]
Annuities GBP	**164**	170
Annuities Euro	**66**	49
With-profits GBP - liquid liabilities	**20**	20
With-profits Euro - liquid liabilities	**20**	20
With-profits GBP - illiquid liabilities	**101 - 164**	105 - 170

1 The Liquidity premium for annuities and with-profits were updated following a revision to certain inputs into the IFRS 17 valuation process. See note 1 for further details.

14.1.2 Risk adjustment

The Group has used the confidence level technique to derive the risk adjustment for non-financial risk. The risk adjustment percentile is determined based on the Group's view of the compensation required in respect of non-financial risk. The diversification benefit included in the risk adjustment reflects diversification between contracts within the perimeter of the Group's Internal Model. There is no diversification allowed for between contracts measured under standard formula and the internal model. The confidence level percentile is calculated on a one-year basis. The risk adjustment calibration is set at least annually, off-cycle, based on the Group's current view of risk. The risk adjustment calculation is reassessed at each reporting date, i.e. the risk adjustment is not locked-in at initial recognition.

For with-profit business, the shareholder's portion of non-financial risks (including an allowance for burn-through costs to the shareholder) is allowed for in the derivation of the risk adjustment. For non-profit business held within a with-profit fund, the risk adjustment takes into account the compensation required by both the shareholder and the participating policyholders.

Confidence level techniques are used to derive the overall risk adjustment for non-financial risk and this is allocated down to each group of contracts in accordance with their risk profiles. The confidence level percentile input used to determine the risk adjustment is as follows:

	30 June 2024	31 December 2023
Insurance contracts (gross of reinsurance)	80th	80th

14.1.3 Assumption changes

During the period a number of changes were made to assumptions to reflect changes in expected experience. The impact of material changes during the period was as follows:

	30 June 2024		31 December 2023	
	Increase/(decrease) in CSM £m	Decrease in loss component £m	Increase/(decrease) in CSM £m	(Decrease)/increase in loss component £m
For insurance contracts:				
Change in longevity assumptions	29	(1)	918	(1)
Change in persistency assumptions	7	(4)	(6)	17
Change in mortality assumptions	-	-	(102)	12
Change in expenses assumptions	49	(19)	(170)	(35)
For reinsurance contracts:				
Change in longevity assumptions	(34)	-	(598)	-
Change in mortality assumptions	-	-	15	-
Change in expenses assumptions	(1)	-	(13)	-

30 June 2024:
The £(5) million net of reinsurance decrease in CSM due to changes in longevity assumptions reflects updates to longevity improvement assumptions to reflect latest experience analyses for Bulk Purchase Annuities assumptions.

The £7 million increase in CSM and £(4) million reduction in loss component are due to annual persistency updates to reflect latest experience and assumption changes made for late retirements.

The £48 million net of reinsurance increase in CSM and £(19) million decrease in loss component are largely driven by the reduction in the investment management fees assumption following the conclusion of recent commercial negotiations, partially offset by the increase in reserves principally in respect of delivery of the Group Target Operating Model for IT and Operations, including the migration of policyholder administration onto the TCS platform and the Group's three-year cost saving programme together with Group expense provisions.

31 December 2023:
The £320 million net of reinsurance increase in CSM due to changes in longevity assumptions reflects updates to base and improvement assumptions to reflect latest experience analyses, including moving to the latest CMI model.

As well as annual persistency updates to reflect latest experience, assumption changes were made for late retirements and GAO take-up rates during the year.

The £(87) million net of reinsurance decrease in CSM due to change in mortality assumptions is driven by changes in Europe & Other base mortality valuation assumptions.

The £(183) million net of reinsurance decrease in CSM and £(35) million decrease in loss component are due to changes in expense assumptions driven by an increase in reserves principally in respect of delivery of the Group Target Operating Model for IT and Operations included the migration of policyholder administration onto the TCS platform together with Group expense provisions and an increase in modelled maintenance expenses assumptions. This is partly offset by changes in modelled investment expenses and release of an investment manual.

14.2 Movements in present value of future cash flows, risk adjustment, CSM and loss component of insurance contracts

The reconciliations below provide a roll-forward of the net asset or liability for insurance contracts issued by measurement component showing estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Where groups of insurance contracts are onerous, a loss component is established. The loss component is established within the liabilities for remaining coverage and represents a notional record of the losses recognised in the income statement. A separate reconciliation of this loss component is also provided below.

Half year ended 30 June 2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liabilities as at 1 January as reported	109,786	1,172	4,783	115,741
Restatements[1]	(14)	-	-	(14)
Insurance contract liabilities as at 1 January (restated)	109,772	1,172	4,783	115,727
Insurance contract assets as at 1 January	-	-	-	-
Net insurance contract liabilities as at 1 January	109,772	1,172	4,783	115,727
Changes in profit or loss:				
CSM recognised for services provided	-	-	(222)	(222)
Risk adjustment for the risk expired	-	(31)	-	(31)
Experience adjustments	17	-	-	17
Policyholder tax charges	(34)	-	-	(34)
Total change relating to current service	(17)	(31)	(222)	(270)
Contracts initially recognised in the period	(272)	57	215	-
Changes in estimates that adjust the CSM	(268)	(6)	274	-
Changes in estimates that do not adjust the CSM	(51)	(9)	-	(60)
Total change relating to future service	(591)	42	489	(60)
Adjustments to liabilities for incurred claims (past service)	(19)	-	-	(19)
Insurance service result	(627)	11	267	(349)
Insurance finance expense/(income)	2,095	(41)	62	2,116
Total changes in profit or loss	1,468	(30)	329	1,767
Cash flows:				
Premiums received	2,768	-	-	2,768
Claims and other expenses paid	(5,619)	-	-	(5,619)
Insurance acquisition cash flows	(78)	-	-	(78)
Total cash flows	(2,929)	-	-	(2,929)
Other movements[2]	1,003	(1)	(2)	1,000
Net insurance contract liabilities as at 30 June	109,314	1,141	5,110	115,565
Insurance contract liabilities as at 30 June	109,314	1,141	5,110	115,565
Insurance contract assets as at 30 June	-	-	-	-
Net insurance contract liabilities as at 30 June	109,314	1,141	5,110	115,565

1 See note 1 for details of the prior year restatements.

2 Estimates of the present value of future cash flows includes £1,305 million of premium in respect of the PGL Pension Scheme buy-out (see note 13).

Year ended 31 December 2023	Estimates of the present value of future cash flows restated[1] £m	Risk adjustment £m	Contractual service margin restated[1] £m	Total restated[1] £m
Insurance contract liabilities as at 1 January as reported	102,612	1,097	3,899	107,608
Restatements[1]	(64)		(7)	(71)
Insurance contract liabilities as at 1 January (restated)	102,548	1,097	3,892	107,537
Insurance contract assets as at 1 January	(48)	-	-	(48)
Net insurance contract liabilities as at 1 January	102,500	1,097	3,892	107,489
Changes in profit or loss:				
CSM recognised for services provided	-	-	(409)	(409)
Risk adjustment for the risk expired	-	(63)	-	(63)
Experience adjustments (restated)	25	-	-	25
Policyholder tax charges	(25)	-	-	(25)
Total change relating to current service	-	(63)	(409)	(472)
Contracts initially recognised in the period	(726)	208	522	4
Changes in estimates that adjust the CSM (restated)	(660)	(86)	746	-
Changes in estimates that do not adjust the CSM	(51)	15	-	(36)
Total change relating to future service	(1,437)	137	1,268	(32)
Adjustments to liabilities for incurred claims (past service)	(17)	-	-	(17)
Impairment of assets for insurance acquisition cash flows	(4)	-	-	(4)
Insurance service result	(1,458)	74	859	(525)
Insurance finance expense/(income) (restated)	7,005	5	48	7,058
Total changes in profit or loss	5,547	79	907	6,533
Cash flows:				
Premiums received	8,604	-	-	8,604
Claims and other expenses paid	(10,821)	-	-	(10,821)
Insurance acquisition cash flows	(154)	-	-	(154)
Total cash flows	(2,371)	-	-	(2,371)
Other movements[2]	4,096	(4)	(16)	4,076
Net insurance contract liabilities as at 31 December (restated)	109,772	1,172	4,783	115,727
Insurance contract liabilities as at 31 December	109,772	1,172	4,783	115,727
Insurance contract assets as at 31 December	-	-	-	-
Net insurance contract liabilities as at 31 December	109,772	1,172	4,783	115,727

1 See note 1 for details of the prior year restatements.
2 £4,386 million included in 'estimates of the present value of future cash flows' relates to the fair value of insurance contracts acquired as part of the acquisition of SLF of Canda UK Limited.

	Loss component	
	Half year ended 30 June 2024 £m	Year ended 31 December 2023 £m
Loss component as at 1 January	**623**	658
Insurance service expenses:		
Incurred claims and other expenses	**(40)**	(90)
Losses on onerous contracts and reversal of those losses	**(60)**	(32)
Insurance service result	**(100)**	(122)
Insurance finance income	**10**	34
Total changes in profit or loss	**(90)**	(88)
Other movements	**-**	53
Loss component as at 30 June/ 31 December	**533**	623

14.3 Movements in present value of future cash flows, risk adjustment, CSM and loss-recovery component of reinsurance contracts held

The reconciliations below provide a roll-forward of the net asset or liability for reinsurance contracts held by measurement component showing estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

A reconciliation of the loss recovery component is also provided.

