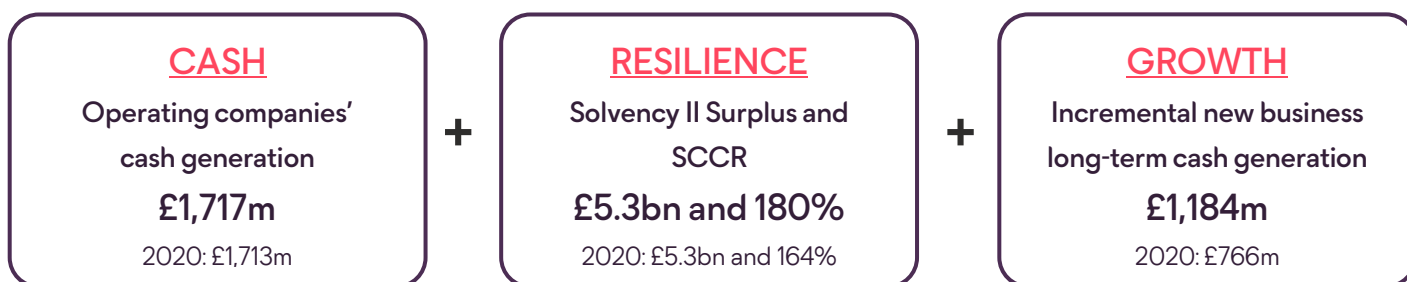


Phoenix Group announces a record set of financial results for 2021, its first ever organic dividend increase of 3% and a new dividend policy



Financial highlights

Delivering cash

- Record cash generation¹ of £1,717m in 2021 (2020: £1,713m) exceeds our £1.5bn-to-£1.6bn target range for the year.
- 2021 cash generation includes c.£400m of integration synergies, with integration synergies to date across the Standard Life and ReAssure acquisitions now in excess of £2.5bn.
- Having met our two conditions for dividend growth, the Board is recommending a 2021 final dividend of 24.8p per share, which includes our first ever organic dividend increase of 3% (2021 total dividend: 48.9p per share).
- Our increased dividend cost of c.£0.5bn per annum remains just as sustainable over the long term with c.£11.8bn of Group long-term free cash available to shareholders (after deducting interest on debt to maturity).

Delivering resilience

- Strong balance sheet maintained with a Solvency II Surplus of £5.3bn² as at 31 December 2021 (2020: £5.3bn³).
- Increased Solvency II Shareholder Capital Coverage Ratio^{2,4} ('SCCR') of 180% as at 31 December 2021 (2020: 164%^{3,4}); SCCR is currently at the top-end of our target range of 140%-to-180%, which provides significant capacity to invest into both organic and inorganic growth opportunities.
- Fitch leverage ratio⁵ of 28% as at 31 December 2021 is within our target range of 25%-to-30% (2020: 28%).

Delivering growth

- Record new business long-term cash generation of £1,184m in 2021 (2020: £766m⁶) means that Phoenix has proved 'the wedge' hypothesis for the first time, with organic growth from our Open business more than offsetting the natural run-off of our Heritage business (currently c.£800m per annum).
- 2021 new business long-term cash generation comprises £950m from our Bulk Purchase Annuities (BPA) business (2020: £522m) and £234m from our capital-light asset-based businesses including Workplace (2020: £244m⁷).
- Record level of BPA premiums contracted in 2021 at £5.6bn (2020: £2.5bn), which is a 124% year-on-year increase, and reflects the investment we have made into our capabilities, with our capital strain reducing to 6.5% (2020: 9%).
- Clear momentum is also building in our Workplace business, with 41 new smaller schemes won during 2021, due to the investment we are making into our proposition and through leveraging the Standard Life brand acquired in 2021.

Other key financial metrics

- Assets under administration increased to £310bn as at 31 December 2021 (2020: £307bn⁸).
- IFRS operating profit increased to £1,230m in 2021 (2020: £1,199m).

New dividend policy

- To better reflect that Phoenix is now a growing, sustainable business, the Board has announced Phoenix Group's new dividend policy and now "intends to pay a dividend that is sustainable and grows over time".

Our strategic priorities support us in delivering on our purpose and strategy

Optimising our in-force business

- Record Solvency II management actions of £1.5bn in 2021, including c.£700m from a range of 'business as usual' actions, as well as c.£550m of capital synergies from our new harmonised internal model.
- 48% year-on-year increase in illiquid asset origination in 2021 with £3.0bn of new assets originated (2020: £2.0bn).
- Sale of Ark Life completed in November 2021; proceeds of £198m can be reinvested into future growth opportunities.

Enhancing our operating model and culture

- Integration synergies of £824m were delivered in 2021, including £590m realised from the Standard Life acquisition (£1,632m total to date – 134% of target) and £234m from ReAssure (£930m total in just 18 months – 89% of target).
- Female representation in Top 100 leadership positions increased to 31⁹ as we improve our gender equality (2020: 21).

Growing our business to support both new and existing customers

- Investment into our Open business capabilities underpinned a strong year in BPA and built momentum in Workplace.
- Having acquired the trusted Standard Life brand, we can now fully leverage it to accelerate future growth.
- Strong customer satisfaction scores maintained at 92%+, exceeding our targets.

