PHOENIX GROUP

Phoenix Group Holdings plc: 2020 Interim Results 6 August 2020

Phoenix Group's resilience delivers strong results. 2020 cash generation target increased following acquisition of ReAssure

Phoenix Group Holdings plc ("Phoenix" or "the Group"), announces strong results for the six months ended 30 June 2020 that deliver cash, resilience and growth and support the payment of the interim dividend. Phoenix's priorities throughout this challenging period have been to support and protect customers, colleagues and the communities in which we operate, whilst maintaining the long-term value of the Group.

Financial highlights – Phoenix

- Strong cash generation[1] of £433 million in H1 2020 (H1 2019: £287 million[2]).
- Phoenix's focus on resilience is reflected in a Solvency II surplus of £4.0 billion[3] as at 30 June 2020 (£3.1 billion[4] as at 31 December 2019).
- Shareholder Capital Coverage Ratio[5] of 169% as at 30 June 2020 (161% as at 31 December 2019).
- High quality £21.6 billion shareholder debt portfolio with only 16% of BBB. No defaults in H1 2020 and only 0.1% of bonds in the matching adjustment portfolios downgraded to sub investment grade.
- Resilience supports interim dividend of 23.4p per share, consistent with the Group's stable and sustainable dividend policy.
- New business delivers £358 million of incremental long-term cash generation in H1 2020 (H1 2019: £254 million[6]), enhancing the sustainability of our dividend.
- Group operating profit of £361 million in H1 2020 (H1 2019: £325 million).
- Assets under administration of £248 billion as at 30 June 2020 (£248 billion as at 31 December 2019).
- Leverage ratio[7] of 27% as at 30 June 2020 (22% as at 31 December 2019).

Acquisition of ReAssure – pro-forma financial highlights of the Combined Group

- Acquisition of ReAssure Group plc completed on 22 July 2020 making Phoenix the UK's largest long-term savings and retirement business with circa 14 million policies and £324 billion of assets under administration.
- Pro-forma cash generation of £1.1 billion in H1 2020.
- 2020 cash generation target range increased from £800 - £900 million to £1.5 - £1.6 billion.
- Pro-forma Solvency II surplus of £4.4 billion[8] as at 30 June 2020 (£4.4[9] as at 31 December 2019).
- Pro-forma Shareholder Capital Coverage Ratio of 150%[8,5] as at 30 June 2020 (152%[9,5] as at 31 December 2019).
- High quality £16.6 billion shareholder debt portfolio with 29% of BBB. No defaults in H1 2020 and only 0.2% of bonds in the matching adjustment portfolios downgraded to sub investment grade.
- £11 million per annum cost synergies (28% of £40 million per annum target) and £120 million of capital synergies (27% of £450 million target) delivered by Day 1.

Response to COVID-19 – protecting customers, colleagues and our communities

- Customers: we have continued to deliver strong customer service with customer satisfaction metrics maintained above our 90% target alongside supporting customers through a range of initiatives including increased use of digital channels.
- Colleagues: the safety of our colleagues remains our priority. We enabled 99% of colleagues to work from home within 10 days of lockdown and introduced paid emergency leave to colleagues with carers' responsibilities.

- Communities: £1 million charitable donation with further £1 million for colleague matching and volunteering in local communities.
- Government support: we have not accessed any government support schemes and our employees are all receiving full pay with none furloughed.

Continuing to deliver on strategic priorities

- Exceeded all customer satisfaction metric targets.
- Continued investment in customer proposition with launch of in-scheme draw down and passive core within Workplace schemes.
- £1.2 billion net inflows on UK Open business (H1 2019: £0.8 billion) driven by resilience of Workplace business.
- £1.1 billion of Bulk Purchase Annuity liabilities contracted in H1 2020 (H1 2019: £0.5 billion).
- £0.8 billion of illiquid assets sourced (H1 2019: £0.5 billion) with £340 million of ESG investments.
- SLAL transition programme remains on track and Internal Model Harmonisation pre-application submitted.
- New Executive Committee in place with market leading capabilities.

Commenting on the results, Group CEO, Andy Briggs said:

“COVID-19 has resulted in an unprecedented global crisis which has challenged each and every one of us. The resilience of Phoenix’s business model has been evidenced through this period and ensured the continued delivery of cash and growth, which underpins our ability to continue to pay dividends in accordance with our stable and sustainable dividend policy.

Despite the challenges of COVID-19 we have successfully completed the ReAssure acquisition, which establishes Phoenix as the UK’s largest long-term savings and retirement business. I am extremely grateful to my colleagues for the unwavering commitment they have shown throughout this challenging time and look forward to what we will achieve together in the future. Although there remains much uncertainty as the pandemic continues to unfold, I am confident that Phoenix remains well positioned to continue to deliver cash, resilience and growth.”

Presentation

There will be a live virtual presentation for analysts and investors today at 12.00pm (BST).

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

You can also register for the live webcast at the link below:

https://phoenixgroup.virtualhub.events

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

Dividend

The interim dividend of 23.4p per share is expected to be paid on 4 September 2020.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 13 August 2020. The record date for eligibility for payment will be 14 August 2020.

Enquiries

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Notes

1. Cash generation is a measure of cash and cash equivalents, remitted by the Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
2. 2019 cash generation target is net of the £250 million cost of capitalising Standard Life International Designated Activity Company for Brexit.
3. The 30 June 2020 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 decrease by £0.3 billion and 6% respectively.
4. The 31 December 2019 Solvency II capital position reflects a regulator approved recalculation of transitionals as at 31 December 2019.
5. The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and unsupported pension schemes.
6. H1 2019 figures have been restated to include SunLife incremental long-term cash generation of £4 million.
7. Current leverage ratio is estimated by management.
8. The pro-forma position for the Combined Group assumes the acquisition of ReAssure and the novation of equity hedging instruments from the Group's holding companies to ReAssure Assurance Limited took place on 30 June 2020.
9. The pro-forma position for the Combined Group assumes the acquisition of ReAssure took place on 31 December 2019.
10. This announcement in relation to Phoenix Group Holdings plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements and other financial and/or statistical data about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.
11. 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.
12. Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities, including, for example,

initiatives related to the financial crisis, the COVID 19 pandemic and the effect of the European Union's "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; the political, legal, social and economic effects of the COVID 19 pandemic and the UK's vote to leave the European Union; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; risks associated with arrangements with third parties; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which members of the Group operate.

13. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements and other financial and/or statistical data within this announcement. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this announcement or any other forward-looking statements or data it may make or publish. Nothing in this announcement should be construed as a profit forecast or estimate.