Half year ended 30 June 2024	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Reinsurance contract liabilities as at 1 January	(244)	37	60	(147)
Reinsurance contract assets as at 1 January	2,410	596	1,870	4,876
Net reinsurance contract assets as at 1 January	2,166	633	1,930	4,729
Changes in profit or loss:				
CSM recognised for services received	-	-	(78)	(78)
Risk adjustment for the risk expired	-	(13)	-	(13)
Experience adjustments	11	-	-	11
Total change relating to current service	11	(13)	(78)	(80)
Contracts initially recognised in the period	(79)	43	36	-
Changes in estimates that adjust the CSM	(63)	(3)	66	-
Changes in estimates that do not adjust the CSM	(11)	-	-	(11)
Total change relating to future service	(153)	40	102	(11)
Changes in amounts recoverable arising from changes in liabilities for incurred claims (past service)	-	-	-	-
Net expenses from reinsurance contracts	(142)	27	24	(91)
Reinsurance finance (expense)/income	(52)	(27)	23	(56)
Total changes in the profit or loss	(194)	-	47	(147)
Cash flows:				
Premiums paid	1,186	-	-	1,186
Claims recovered and other expenses paid	(989)	-	-	(989)
Total cash flows	197	-	-	197
Other movements[1]	(32)	(4)	(1)	(37)
Net reinsurance contract assets as at 30 June	2,137	629	1,976	4,742
Reinsurance contract liabilities as at 30 June	(237)	33	57	(147)
Reinsurance contract assets as at 30 June	2,374	596	1,919	4,889
Net reinsurance contract assets as at 30 June	2,137	629	1,976	4,742

1 Estimates of the present value of future cash flows includes £(34) million of premium in respect of the PGL Pension Scheme buy-out (see note 13).

Year ended 31 December 2023	Estimates of the present value of future cash flows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Reinsurance contract liabilities as at 1 January	(8)	-	1	(7)
Reinsurance contract assets as at 1 January	2,285	478	1,308	4,071
Net reinsurance contract assets as at 1 January	2,277	478	1,309	4,064
Changes in profit or loss:				
CSM recognised for services received	-	-	(168)	(168)
Risk adjustment for the risk expired	-	(30)	-	(30)
Experience adjustments	27	-	-	27
Total change relating to current service	27	(30)	(168)	(171)
Contracts initially recognised in the period	(351)	229	122	-
Changes in estimates that adjust the CSM	(610)	(49)	659	-
Changes in estimates that do not adjust the CSM	(17)	7	-	(10)
Reversal of impairment of assets for reinsurance acquisition cash flows	2	-	-	2
Total change relating to future service	(976)	187	781	(8)
Changes in amounts recoverable arising from changes in liabilities for incurred claims (past service)	(1)	-	-	(1)
Net expenses from reinsurance contracts	(950)	157	613	(180)
Reinsurance finance (expense)/income	156	(3)	26	179
Total changes in the profit or loss	(794)	154	639	(1)
Cash flows:				
Premiums paid	3,085	-	-	3,085
Claims recovered and other expenses paid	(2,280)	-	-	(2,280)
Total cash flows	805	-	-	805
Other movements[1]	(122)	1	(18)	(139)
Net reinsurance contract assets as at 31 December	2,166	633	1,930	4,729
Reinsurance contract liabilities as at 31 December	(244)	37	60	(147)
Reinsurance contract assets as at 31 December	2,410	596	1,870	4,876
Net reinsurance contract assets as at 31 December	2,166	633	1,930	4,729

1 £(153) million included in 'estimates of the present value of future cash flows' relates to the fair value of reinsurance contracts acquired as part of the acquisition of SLF of Canada UK Limited.

	Loss recovery component	
	Half year ended 30 June 2024	Year ended 31 December 2023
	£m	£m
Loss recovery component as at 1 January	**37**	47
Reinsurance expenses:		
Changes in CSM due to recognition and reversal of a loss recovery component from onerous underlying contracts	**(11)**	(10)
Cost of retroactive cover on reinsurance contracts held	**(1)**	(3)
Net income or expense from reinsurance contracts	**(12)**	(13)
Total changes in profit or loss	**(12)**	(13)
Other movements	**(1)**	3
Loss recovery component as at 30 June/31 December	**24**	37

14.4 Analysis of movement in CSM

Insurance contracts

Half year ended 30 June 2024	Retirement Solutions £m	Pensions & Savings £m	With-Profits £m	Europe & Other £m	Total £m
CSM at 1 January as reported	3,741	201	597	244	4,783
Restatements[1]	8	-	(8)	-	-
CSM at 1 January (restated)	3,749	201	589	244	4,783
Changes that relate to current service:					
CSM recognised for services provided	(138)	(14)	(40)	(30)	(222)
Changes that relate to future service:					
Contracts initially recognised in the period	192	-	-	23	215
Changes in estimates that adjust the CSM	89	28	74	83	274
Insurance service result	143	14	34	76	267
Insurance finance expense/(income)	49	(1)	12	2	62
Total changes in profit or loss	192	13	46	78	329
Other movements	-	-	-	(2)	(2)
CSM as at 30 June	3,941	214	635	320	5,110
Comprising contracts measured using:					
Fair Value Approach at transition	1,136	146	568	214	2,064
Fully Retrospective approach at transition & new contracts	2,805	68	67	106	3,046

1 See note 1 for further details of prior year restatements.

Year ended 31 December 2023	Retirement Solutions restated £m	Pensions & Savings £m	With-Profits restated £m	Europe & Other £m	Total restated £m
CSM at 1 January as reported	2,821	94	565	419	3,899
Restatements[1]	-	-	(7)	-	(7)
CSM at 1 January (restated)	2,821	94	558	419	3,892
Changes that relate to current service:					
CSM recognised for services provided	(260)	(25)	(77)	(47)	(409)
Changes that relate to future service:					
Contracts initially recognised in the period	435	34	-	53	522
Changes in estimates that adjust the CSM (restated[1])	666	104	119	(143)	746
Insurance service result	841	113	42	(137)	859
Insurance finance expense/(income) (restated[1])	62	(4)	10	(20)	48
Total changes in profit or loss	903	109	52	(157)	907
Other movements	25	(2)	(21)	(18)	(16)
CSM as at 31 December	3,749	201	589	244	4,783
Comprising contracts measured using:					
Fair Value Approach at transition (restated)	1,170	129	517	169	1,985
Fully Retrospective approach at transition & new contracts	2,579	72	72	75	2,798

1 See note 1 for further details of prior year restatements.

14.5 Effect of insurance contracts initially recognised in the period

The effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts in the year is disclosed in the tables below. Contracts issued mainly comprise of bulk purchase annuity transactions completed in the year and protection business. Contracts acquired in the prior period relates to the acquisition of SLF of Canada UK Limited.

14.5.1 Insurance contracts

Half year ended 30 June 2024	Contracts issued		
	Profitable £m	Onerous £m	Total £m
Estimate of present value of future cash outflows:			
Insurance acquisition cash flows	67	-	67
Claims and other directly attributable expenses	2,718	-	2,718
Estimates of present value of future cash outflows	2,785	-	2,785
Estimates of present value of future cash inflows	(3,057)	-	(3,057)
Risk adjustment	57	-	57
CSM	215	-	215
Losses on onerous contracts at initial recognition	-	-	-

Year ended 31 December 2023	Contracts issued		Contracts acquired		
	Profitable £m	Onerous £m	Profitable £m	Onerous £m	Total £m
Estimate of present value of future cash outflows:					
Insurance acquisition cash flows	119	-	-	-	119
Claims and other directly attributable expenses	5,882	270	4,245	-	10,397
Estimates of present value of future cash outflows	6,001	270	4,245	-	10,516
Estimates of present value of future cash inflows	(6,588)	(268)	(4,386)	-	(11,242)
Risk adjustment	137	2	69	-	208
CSM	450	-	72	-	522
Losses on onerous contracts at initial recognition	-	4	-	-	4

14.5.2 Reinsurance contracts

Half year ended 30 June 2024	Contracts originated		
	Without a loss recovery component £m	With a loss recovery component £m	Total £m
Estimate of present value of future cash inflows:	2,065	-	2,065
Estimate of present value of future cash outflows	(2,144)	-	(2,144)
Risk adjustment incurred	43	-	43
CSM	36	-	36
Income recognised on initial recognition	-	-	-

Year ended 31 December 2023	Contracts originated		Contracts acquired		
	Without a loss recovery component £m	With a loss recovery component £m	Without a loss recovery component £m	With a loss recovery component £m	Total £m
Estimate of present value of future cash inflows:	8,287	-	153	-	8,440
Estimate of present value of future cash outflows	(8,584)	-	(207)	-	(8,791)
Risk adjustment incurred	195	-	34	-	229
CSM	102	-	20	-	122
Income recognised on initial recognition	-	-	-	-	-

15. Borrowings

	30 June 2024 £m	31 December 2023 £m
Carrying value		
£300 million multi-currency revolving credit facility	153	90
Property reversions loan	35	45
Total policyholder borrowings	188	135
£428 million Tier 2 subordinated notes	197	197
US $500 million Tier 2 notes	395	391
€500 million Tier 2 notes	421	430
US $750 million Contingent Convertible Tier 1 notes (note a)	197	587
£500 million Tier 2 notes	489	489
US $500 million Fixed Rate Reset Tier 2 notes	276	274
£500 million 5.867% Tier 2 subordinated notes	533	536
£250 million Fixed Rate Reset Callable Tier 2 subordinated notes (note b)	-	254
£250 million 4.016% Tier 3 subordinated notes	253	253
£350 million Fixed Rate Reset Callable Tier 2 subordinated notes	346	346
US $500 million Contingent Convertible Tier 1 notes (note c)	394	-
Total shareholder borrowings	3,501	3,757
Total borrowings	3,689	3,892

a On 18 June 2024, the Company repurchased US $500 million of the principal amount of the US $750 million Contingent Convertible Tier 1 notes via tender offer. The remaining principal amount of the notes at 30 June 2024 is US $250 million.