Innovating to provide our customers with better financial futures

- Developed a roadmap to transition 1.5m customers and over £15bn of assets into a sustainable default fund in 2022.
- Launched Phoenix Insights – a new think tank set up to inform, debate and catalyse actions across society to enable better longer lives, through a combination of public engagement and high-impact research.

Investing in a sustainable future

- 2021 illiquid asset origination includes £1.3bn of investment into sustainable assets (2020: £788m), with £542m invested into social housing, £364m into healthcare & education and £220m in positive environmental impact projects.
- 34% reduction in Scope 1 & 2 premises emissions intensity¹⁰ in 2021; on track for net zero in own operations by 2025.
- Announced ambitious new 2025 and 2030 interim portfolio decarbonisation targets on our path to net zero by 2050.

New targets

- **Cash** – 1-year 2022 cash generation target range of £1.3bn-£1.4bn; 3-year 2022-24 cash generation target of £4.0bn.
- **Resilience** – continue to operate within our SCCR target range of 140%-180% and Fitch leverage range of 25%-30%.
- **Growth** – prove 'the wedge' in 2022 with incremental new business long-term cash generation >£800m, as well as a clear ambition to execute value-accretive M&A with significant opportunities within the c.£480bn Heritage market.

Strategic outlook

Phoenix has a clear and differentiated strategy, which leverages the major market trends, where the whole is greater than the sum of the parts. Our Heritage business will provide our Open asset-based businesses with structural cost advantages through our unique TCS partnership and access to c.13m customers, and our BPA business will benefit from significant capital efficiencies through risk diversification. While for M&A our scalable platform and balance sheet unlock significant cost and capital synergies. We are therefore confident of delivering both organic and inorganic growth going forward.

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

"It has been an outstanding year for Phoenix, with a record set of financial results and significant strategic progress made as we fully embraced our purpose. 2021 marked a pivotal moment for Phoenix, with £1.2 billion of new business from our Open business more than offsetting the run-off of our Heritage business for the first time. This demonstrates that Phoenix is a growing, sustainable business, and enabled the Board to recommend our first ever organic dividend increase of 3%. Phoenix has also today announced a new dividend policy which sets out our intention to pay a dividend that is sustainable and grows over time."

Enquiries

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Presentation and financial supplement details

There will be a live virtual presentation for analysts and investors today starting at 09:30 (GMT).

A link to the live webcast of the presentation, with the facility to raise questions, as well as a copy of the presentation and a detailed financial supplement will be available at:

<https://www.thephoenixgroup.com/investor-relations/results-reports-and-presentations>

You can also register for the live webcast at: <https://phoenixfullyear2021.virtualhub.events/>

A replay of the presentation and transcript will also be available on our website following the event.

Dividend details

The recommended final dividend of 24.8p per share is expected to be paid on 9 May 2022.

The ordinary shares will be quoted ex-dividend on the London Stock Exchange as of 31 March 2022. The record date for eligibility for payment will be 1 April 2022.

Footnotes

1. Cash generation is a measure of cash and cash equivalents, remitted by Phoenix Group's operating subsidiaries to the holding companies and is available to cover dividends, debt interest, debt repayments and other items.
2. 31 December 2021 Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2021 and recognition of the foreseeable Final 2021 shareholder dividend of £248m.
3. 31 December 2020 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies and recognition of the foreseeable Final 2020 shareholder dividend. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £0.1bn and 1% respectively.
4. The Shareholder Capital Coverage Ratio excludes Solvency II own funds and Solvency Capital Requirements of unsupported with-profit funds and unsupported pension schemes.

5. Current Fitch leverage ratio is estimated by management.
6. £766m incremental new business long-term cash generation in 2020 includes £23m for Wrap SIPP, Onshore Bond and TIP products. These products are not included in 2021 due to the economic interest having been transferred to abrdrn plc effective 01 January 2021 following the announced sale in February 2021.
7. £244m incremental new business long-term cash generation in 2020 includes £23m for Wrap SIPP, Onshore Bond and TIP products. These products are not included in 2021 due to the economic interest having been transferred to abrdrn plc effective 01 January 2021 following the announced sale in February 2021.
8. 2020 pro forma for the disposal of £29.1bn of assets from the Wrap SIPP, Onshore Bond and TIP products due to the economic interest having been transferred to abrdrn plc effective 01 January 2021 and the disposal of £1.8bn of assets from Ark Life which was sold to Irish Life in November 2021.
9. Includes known hires at 31 December 2021 who join in 2022.
10. Emissions from occupied premises per full-time employee intensity.

Legal Disclaimers

This announcement in relation to Phoenix Group Holdings plc and its subsidiaries (the 'Group') 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, ambitions 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, social, environmental 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, climate change and the effect of the UK's version of the "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 exit from the European Union; information technology or data security breaches (including the Group being subject to cyberattacks); 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); 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 proposed or future acquisitions, disposals 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.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, ambitions 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 constitutes, nor should it be construed as, a profit forecast or estimate.