Phoenix

Full year 2023 results

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

We have three objectives for today's presentation

1. Explain our strong 2023 results and strategic progress
2. Update on the next phase of our strategic journey
3. Outline the financial outcomes that shareholders can expect

Introduction

Andy Briggs
Group Chief Executive Officer

Phoenix is transitioning from a closed-book life consolidator to a purpose-led retirement savings and income business

2020: closed-book life consolidator	**2023:** today	**2026:** purpose-led retirement savings and income business
Phoenix Life / Standard Life / ReAssure	Heritage business / Open business	Pensions and Savings / **Innovative retirement income solutions** / Retirement Solutions

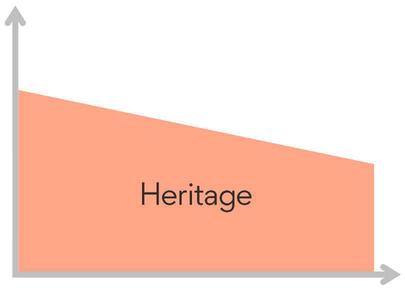
Integrate and Build

2021-2023

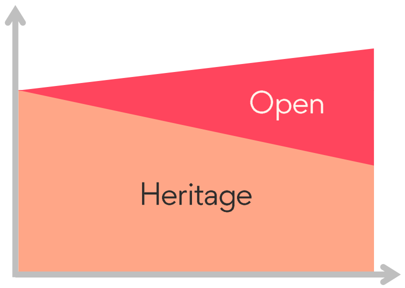
Grow, Optimise and Enhance

2024-2026

Run-off cash generation



Proven the wedge



Sustainable cash generation

Executing on our strategic priorities supports the delivery of our evolved financial framework

Meeting more of our existing customers' needs and acquiring new customers

Optimising our scale in-force business

Transforming our operating model and culture

Cash

Growing Operating Cash Generation that more than covers our recurring uses and dividend

Capital

Resilient balance sheet supports investment to grow, optimise and enhance our business