b On 13 June 2024, the Company redeemed the £250 million Fixed Rate Reset Callable Tier 2 subordinated notes at their principal amount together with accrued and unpaid interest to the redemption date.

c On 12 June 2024, the Company issued US $500 million Contingent Convertible Tier 1 notes which are unsecured and subordinated. The notes have no fixed maturity date and interest is payable only at the sole and absolute discretion of the Company except where a 'Capital Disqualification Event 'occurs and the Company chooses not to exercise its right to redeem the notes. The Contingent Convertible Tier 1 Notes bear interest on their principal amount at a fixed rate of 8.500% per annum up to the 'First Reset Date' of 12 June 2030. Thereafter, the fixed rate of interest will be reset on the First Reset Date and on each fifth anniversary of this date by reference to the sum of the yield of the Constant Maturity Treasury ('CMT') rate (based on the prevailing five-year US Treasury yield) plus a margin of 4.189%, being the initial credit spread used in pricing the Convertible Tier 1 Notes. The Contingent Convertible Tier 1 Notes may be redeemed at par from 6 months before and up to the First Reset Date, or on any interest payment date thereafter at the option of the Company and also in other limited circumstances. Interest is payable on the Contingent Convertible Tier 1 Notes semi-annually in arrears.

16. Financial instruments

16.1 Fair values

The table below sets out a comparison of the carrying amounts and fair values of financial instruments.

	30 June 2024		31 December 2023	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets measured at carrying and fair value				
Financial assets at fair value through profit or loss ('FVTPL') (mandatory):				
Loans and deposits	236	236	231	231
Derivatives	2,250	2,250	2,769	2,769
Equities	95,886	95,886	87,656	87,656
Investment in associate[1]	-	-	349	349
Debt securities	89,310	89,310	94,785	94,785
Collective investment schemes	81,029	81,029	79,937	79,937
Reinsurers' share of investment contract liabilities	9,146	9,146	9,700	9,700
Financial assets measured at amortised cost:				
Loans and deposits	28	28	17	17
Total financial assets	277,885	277,885	275,444	275,444
Less amounts classified as held for sale (see note 2.1)	(2,056)	(2,056)	(2,498)	(2,498)
Total financial assets less amounts classified as held for sale	275,829	275,829	272,946	272,946

1 In May 2024, Tritax Big Box REIT plc ('BBOX') acquired the entire share capital of UK Commercial Property REIT Limited ('UKCPR'). Prior to completion the Group held 43.4% of the shares of UKCPR and held its investment in the associate at fair value. Upon completion of the all-share combination, the Group held 10.1% of the shares of BBOX and it was determined that it did not have significant influence over BBOX. Consequently, the investment in BBOX is not treated as an associate and is instead classified as an investment and included within equities.

	30 June 2024		31 December 2023	
	Carrying value £m	Fair value £m	Carrying value restated[1] £m	Fair value restated[1] £m
Financial liabilities measured at carrying and fair values				
Financial liabilities at FVTPL (mandatory):				
Derivatives	3,542	3,542	3,344	3,344
Financial liabilities designated at FVTPL upon initial recognition:				
Borrowings	35	35	45	45
Net asset value attributable to unit holders	2,646	2,646	2,921	2,921
Investment contract liabilities (restated)[1]	170,445	170,445	162,495	162,495
Financial liabilities measured at amortised cost:				
Borrowings	3,654	3,586	3,847	3,739
Obligations for repayment of collateral received	656	656	1,005	1,005
Total financial liabilities	180,978	180,910	173,657	173,549
Less amounts classified as held for sale (see note 2.1)	(3,847)	(3,847)	(4,782)	(4,782)
Total financial liabilities less amounts classified as held for sale	177,131	177,063	168,875	168,767

1 See note 1 for details of the prior year restatements.

16.2 Fair value hierarchy

16.2.1 Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments

The fair value of financial instruments traded in active markets (such as exchange traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. Greater depth and narrower bid-ask spread indicates a higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes and reinsurers' share of investment contract liabilities, fair value is determined by reference to published bid prices.

Level 2 financial instruments

Financial instruments traded in active markets with less depth or wider bid-ask spreads which do not meet the classification as Level 1 inputs, are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes. The fair value of over-the-counter derivatives is estimated using pricing models or discounted cash flow techniques. Collective investment schemes where the underlying assets are not priced using active market prices are determined to be Level 2 instruments. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. The fair value of investment contract liabilities reflects the fair value of the underlying assets and liabilities in the funds plus an additional amount to cover the present value of the excess of future policy costs over future charges. Their liabilities are consequently determined to be Level 2 instruments.

Level 3 financial instruments

The Group's financial instruments determined by valuation techniques using non-observable market inputs are based on a combination of independent third party evidence and internally developed models. In relation to investments in hedge funds and private equity investments, non-observable third party evidence in the form of net asset valuation statements are used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required. Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3. For a number of investment vehicles and debt securities, standard valuation models are used, as due to their nature and complexity they have no external market. Inputs into such models are based on observable market data where applicable. The fair value of loans, derivatives and some borrowings with no external market is determined by internally developed discounted cash flow models using appropriate assumptions corroborated with external market data where possible.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) during each reporting period.

16.2.2 Fair value hierarchy of financial instruments measured at fair value

30 June 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value				
Financial assets at FVTPL (mandatory):				
Loan and deposits	-	236	-	236
Derivatives	45	2,024	181	2,250
Equities	93,068	107	2,711	95,886
Debt securities	49,602	25,114	14,594	89,310
Collective investment schemes	77,336	3,284	409	81,029
Reinsurers' share of investment contract liabilities	9,146	-	-	9,146
Total financial assets measured at fair value	229,197	30,765	17,895	277,857
Less amounts classified as held for sale (see note 2.1)[1]	(1,244)	(158)	(654)	(2,056)
Total financial assets measured at fair value, excluding amounts classified as held for sale	227,953	30,607	17,241	275,801

1 Amounts classified as held for sale includes £16 million of equities (level 1), £30 million of reinsurers' share of investment contract liabilities (level 1), £869 million of collective investment schemes (£841 million at level 1; £25 million at level 2; and £3 million at level 3) and £1,141 million of debt securities (£357 million at level 1; £133 million at level 2; and £651 million at level 3).

30 June 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities measured at fair value				
Financial liabilities at FVTPL (mandatory):				
Derivatives	39	3,346	157	3,542
Financial liabilities designated at FVTPL upon initial recognition:				
Borrowings	-	-	35	35
Net asset value attributable to unit holders	2,646	-	-	2,646
Investment contract liabilities	-	170,445	-	170,445
Total financial liabilities measured at fair value	2,685	173,791	192	176,668
Less amounts classified as held for sale (see note 2.1)[1]	-	(3,847)	-	(3,847)
Total financial liabilities measured at fair value less amounts classified as held for sale	2,685	169,944	192	172,821

1 Amounts classified as held for sale includes £3,847 million of investment contract liabilities.

31 December 2023	Level 1 restated[2] £m	Level 2 restated[2] £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value				
Financial assets at FVTPL (mandatory):				
Loan and deposits	-	231	-	231
Derivatives	139	2,398	232	2,769
Equities	85,029	132	2,495	87,656
Investment in associate	349	-	-	349
Debt securities	51,998	28,969	13,818	94,785
Collective investment schemes	76,343	3,193	401	79,937
Reinsurers' share of investment contract liabilities	9,700	-	-	9,700
Total financial assets measured at fair value	223,558	34,923	16,946	275,427
Less amounts classified as held for sale (see note 2.1)[1]	(1,639)	(181)	(678)	(2,498)
Total financial assets measured at fair value, excluding amounts classified as held for sale	221,919	34,742	16,268	272,929

1 Amounts classified as held for sale includes £28 million of equities (level 1), £3 million of derivatives (level 2), £28 million of reinsurers' share of investment contract liabilities (level 1), £1,028 million of collective investment schemes (£996 million level 1; £28 million level 2; and £4 million level 3) and £1,411 million of debt securities (£587 million level 1; £150 million level 2; and £674 million level 3).

2 Level 1 and Level 2 debt securities have been restated to correctly reflect £6,469 million of debt securities within Level 1 instead of Level 2 as previously reported.

31 December 2023	Level 1 £m	Level 2 restated[1] £m	Level 3 £m	Total fair value restated[1] £m
Financial liabilities measured at fair value				
Financial liabilities at FVTPL (mandatory):				
Derivatives	152	2,986	206	3,344
Financial liabilities designated at FVTPL upon initial recognition:				
Borrowings	-	-	45	45
Net asset value attributable to unit holders	2,921	-	-	2,921
Investment contract liabilities (restated)[1]	-	162,495	-	162,495
Total financial liabilities measured at fair value	3,073	165,481	251	168,805
Less amounts classified as held for sale (see note 2.1)[2]	-	(4,782)	-	(4,782)
Total financial liabilities measured at fair value less amounts classified as held for sale	3,073	160,699	251	164,023

1 See note 1 for details of the prior year restatements.

2 Amounts classified as held for sale includes £4,780 million of investment contract liabilities and £2 million of derivatives.

16.2.3 Significant inputs and input values for Level 3 financial instruments

Description	Valuation technique	Significant inputs	Key unobservable input value: 30 June 2024	Key unobservable input value: 31 December 2023
Equities	Single broker[1] and net asset value[2]	Single broker indicative price	**N/A**	N/A
Debt securities (see 16.2.4 for further details)				
Loans guaranteed by export credit agencies & supranationals	DCF model[3]	Credit spread	**74bps (weighted average)**	78bps (weighted average)
Private corporate credit	DCF model[3]	Credit spread	**137bps (weighted average)**	145bps (weighted average)
Infrastructure loans	DCF model[3]	Credit spread	**159bps (weighted average)**	160bps (weighted average)
Loans to housing associations	DCF model[3]	Credit spread	**141bps (weighted average)**	139bps (weighted average)
Local authority loans	DCF model[3]	Credit spread	**122bps (weighted average)**	130bps (weighted average)
Equity Release Mortgage loans ('ERM')	DCF model and Black-Scholes model[4]	Spread	**201bps over SONIA plus 36bps**	256bps over SONIA plus 36bps
		House price inflation	**+75bps adjustment to RPI**	+75bps adjustment to RPI
		House price exposure	**£277,345 (average)**	£280,316 (average)
		Mortality	**Average life expectancy of a male and female currently aged 75 is 14.1 years and 15.7 years respectively**	Average life expectancy of a male and female currently aged 75 is 14.1 years and 15.6 years respectively
		Voluntary redemption rate	**190bps to 650bps**	190bps to 650bps
Commercial real estate loans	DCF model[3]	Credit spread	**232bps (weighted average)**	253bps (weighted average)
Income strips[5]	Income capitalisation	Credit spread	**643bps**	613bps
Collective investment schemes	Net asset value statements[2]	N/A	**N/A**	N/A
Borrowings				
Property reversions loans (see note 15)	Internally developed model	Mortality rate	**130% IFL92C15 (Female)[6]**	130% IFL92C15 (Female)[6]
			130% IML92C15 (Male)[6]	130% IML92C15 (Male)[6]
		House price inflation	**3 year RPI rate plus 75bps**	3 year RPI rate plus 75bps
		Discount rate	**3 year swap rate plus 170bps**	3 year swap rate plus 170bps
		Deferred possession rate	**370bps**	370bps
Derivative assets and liabilities				
Forward private placements, infrastructure and local authority loans[7]	DCF model[3]	Credit spread	**105bps (weighted average)**	111bps (weighted average)
Longevity swaps[8]	DCF model[3]	Swap curve	**swap curve**	swap curve
Equity Release Income Plan total return swap[9]	DCF model[3]	Credit spread	**500bps**	500bps

1 Broker indicative prices: Although such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.
2 Net asset value statements: Net asset statements are provided by independent third parties, and therefore no significant non-observable input or sensitivity information has been prepared for those instruments valued on this basis.
3 Discounted cash flow ('DCF') model: Except where otherwise stated, the discount rate used is based on a risk-free curve and a credit spread. The risk-free rate is taken from an appropriate gilt of comparable duration. The spread is derived from a basket of comparable securities.
4 ERM loans: The loans are valued using a DCF model and a Black-Scholes model for valuation of the No-Negative Equity Guarantee ('NNEG'). The NNEG caps the loan repayment in the event of death or entry into long-term care to be no greater than the sales proceeds from the property. The future cash flows are estimated based on assumed levels of mortality derived from published mortality tables, entry into long-term care rates and voluntary redemption rates. Cash flows include an allowance for the expected cost of providing a NNEG assessed under a real world approach using a closed form model including an assumed level of property value volatility. For the NNEG assessment, property values are indexed from the latest property valuation point and then assumed to grow in line with an RPI based assumption. Cash flows are discounted using a risk-free curve plus a spread, where the spread is based on recent originations, with margins to allow for the different risk profiles of ERM loans.
5 Income strips are transactions where an owner-occupier of a property has sold a freehold or long leasehold interest to the Group and has signed a long lease (typically 30-45 years) or a ground lease (typically 45-75 years) and retains the right to repurchase the property at the end of the lease for a nominal sum (usually £1). The income strips are valued using an income capitalisation approach, where the annual rental income is capitalised using an appropriate yield. The yield is determined by considering recent transactions involving similar income strips.
6 IFL92C15 and IML92C15 relate to immediate annuitant female and male lives and refer to the 92 series mortality tables produced by the Continuous Mortality Investigation ('CMI').
7 Derivative liabilities include forward investments of £39 million (31 December 2023: £54 million) which include a commitment to acquire or provide funding for fixed rate debt instruments at specified future dates.
8 Included within derivative assets and liabilities are longevity swap contracts with corporate pension schemes with a fair value of £179 million (31 December 2023: £230 million) and £72 million (31 December 2023: £100 million) respectively.
9 Included within derivative liabilities is the Equity Release Income Plan ('ERIP') total return swap with a value of £46 million (31 December 2023: £50 million), under which a share of the disposal proceeds arising on a portfolio of property reversions is payable to a third party.

16.2.4 Level 3 debt securities

Analysis of Level 3 debt securities	30 June 2024 £m	31 December 2023 £m
Unquoted corporate bonds:		
Loans guaranteed by export credit agencies & supra-nationals	473	486
Private corporate credit	2,497	1,829
Infrastructure loans - project finance	1,058	1,097
Infrastructure loans - corporate	1,464	1,493
Loans to housing associations	1,180	1,186
Local authority loans	850	932
Equity release mortgages	4,726	4,486
Commercial real estate loans	1,128	1,147
Income strips	651	674
Bridging loans to private equity funds	551	470
Other	16	18
Total Level 3 debt securities	**14,594**	**13,818**
Less amounts classified as held for sale	(651)	(674)
Total Level 3 debt securities excluding amounts classified as held for sale	**13,943**	**13,144**

16.2.5 Level 3 financial instrument sensitivities

Sensitivities of level 3 financial instruments	30 June 2024 £m	31 December 2023 £m
Debt securities – Loans guaranteed by export credit agencies & supranationals		
65bps increase in spread	(12)	(13)
65bps decrease in spread	12	14
Debt securities – Private corporate credit		
65bps increase in spread	(152)	(103)
65bps decrease in spread	156	116
Debt securities – Infrastructure loans		
65bps increase in spread	(121)	(129)
65bps decrease in spread	129	134
Debt securities – Loans to housing associations		
65bps increase in spread	(100)	(93)
65bps decrease in spread	110	105
Debt securities – Local authority loans		
65bps increase in spread	(70)	(82)
65bps decrease in spread	76	90
Debt securities – ERM loans		
100bps increase in spread	(392)	(373)
100bps decrease in spread	431	410
5% increase in mortality	17	16
5% decrease in mortality	(18)	(18)
15% increase in voluntary redemption rate	43	44
15% decrease in voluntary redemption rate	(47)	(47)
1% increase in house price inflation	54	52
1% decrease in house price inflation	(78)	(74)
10% increase in house prices	39	38
10% decrease in house prices	(61)	(59)
Debt securities – CRELs		
65bps increase in spread	(38)	(44)
65bps decrease in spread	42	48
Debt securities – Income strips		
35bps increase in spread	(90)	(89)
35bps decrease in spread	109	109
Derivatives – Forward private placements, infrastructure and local authority loans		
65bps increase in spread	(7)	(6)
65bps decrease in spread	8	7
Derivatives – Longevity swap contracts		
100bps increase in swap curve	(15)	(20)
100bps decrease in swap curve	19	25
Derivatives – Equity Release Income Plan total return swap		
100bps increase in spread	1	1
100bps decrease in spread	(1)	(1)

For the property reversions loans and bridging loans to equity funds, there are no reasonably possible movements in unobservable input values which would result in a significant movement in the fair value of the financial instruments.

For those assets valued using net asset value statements (equities and collective investment schemes) no sensitivity information has been prepared as the net asset statements are provided by independent third parties.

16.2.6 Transfers of financial instruments between Level 1 and Level 2

30 June 2024	From Level 1 to Level 2 £m	From Level 2 to Level 1 £m
Financial assets measured at fair value		
Financial assets mandatorily at FVTPL:		
Equities	16	2
Collective investment schemes	27	-
Debt securities	194	577

31 December 2023	From Level 1 to Level 2 £m	From Level 2 to Level 1 £m
Financial assets measured at fair value		
Financial assets mandatorily held at FVTPL:		
Derivatives	-	21
Equities	10	12
Collective investment schemes[1]	1,188	16
Debt securities	1,023	725

1 As a result of the assessment of the liquidity of the underlying investments held within collective investment schemes, in accordance with the Group's fair value hierarchy classification methodology a net £1,172 million of collective investment schemes has transferred from Level 1 to Level 2.

Consistent with the prior periods, all the Group's Level 1 and Level 2 assets have been valued using standard market pricing sources.

The application of the Group's fair value hierarchy classification methodology at an individual security level, in particular observations with regard to measures of market depth and bid-ask spreads for debt securities resulted in assets being moved from Level 2 to Level 1, and from Level 1 to Level 2.