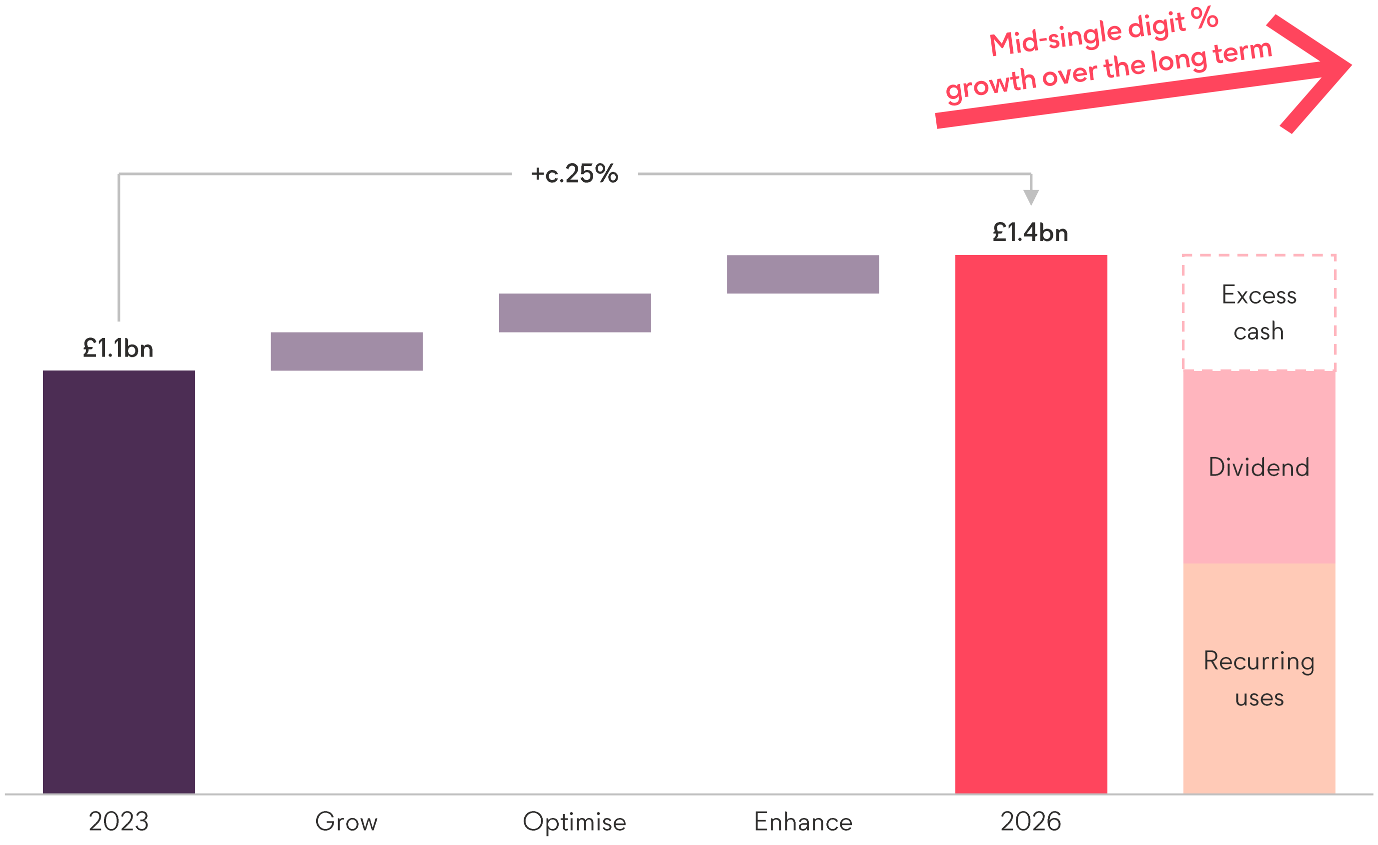
Earnings

Growing adjusted operating profit

Investing surplus cash in accordance with our new capital allocation framework

Our strategy delivers sustainable, growing Operating Cash Generation which supports a progressive dividend

Strong growth in Operating Cash Generation



See Appendix 16 for footnotes

The Board has evolved Phoenix's dividend policy to reflect the confidence it has in the Group's strategy:

Phoenix Group's new dividend policy

The Group operates a progressive and sustainable ordinary dividend policy[1]

2023 financial results

Rakesh Thakrar
Group Chief Financial Officer

Phoenix

Our strong 2023 financial performance demonstrates our strategic progress

Cash

Total cash generation

£2,024m

FY22: £1,504m

Incremental new business long-term cash

£1,514m

FY22: £1,233m

Capital

PGH Solvency II Surplus

£3.9bn[2]

FY22: £4.4bn[4]

PGH Shareholder Capital Coverage Ratio

176%[2,3]

FY22: 189%[3,4]

Earnings

Adjusted operating profit before tax

£617m

FY22: £544m[5,6]

Contractual Service Margin (gross of tax)

£2.9bn

FY22: £2.6bn

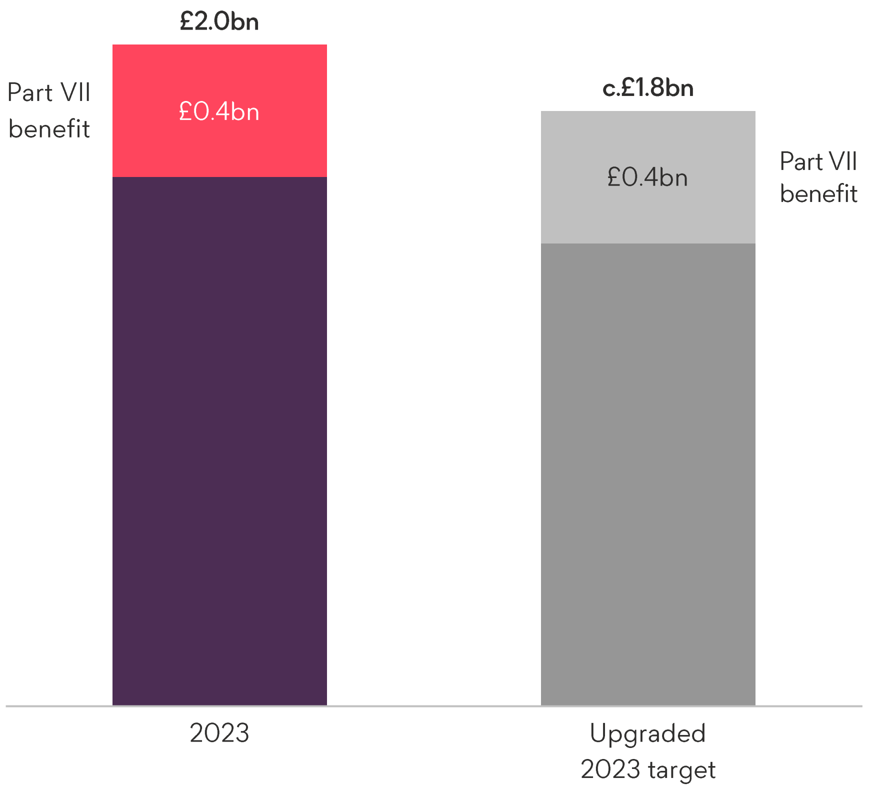
2023 dividend growth of +2.5%, with a Final dividend per share of 26.65p (Total 52.65p)

See Appendix 16 for footnotes

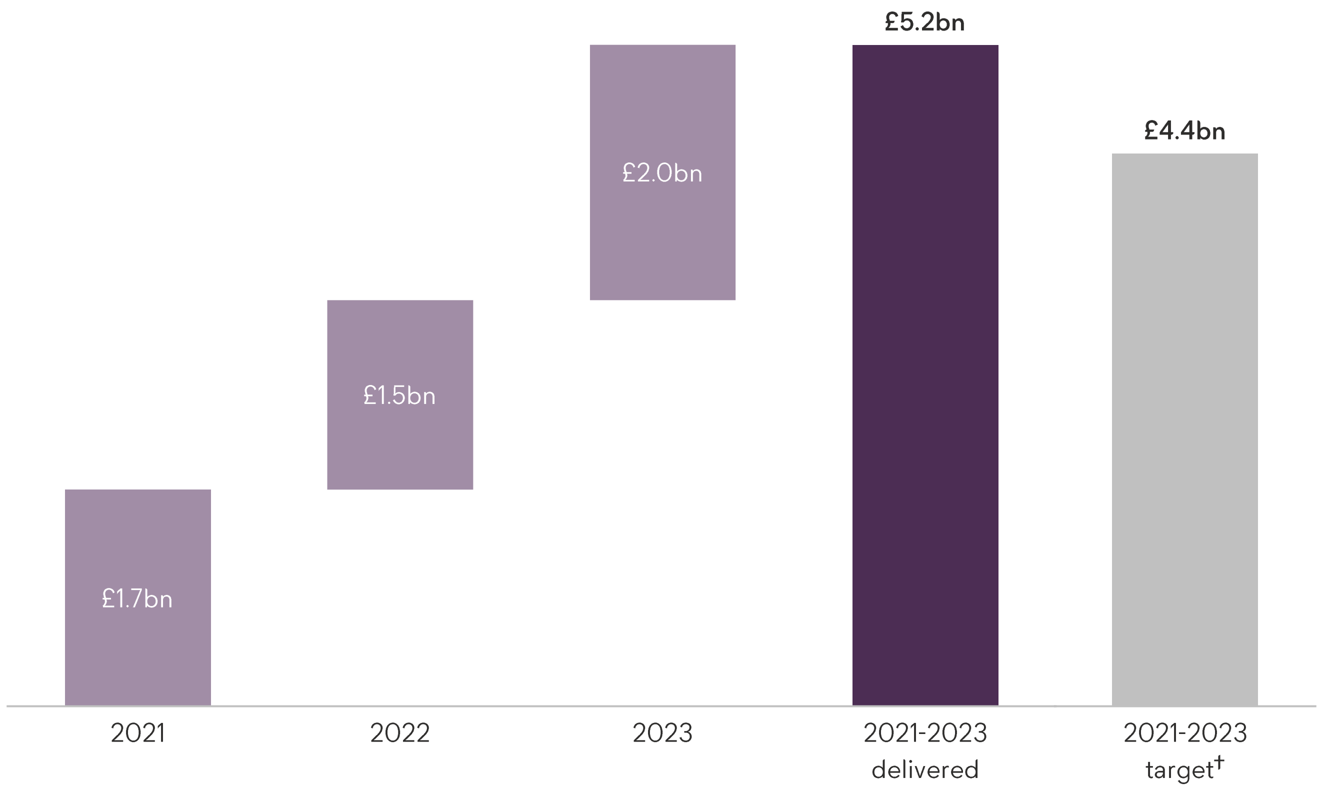
Total cash generation of £2.0 billion exceeds our upgraded target