16.2.7 Movement in Level 3 financial instruments measured at fair value

30 June 2024	At 1 January 2024 £m	Net (losses)/gains in income statement £m	Effect of purchases £m	Sales £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2 £m	At 30 June 2024[1] £m	Unrealised (losses)/gains on assets held at end of period £m
Financial assets measured at fair value								
Financial assets at FVTPL (mandatory):								
Derivatives	232	(51)	-	-	-	-	181	(51)
Equities	2,495	86	251	(117)	-	(4)	2,711	86
Debt securities	13,818	(226)	3,485	(2,766)	283	-	14,594	(173)
Collective investment schemes	401	(8)	23	(5)	-	(2)	409	(10)
Total financial assets measured at fair value	16,946	(199)	3,759	(2,888)	283	(6)	17,895	(148)

1 Total financial assets of £17,895 million includes £654 million of assets classified as held for sale.

30 June 2024	At 1 January 2024 £m	Net gains in income statement £m	Effect of purchases £m	Sales/ repayments £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2 £m	At 30 June 2024 £m	Unrealised gains on liabilities held at end period £m
Financial liabilities measured at fair value								
Financial liabilities at FVTPL (mandatory):								
Derivatives	206	(42)	-	(7)	-	-	157	(47)
Financial liabilities designated at FVTPL upon initial recognition:								
Borrowings	45	-	-	(10)	-	-	35	-
Total financial liabilities measured at fair value	251	(42)	-	(17)	-	-	192	(47)

31 December 2023	At 1 January 2023 £m	Net (losses)/ gains in income statement £m	Effect of purchases £m	Sales £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2 £m	At 31 December 2023[1] £m	Unrealised gains on assets held at end of period £m
Financial assets measured at fair value								
Financial assets at FVTPL (mandatory):								
Loans and deposits	7	(1)	-	(6)	-	-	-	-
Derivatives	152	80	-	-	-	-	232	80
Equities	2,192	163	433	(293)	2	(2)	2,495	14
Debt securities	11,465	416	7,011	(5,224)	150	-	13,818	475
Collective investment schemes	312	46	47	(5)	1	-	401	46
Total financial assets measured at fair value	14,128	704	7,491	(5,528)	153	(2)	16,946	615

1 Total financial assets of £16,946 million includes £678 million of assets classified as held for sale.

31 December 2023	At 1 January 2023 £m	Net losses in income statement £m	Effect of purchases £m	Sales/ repayments £m	Transfers from Level 1 and Level 2 £m	Transfers to Level 1 and Level 2 £m	At 31 December 2023 £m	Unrealised losses on liabilities held at end of period £m
Financial liabilities measured at fair value								
Derivatives	243	67	-	(104)	-	-	206	59
Financial liabilities designated at FVTPL upon initial recognition:								
Borrowings	64	2	-	(21)	-	-	45	2
Total financial liabilities measured at fair value	307	69	-	(125)	-	-	251	61

The application of the Group's fair value hierarchy classification methodology at an individual security level has resulted in debt securities being moved from Level 1 and Level 2 to Level 3 in both periods.

17. Cash flows from operating activities

The following analysis gives further detail behind the 'cash generated/(utilised) by operations' figure in the condensed statement of consolidated cash flows.

	Half year ended 30 June 2024 £m	Half year ended 30 June 2023 £m
Loss for the period before tax	**(669)**	(372)
Adjustments for non-cash movements in loss for the period before tax:		
Loss on PGL Pension Scheme buy-out transaction	**106**	-
Gain on acquisition of SLF Canada UK Limited	**-**	(66)
Fair value losses/(gains) on:		
Investment property	**139**	46
Financial assets and derivative liabilities	**(6,318)**	(325)
Change in fair value of borrowings	**2**	(84)
Amortisation and impairment of intangible assets	**132**	161
Share-based payment charge	**12**	10
Finance costs	**147**	134
Net interest expense on Group defined benefit pension scheme liability/asset	**29**	61
Pension past service costs	**-**	12
Other costs of pension schemes	**2**	3
Movements in assets and liabilities relating to operations:		
Decrease/(increase) in investment assets	**1,870**	(2,046)
Decrease/(increase) in reinsurers' share of investment contract liabilities	**556**	(76)
Increase in net reinsurance contract assets	**(50)**	(148)
Decrease in insurance contract assets and liabilities	**(898)**	(1,399)
Increase in investment contract liabilities	**9,028**	3,173
Decrease in assets classified as held for sale	**1,211**	376
Decrease in obligation for repayment of collateral received	**(349)**	(735)
Decrease in liabilities classified as held for sale	**(935)**	(491)
Net (increase)/decrease in working capital	**(810)**	1,509
Other cash movements relating to operations:		
Contributions to defined benefit pension schemes	**(5)**	(5)
Cash generated/(utilised) by operations	**3,200**	(262)

18. Related party transactions

The nature of the related party transactions of the Group has not changed from those referred to in the Group's consolidated financial statements for the year ended 31 December 2023.

During the period, Phoenix Life Limited completed the buy-out of the PGL Pension Scheme liabilities. Further details of this transaction with a Group pension scheme are included in note 13.

There were no further transactions with related parties during the half year ended 30 June 2024 which have had a material effect on the results or financial position of the Group.

19. Contingent liabilities

Where the Group has a possible future obligation as a result of a past event, or a present legal or constructive obligation but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

As a long-term savings and retirement business, the Group operates in a highly regulated environment. Therefore, in the normal course of business the Group is exposed to certain legal issues, which can involve litigation and arbitration, complaints, and regulatory and tax authority reviews. At the period end, the Group has a number of contingent liabilities in this regard, none of which are considered by the Directors to be material. This is consistent with the position reported at 31 December 2023.

20. Events after the reporting date

On 11 September 2024, the Board declared an interim dividend per share of 26.65p for the half year ended 30 June 2024 (half year ended 30 June 2023: 26.0p; year ended 31 December 2023: 26.65p). The cost of this dividend has not been recognised as a liability in the interim financial statements for the half year ended 30 June 2024 and will be charged to the statement of consolidated changes in equity when paid.

Additional life company asset disclosures

The analysis of the asset portfolio provided below comprises the assets held by the Group's life companies, and it is stated net of derivative liabilities. It excludes other Group assets such as cash held in the holding and management service companies and the assets held by the non-controlling interest in consolidated collective investment schemes. The information is presented on a look-through basis into the underlying funds.

The following table provides an overview of the exposure by asset category of the Group's life companies' shareholder and policyholder funds:

30 June 2024

Carrying value	Shareholder and non-profit funds[1] £m	Participating supported[1] £m	Participating non-supported[2] £m	Unit-linked[2] £m	Total £m
Cash and cash equivalents	4,062	843	4,866	8,701	18,472
Debt securities - gilts and foreign government bonds	7,440	250	14,286	14,182	36,158
Debt securities - other government and supranationals	2,503	146	1,701	3,494	7,844
Debt securities - infrastructure loans - project finance[3]	1,073	-	-	-	1,073
Debt securities - infrastructure loans - corporate[4]	1,494	-	1	-	1,495
Debt securities - local authority loans[5]	907	-	2	2	911
Debt securities - loans guaranteed by export credit agencies and supranationals[6]	703	-	-	-	703
Debt securities - private corporate credit[7]	2,556	-	98	8	2,662
Debt securities - loans to housing associations[8]	1,228	-	7	2	1,237
Debt securities - commercial real estate loans[9]	1,128	-	-	-	1,128
Debt securities - equity release mortgages[9]	4,726	-	-	-	4,726
Debt securities - other debt securities	12,990	1,233	12,195	26,376	52,794
	36,748	1,629	28,290	44,064	110,731
Equity securities	116	57	17,711	120,465	138,349
Property investments	39	13	1,626	4,583	6,261
Income strips[9]	-	-	-	651	651
Other investments[10]	(480)	(664)	429	10,083	9,368
Total Life Company assets	40,485	1,878	52,922	188,547	283,832
Less assets held by disposal groups[11]	-	-	-	(3,536)	(3,536)
At 30 June 2024	40,485	1,878	52,922	185,011	280,296
Cash and cash equivalents in Group holding companies					1,027
Cash and financial assets in other Group companies					801
Financial assets held by the non-controlling interest in consolidated collective investment schemes					3,567
Financial assets in consolidated funds held by disposal groups[11]					182
Total Group consolidated assets excluding amounts classified as held for sale					285,873
Comprised of:					
Investment property					3,927
Financial assets					275,829
Cash and cash equivalents					9,659
Derivative liabilities					(3,542)
					285,873

1 Includes assets where shareholders of the life companies bear the investment risk.

2 Includes assets where policyholders bear most of the investment risk.

3 Total infrastructure loans - project finance of £1,073 million include £1,058 million classified as Level 3 debt securities in the fair value hierarchy.

4 Total infrastructure loans - corporate of £1,495 million include £1,464 million classified as Level 3 debt securities in the fair value hierarchy.

5 Total local authority loans of £911 million include £850 million classified as Level 3 debt securities in the fair value hierarchy.

6 Total loans guaranteed by export credit agencies and supranationals of £703 million include £473 million classified as Level 3 debt securities in the fair value hierarchy.

7 Total private corporate credit of £2,662 million include £2,497 million classified as Level 3 debt securities in the fair value hierarchy.

8 Total loans to housing associations of £1,237 million include £1,180 million classified as Level 3 debt securities in the fair value hierarchy.

9 All commercial real estate loans, equity release mortgages and income strips are classified as Level 3 debt securities in the fair value hierarchy.

10 Includes other loans of £151 million, net derivative liabilities of £(976) million, reinsurers' share of investment contracts of £9,146 million and other investments of £1,047 million.

11 See note 2.1 to the interim financial statements for further details.

31 December 2023

Carrying value	Shareholder and non-profit funds[1] £m	Participating supported[1] £m	Participating non-supported[2] £m	Unit-linked[2] £m	Total £m
Cash and cash equivalents	4,129	1,085	5,309	8,002	18,525
Debt securities - gilts and foreign government bonds	7,753	286	15,039	12,312	35,390
Debt securities - other government and supranationals	2,021	230	2,175	3,253	7,679
Debt securities - infrastructure loans - project finance[3]	1,137	-	-	-	1,137
Debt securities - infrastructure loans - corporate[4]	1,523	-	1	-	1,524
Debt securities - local authority loans[5]	1,032	1	2	4	1,039
Debt securities - loans guaranteed by export credit agencies and supranationals[6]	733	-	-	-	733
Debt securities - private corporate credit[7]	2,271	-	106	8	2,385
Debt securities - loans to housing associations[8]	1,243	-	8	2	1,253
Debt securities - commercial real estate loans[9]	1,147	-	-	-	1,147
Debt securities - equity release mortgages[9]	4,486	-	-	-	4,486
Debt securities - other debt securities	15,097	1,152	12,397	27,688	56,334
	38,443	1,669	29,728	43,267	113,107
Equity securities	117	50	17,227	112,122	129,516
Property investments	47	16	1,677	5,062	6,802
Income strips[9]	-	-	-	674	674
Other investments[10]	(371)	(529)	822	10,800	10,722
Total Life Company assets	42,365	2,291	54,763	179,927	279,346
Less assets held by disposal groups[11]	-	-	-	(4,780)	(4,780)
At 31 December 2023	42,365	2,291	54,763	175,147	274,566
Cash and cash equivalents in Group holding companies					1,012
Cash and financial assets in other Group companies					686
Financial assets held by the non-controlling interest in consolidated collective investment schemes					4,018
Financial assets in consolidated funds held by disposal groups[11]					188
Total Group consolidated assets excluding amounts classified as held for sale					280,470
Comprised of:					
Investment property					3,698
Financial assets					272,946
Cash and cash equivalents					7,168
Derivative liabilities					(3,342)
					280,470

1 Includes assets where shareholders of the life companies bear the investment risk.

2 Includes assets where policyholders bear most of the investment risk.

3 Total infrastructure loans - project finance of £1,137 million include £1,097 million classified as Level 3 debt securities in the fair value hierarchy.

4 Total infrastructure loans - corporate of £1,524 million include £1,493 million classified as Level 3 debt securities in the fair value hierarchy.

5 Total local authority loans of £1,039 million include £932 million classified as Level 3 debt securities in the fair value hierarchy.

6 Total loans guaranteed by export credit agencies and supranationals of £733 million include £486 million classified as Level 3 debt securities in the fair value hierarchy.

7 Total private corporate credit of £2,385 million include £1,829 million classified as Level 3 debt securities in the fair value hierarchy.

8 Total loans to housing associations of £1,253 million include £1,186 million classified as Level 3 debt securities in the fair value hierarchy.

9 All commercial real estate loans, equity release mortgages and income strips are classified as Level 3 debt securities in the fair value hierarchy.

10 Includes policy loans of £1 million, other loans of £189 million, net derivative liabilities of £(770) million, reinsurers' share of investment contracts of £9,700 million and other investments of £1,602 million.

11 See note 2.1 to the consolidated interim financial statements for further details.

The following table provides a reconciliation of the total life company assets to Assets Under Administration ('AUA') as detailed in the Business Review on page 10.

	At 30 June 2024	At 31 December 2023
	£bn	£bn
Total Life Company assets excluding amounts classified as held for sale	**280.3**	274.6
Off-balance sheet AUA[1]	**10.9**	10.3
Less: Wrap SIPP and Onshore Bond assets[2]	**(2.7)**	(2.4)
Assets Under Administration	**288.5**	282.5

1 Off-balance sheet AUA represents assets held in respect of certain Group Self-Invested Personal Pension products where the beneficial ownership interest resides with the customer (and which are therefore not recognised in the condensed statement of consolidated financial position) but on which the Group earns fee revenue.

2 Assets held in Wrap Self-Invested Personal Pension ('Wrap SIPP') and Onshore Bond products the associated profits of which accrue to abrdn plc under a profit transfer arrangement have been excluded from AUA (see note 2.1 to the interim financial statements for further details).

All of the life companies' debt securities are held at fair value through profit or loss in accordance with IFRS 9 Financial Instruments, and therefore already reflect any reduction in value between the date of purchase and the reporting date.

The life companies have in place a comprehensive database that consolidates credit exposures across counterparties, geographies and business lines. This database is used for credit monitoring, stress testing and scenario planning. The life companies continue to manage their balance sheets prudently and have taken extra measures to ensure their market exposures remain within risk appetite.

For each of the life companies' significant financial institution counterparties, industry and other data has been used to assess the exposure of the individual counterparties. As part of the Group's risk appetite framework and analysis of shareholder exposure to a potential worsening of the economic situation, this assessment has been used to identify counterparties considered to be most at risk from defaults. The financial impact on these counterparties, and the contagion impact on the rest of the shareholder portfolio, is assessed under various scenarios and assumptions. This analysis is regularly reviewed to reflect the latest economic outlook, economic data and changes to asset portfolios. The results are used to inform the Group's views on whether any management actions are required.

The table below shows the Group's market exposure analysed by credit rating for the shareholder debt portfolio, which comprises of debt securities held in the shareholder and non-profit funds:

Sector analysis of shareholder debt portfolio	AAA £m	AA £m	A £m	BBB £m	BB & below[1] £m	Total £m
Industrials	-	247	135	706	5	1,093
Basic materials	-	-	109	24	-	133
Consumer, cyclical	-	270	246	74	61	651
Technology and telecoms	51	48	415	455	1	970
Consumer, non-cyclical	134	460	553	160	7	1,314
Structured finance	-	-	38	-	-	38
Banks[2]	202	400	2,448	456	-	3,506
Financial services	71	265	374	75	15	800
Diversified	-	4	19	-	-	23
Utilities	-	166	1,191	1,610	11	2,978
Sovereign, sub-sovereign and supranationals[3]	1,431	9,476	610	122	-	11,639
Real estate	29	351	3,761	1,144	133	5,418
Investment companies	-	95	90	-	-	185
Insurance	42	345	188	111	-	686
Oil and gas	-	257	219	52	-	528
Collateralised debt obligations	-	7	2	-	-	9
Private equity loans	-	-	18	104	-	122
Equity release mortgages[4]	2,578	1,038	974	136	-	4,726
Infrastructure loans	-	327	231	1,321	50	1,929
At 30 June 2024	4,538	13,756	11,621	6,550	283	36,748

1 Includes unrated holdings of £5 million.
2 The £3,506 million total shareholder exposure to bank debt comprised £2,750 million senior debt and £756 million subordinated debt.
3 Includes £907 million reported as local authority loans, £703 million reported as loans guaranteed by export credit agencies and supranationals and £86 million reported as private corporate credit in the summary table on page 57.
4 The credit ratings attributed to equity release mortgages are based on the ratings assigned to the internal securitised loan notes.

Sector analysis of shareholder debt portfolio	AAA £m	AA £m	A £m	BBB £m	BB & below[1] £m	Total £m
Industrials	–	127	216	520	10	873
Basic materials	–	1	126	55	–	182
Consumer, cyclical	10	227	344	82	70	733
Technology and telecoms	118	142	644	706	1	1,611
Consumer, non-cyclical	197	334	677	240	–	1,448
Structured finance	–	–	37	–	–	37
Banks[2]	314	749	2,915	682	13	4,673
Financial services	65	558	197	69	14	903
Diversified	–	4	17	6	–	27
Utilities	14	515	979	1,208	10	2,726
Sovereign, sub-sovereign and supranational[3]	1,348	8,932	658	152	–	11,090
Real estate	132	588	3,334	1,259	92	5,405
Investment companies	–	91	48	8	–	147
Insurance	18	325	176	106	–	625
Oil and gas	–	218	330	149	–	697
Collateralised debt obligations	–	7	2	–	–	9
Private equity loans	–	–	18	105	–	123
Equity release mortgages[4]	2,504	991	864	127	–	4,486
Infrastructure loans	–	467	243	1,881	57	2,648
At 31 December 2023	4,720	14,276	11,825	7,355	267	38,443

1 Includes unrated holdings of £17 million.
2 The £4,673 million total shareholder exposure to bank debt comprised £3,730 million senior debt and £943 million subordinated debt.
3 Includes £762 million reported as local authority loans, £467 million reported as loans guaranteed by export credit agencies and supranationals and £87 million reported as private corporate credit in the summary table on page 58.
4 The credit ratings attributed to equity release mortgages are based on the ratings assigned to the internal securitised loan notes.

Additional capital disclosures

PGH plc Solvency II Surplus

The estimated PGH plc surplus at 30 June 2024 is £3.5 billion (31 December 2023: £3.9 billion).

	30 June 2024 Estimated	31 December 2023
	£bn	£bn
Own Funds	10.5	11.1
SCR	(7.0)	(7.2)
Surplus	3.5	3.9

Composition of Own Funds

Own Funds items are classified into different Tiers based on the features of the specific items and the extent to which they possess the following characteristics, with Tier 1 being the highest quality.

- availability to be called up on demand to fully absorb losses on a going-concern basis, as well as in the case of winding-up ('permanent availability'); and
- in the case of winding-up, the total amount that is available to absorb losses before repayment to the holder until all obligations to policyholders and other beneficiaries have been met ('subordination').

PGH plc's total Own Funds are analysed by Tier as follows:

	30 June 2024 Estimated	31 December 2023
	£bn	£bn
Tier 1 – Unrestricted	6.4	6.7
Tier 1 – Restricted	1.1	1.1
Tier 2	2.4	2.7
Tier 3	0.6	0.6
Total Own Funds	10.5	11.1

PGH plc's unrestricted Tier 1 capital accounts for 61% (31 December 2023: 60%) of total Own Funds and comprises ordinary share capital, surplus funds of the unsupported with-profit funds which are recognised only to a maximum of the SCR, and the accumulated profits of the remaining business.

Restricted Tier 1 and Tier 2 capital comprises subordinated notes the terms of which enable them to qualify as capital in their respective Tiers for regulatory reporting purposes.

Tier 3 items include the Tier 3 subordinated notes of £0.2 billion (31 December 2023: £0.2 billion) and the deferred tax asset of £0.4 billion (31 December 2023: £0.4 billion).

Breakdown of SCR

The Group operates one single PRA approved Internal Model covering all the Group entities, with the exception of the Irish entities, Standard Life International Designated Activity Company and Phoenix Life Assurance Europe DAC, the acquired ReAssure and SLF Canada UK Limited businesses. These entities calculate their capital requirements in accordance with the Standard Formula. An analysis of the prediversified SCR of PGH plc is presented below:

	30 June 2024 Estimated		31 December 2023	
	Internal Model %	Standard Formula %	Internal Model %	Standard Formula %
Longevity	17	10	17	10
Credit	19	16	19	19
Persistency	19	34	19	33
Interest rates	5	3	5	3
Operational	8	4	8	4
Swap spreads	2	-	2	-
Property	6	1	6	1
Other market risks	10	20	10	18
Other non-market risks	14	12	14	12
Total pre-diversified SCR	**100**	**100**	100	100

Minimum capital requirements

Under the Solvency II regulations, the Minimum Capital Requirement ('MCR') is the minimum amount of capital an insurer is required to hold below which policyholders and beneficiaries would become exposed to an unacceptable level of risk if an insurer was allowed to continue its operations. For Groups this is referred to as the Minimum Consolidated Group SCR ('MGSCR').

The MCR is calculated according to a formula prescribed by the Solvency II regulations and is subject to a floor of 25% of the SCR or €4.0 million, whichever is higher, and a cap of 45% of the SCR. The MCR formula is based on factors applied to technical provisions and capital at risk. The MGSCR represents the sum of the MCRs of the underlying insurance companies.

The Eligible Own Funds to cover the MGSCR is subject to quantitative limits as shown below:

- the Eligible amounts of Tier 1 items should be at least 80% of the MGSCR; and
- the Eligible amounts of Tier 2 items shall not exceed 20% of the MGSCR.

PGH plc's MGSCR at 30 June 2024 is £2.3 billion (31 December 2023: £2.2 billion).

PGH plc's Eligible Own Funds to cover the MGSCR is £7.8 billion (31 December 2023: £8 billion) leaving an excess of Eligible Own Funds over MGSCR of £5.5 billion (31 December 2023: £5.8 billion), which transfers to an MGSCR coverage ratio of 341% (31 December 2023: 362%).

Alternative performance measures

The Group assesses its financial performance based on a number of measures. Some measures are management derived measures of historic or future financial performance, position or cash flows of the Group, which are not defined or specified in accordance with relevant financial reporting frameworks such as International Financial Reporting Standards ('IFRS') or Solvency II.

These measures are known as Alternative Performance Measures ('APMs').

APMs are disclosed to provide stakeholders with further helpful information on the performance of the Group and should be viewed as complementary to, rather than a substitute for, the measures determined according to IFRS and Solvency II requirements. Accordingly, these APMs may not be comparable with similarly titled measures and disclosures by other companies.

A list of the APMs used in our Interim results as well as their definitions, why they are used and, if applicable, how they can be reconciled to the nearest equivalent GAAP measure is provided below. Further discussion of these measures can be found in the business review from page 5.

APM	Definition	Why this measure is used	Reconciliation to interim financial statements
Annuity Capital Strain	Represents the capital deployment on annuities measured on a Solvency II basis, expressed as a proportion of the annuity premium. It is calculated as the capital deployed (being the Solvency II Technical Provisions plus SCR plus acquisition costs plus reinsurance premium less annuity premium, net of tax) as a proportion of the annuity premium.	Annuity Capital Strain reflects how efficiently capital is deployed on annuities to deliver new business growth	The capital deployed in writing annuity business is included within the new business strain component of the change in Solvency SII surplus in the period, as set out in the diagram on page 7.
Annuity premiums written	Represents the aggregate, gross of reinsurance, new business premium volume for annuity business, measured at the risk transfer date, written in the period.	Annuity premiums written provides a measure of the Group's ability to deliver new business growth.	Annuity premiums written is not directly reconcilable to the interim financial statements as premiums are no longer reported in the IFRS income statement. Annuity premiums written is included within the 'Estimates of present value of future cash flows' line in the effect of insurance contracts initially recognised in the period disclosure in Note 14.5.1.
Assets under administration	The Group's Assets under Administration ('AUA') represents assets administered by or on behalf of the Group, covering both policyholder fund and shareholder assets. It includes assets recognised in the Group's IFRS condensed statement of consolidated financial position together with certain assets administered by the Group for which beneficial ownership resides with customers.	AUA indicates the potential earnings capability of the Group arising from its insurance and investment business. AUA flows provide a measure of the Group's ability to deliver new business growth.	A reconciliation from the Group's IFRS condensed statement of consolidated financial position to the Group's AUA is provided on page 57.

APM	Definition	Why this measure is used	Reconciliation to interim financial statements
Fitch leverage ratio	The Fitch leverage ratio is calculated by Phoenix (using Fitch Ratings' stated methodology) as debt as a percentage of the sum of debt and equity. Debt is defined as the IFRS carrying value of shareholder borrowings. Equity is defined as the sum of equity attributable to the owners of the parent, non-controlling interests, contractual service margin ('CSM') (net of tax), policyholders' share of the estate and the Tier 1 Notes.	The Group seeks to manage the level of debt on its balance sheet by monitoring its financial leverage position. One of the output metrics used in this regard is the Fitch leverage ratio. This is to ensure the Group maintains its investment grade credit rating as issued by Fitch Ratings.	The adjusted equity component of the Fitch leverage ratio is as set out below for the IFRS adjusted shareholders' equity metric.

Fitch Leverage ratio	HY24 £bn
Total equity attributable to owners of the parent	1.8
CSM (net of tax)	2.4
Adjusted shareholders' equity	**4.2**
Non-controlling interests	0.5
Policyholder surplus in with-profit funds	4.3
Tier 1 notes	1.1
Total Shareholders' Equity– Fitch basis A	**10.1**
Total Shareholder debt B	**2.8**
Fitch Leverage ratio (B/A + B)	**22%**

Non-controlling interests is directly sourced from the Group's IFRS condensed statement of consolidated financial position and Tier 1 notes from the borrowings note 15 on page 47. Policyholder surplus in with-profit funds is a subset of 'Estimates of present value of future cash flows' within insurance contract liabilities in Note 14 on page 38.

APM	Definition	Why this measure is used	Reconciliation to interim financial statements
IFRS Adjusted operating profit	Adjusted operating profit is a financial performance measure based on expected long-term investment returns in respect of insurance business. It is stated before tax and non-operating items including amortisation and impairments of intangibles, finance costs attributable to owners and other non-operating items which in the Director's view should be excluded by their nature or incidence to enable a full understanding of financial performance. Further details of the components of this measure and the assumptions inherent in the calculation of the long-term investment return are included in note 4.1 to the interim financial statements..	This measure provides a more representative view of the Group's performance than the IFRS result after tax as it provides long-term performance information unaffected by short-term economic volatility, one-off items and other items, and is stated net of policyholder finance charges and tax. It helps give stakeholders a better understanding of the underlying performance of the Group by identifying and analysing non-operating items.	A reconciliation of adjusted operating profit to the IFRS result before tax attributable to owners is included in the business review on page 9.
IFRS adjusted shareholders' equity	IFRS adjusted shareholders' equity is calculated as IFRS Total equity attributable to owners of the parent plus the CSM, net of tax.	Adjusted shareholders' equity provides a meaningful measure of the value generated by the Group, including the value held in the CSM for IFRS 17 contracts.	Adjusted shareholders' equity reconciles to the IFRS condensed statement of consolidated financial position as follows: HY24 £m Total equity attributable to owners of the parent: 1,807 Add: CSM: 3,134 Less: Tax on CSM: (784) **Adjusted shareholders' equity: 4,157** Total equity attributable to owners of the parent is directly sourced from the Group's IFRS condensed statement of consolidated financial position on pages 18 and 19. CSM is set out in note 14 on page 38. Tax is reflected at the deferred tax rate of 25%.

	HY24 £m
Total equity attributable to owners of the parent	1,807
Add: CSM	3,134
Less: Tax on CSM	(784)
Adjusted shareholders' equity	**4,157**

<table>
<tr><th>APM</th><th>Definition</th><th>Why this measure is used</th><th>Reconciliation to interim financial statements</th></tr>
<tr><td>Life Company Free Surplus</td><td>The Solvency II surplus of the Life Companies that is in excess of their Board approved capital according to their capital management policies.</td><td>This figure provides a view of the level of surplus capital in the Life Companies that is available for distribution to the holding companies, and the generation of Free Surplus underpins future Operating Cash Generation ('OCG').</td><td>Life Company Free Surplus is a subset of the change in Solvency II surplus over the period set out in the diagram on page 7. It can be reconciled as follows:
<table>
<tr><th></th><th>HY24
£bn</th></tr>
<tr><td>Group Solvency II surplus</td><td>3.5</td></tr>
<tr><td>Add: Non-life company components</td><td>0.3</td></tr>
<tr><td>Less: Capital Management Policy</td><td>(2.1)</td></tr>
<tr><td>Life Company Free Surplus</td><td>1.7</td></tr>
</table></td></tr>
<tr><td>Net fund flows</td><td>Represents the aggregate net position of gross AUA inflows less gross outflows. It is an in-year movement in the Group's AUA.</td><td>Net fund flows provides a measure of the Group's ability to deliver new business growth.</td><td>Net fund flows is not directly reconcilable to the financial statements as it includes movements in AUA which do not flow directly to the Group's IFRS condensed consolidated income statement. However, a reconciliation from the Group's IFRS condensed statement of consolidated financial position to the Group's AUA is provided on page 59.</td></tr>
<tr><td>New business net fund flows</td><td>Represents the aggregate net position of AUA inflows less outflows for new business written in the period.</td><td>New business net fund flows provides a measure of the Group's ability to deliver new business growth</td><td>New business net fund flows is not directly reconcilable to the interim financial statements. It is a subset of Net fund flows described below.</td></tr>
<tr><td>Operating Cash Generation ('OCG')

And

Operating Surplus Generation ('OSG')</td><td>Operating Cash Generation ('OCG') is the emergence of cash on a Solvency II basis as surplus emerges (being the in-force business run off over time and capital unwind, plus day one surplus from writing new business (net of day 1 strain for fee based business) plus group tax relief), plus recurring management actions. As a cash measure it will be reported in line with Life Company Free Surplus view and therefore is the excess of their Board approved capital according to their capital management policies.

OCG before adjustment to reflect the release of capital management policy is referred to as Operating Surplus Generation ('OSG').</td><td>The measure provides the sources of recurring organic cash generated which can be used to support sustainable cash remittances from the Life Companies, which in turn supports the Group's dividend as well as funding investment to generate sustainable growth.</td><td>The components of the OCG are:
<table>
<tr><th></th><th>HY24
£bn</th></tr>
<tr><td>Surplus generation</td><td>0.4</td></tr>
<tr><td>Recurring management actions</td><td>0.2</td></tr>
<tr><td>OSG</td><td>0.6</td></tr>
<tr><td>Release of capital management policy</td><td>-</td></tr>
<tr><td>OCG</td><td>0.6</td></tr>
</table>OSG forms a component of the change in Solvency II surplus in the period as set out in the diagram on page 7.</td></tr>
</table>

<table>
<tr><th>APM</th><th>Definition</th><th>Why this measure is used</th><th>Reconciliation to interim financial statements</th></tr>
<tr><td>Recurring management actions</td><td>Recurring management actions are measured on a Solvency II basis and represent the Day 1 impact on Own Funds and SCR. They are management actions that are either genuinely repeatable, repeatable in nature but subject to diminishing returns or not repeatable but benefits are expected from similar types of actions</td><td>The measure is a key component of OCG and one of the sources which can be used to support sustainable cash remittances from the Life Companies</td><td>Recurring management actions are a subset of the Solvency II surplus generated in the period as shown in the diagram on page 7.</td></tr>
<tr><td>Shareholder Capital Coverage Ratio ("SCCR")</td><td>Represents total Eligible Own Funds divided by the Solvency Capital Requirements ('SCR'), adjusted to a shareholder view through the exclusion of amounts relating to those ring-fenced with-profit funds and Group pension schemes whose Own Funds exceed their SCR.</td><td>The unsupported with-profit funds and Group pension funds do not contribute to the Group Solvency II surplus. However, the inclusion of related Own Funds and SCR amounts dampens the implied Solvency II capital ratio. The Group therefore focuses on a shareholder view of the capital coverage ratio which is considered to give a more accurate reflection of the capital strength of the Group.</td><td>Further details of the Shareholder Capital Coverage Ratio and its calculation are included in the business review on pages 7 and 8.</td></tr>
<tr><td>Solvency II Leverage ratio</td><td>Solvency II leverage is calculated as the Solvency II value of debt divided by the value of Solvency II Regulatory Own Funds. Values for debt are adjusted to allow for the impact of currency hedges in place over foreign currency denominated debt.</td><td>At 30 June 2024, the Group are targeting a further £250m reduction in debt over the medium term and the use of a range of other levers on debt and own funds to deliver a SII leverage ratio of c30%</td><td><table>
<tr><th></th><th>HY24
£bn</th></tr>
<tr><td>Solvency II Leverage ratio</td><td></td></tr>
<tr><td>Regulatory Eligible Own Funds</td><td>10.4</td></tr>
<tr><td>Total Debt</td><td>3.7</td></tr>
<tr><td>Solvency II Leverage ratio</td><td>35%</td></tr>
</table>
Regulatory Eligible Own Funds is a component of the calculation of the Group's regulatory Solvency II surplus as set out on page 7.

Total debt is that taken from borrowings analysis on page 47

Both amounts are adjusted for the value of the foreign currency hedges used to hedge foreign currency exposure on the Group's borrowings as described on page 35.</td></tr>
</table>

APM	Definition	Why this measure is used	Reconciliation to interim financial statements
Total cash generation (formerly referred to as operating companies' cash generation)	Cash remitted by the Group's operating companies to the Group's holding companies.	The statement of consolidated cash flows prepared in accordance with IFRS combines cash flows relating to shareholders with cash flows relating to policyholders, but the practical management of cash within the Group maintains a distinction between the two. The Group therefore focuses on the cash flows of the holding companies which relate only to shareholders. Such cash flows are considered more representative of the cash generation that could potentially be distributed as dividends or used for debt repayment and servicing, Group expenses and pension contributions. Total cash generation is a key performance indicator used by management for planning, reporting and executive remuneration.	Total cash generation is not directly reconcilable to an equivalent GAAP measure (IFRS condensed statement of consolidated cash flows) as it includes amounts that eliminate on consolidation. Further details of holding companies' cash flows are included within the business review on page 6, and a breakdown of the Group's cash position by type of entity is provided in the additional life company asset disclosures section on page 57.

Policy for making pro forma adjustments in the interim financial statements

Pro forma adjustments will be used in the interim financial statements where management considers that they allow the users to better understand the financial performance, financial position, cash flows or outlook of the Group.

Examples of where pro forma adjustments may be used are in relation to acquisitions or disposals which are material to the Group, changes to the Group's capital structure or changes in reporting frameworks the Group applies such as Solvency II or IFRS. Where pro forma adjustments are considered necessary for the understanding of the financial performance, financial position, cash flows or outlook of the Group these will be clearly labelled as pro forma with a clear explanation provided as to the reason for the adjustments and the Key Performance Indicators, Alternative Performance Metrics and other performance metrics impacted.

Shareholder information

Annual General Meeting

Our Annual General Meeting ('AGM') was held on 14 May 2024 at 10.00am (BST).

The voting results for our 2024 AGM, including proxy votes and votes withheld are available on our website at www.thephoenixgroup.com

Shareholder services

Managing your shareholding

Our registrar, Computershare, maintains the Company's register of members. If you have any queries in respect of your shareholding, please contact them directly using the contact details set out below.

Registrar details

Computershare Investor Services PLC
The Pavilions,
Bridgwater Road,
Bristol,
BS99 6ZZ

Shareholder helpline number +44 (0) 370 702 0181
Fax number +44 (0) 370 703 6116
www.investorcentre.co.uk/contactus

Share price

You can access the current share price of Phoenix Group Holdings plc at www.thephoenixgroup.com

Group financial calendar for 2024

2024 interim dividend

Ex-dividend date 3 October 2024
Record date 4 October 2024
Interim 2024 dividend payment date 31 October 2024

Forward looking statements

The 2024 Interim Report contains, and the Group 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, targets, ambitions, outlook, guidance and expectations relating to future financial condition, performance, results, strategy and/or objectives. 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.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, targets, ambitions, outlook, guidance and expectations set out in the forward-looking statements and other financial and/or statistical data within the 2024 Interim Report. No representation is made that any of these statements will come to pass or that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this 2024 Interim Report.

The Group undertakes no obligation to update any of the forward-looking statements or data contained within the 2024 Interim Report or any other forward-looking statements or data it may make or publish.

The 2024 Interim Report has been prepared for the members of the Company and no one else. The Company, its Directors or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. Nothing in the 2024 Interim Report is or should be construed as a profit forecast or estimate.

Caution about climate and sustainability related disclosures

Climate and sustainability disclosures in the 2024 Interim Report use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate-related activities, than the Group's reporting of historical financial information. These judgements, assumptions and estimates are highly likely to change over time, and, when coupled with the longer time frames used in these disclosures, make any assessment of materiality inherently uncertain. In addition, the Group's climate risk analysis and net zero transition planning will continue to evolve and the data underlying the Group's analysis and strategy remain subject to change over time. As a result, the Group expects that certain climate and sustainability disclosures made in the 2024 Interim Report are likely to be amended, updated, recalculated or restated in the future.

Phoenix

Registered address
Phoenix Group Holdings plc
20 Old Bailey
London
England EC4M 7AN

Registered Number 11606773

thephoenixgroup.com