Cash

Strong total cash generation in 2023



c.£800 million over-delivery of 2021-2023 total cash generation target

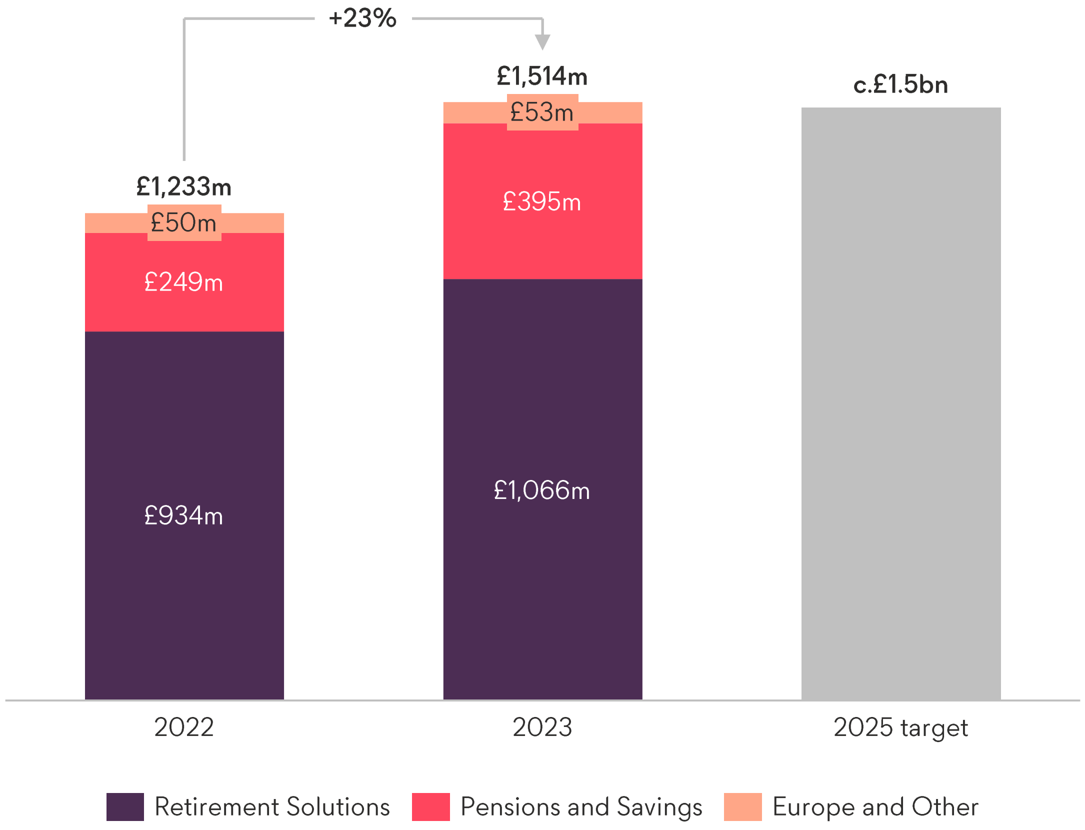


† 2021-2023 target set in March 2021

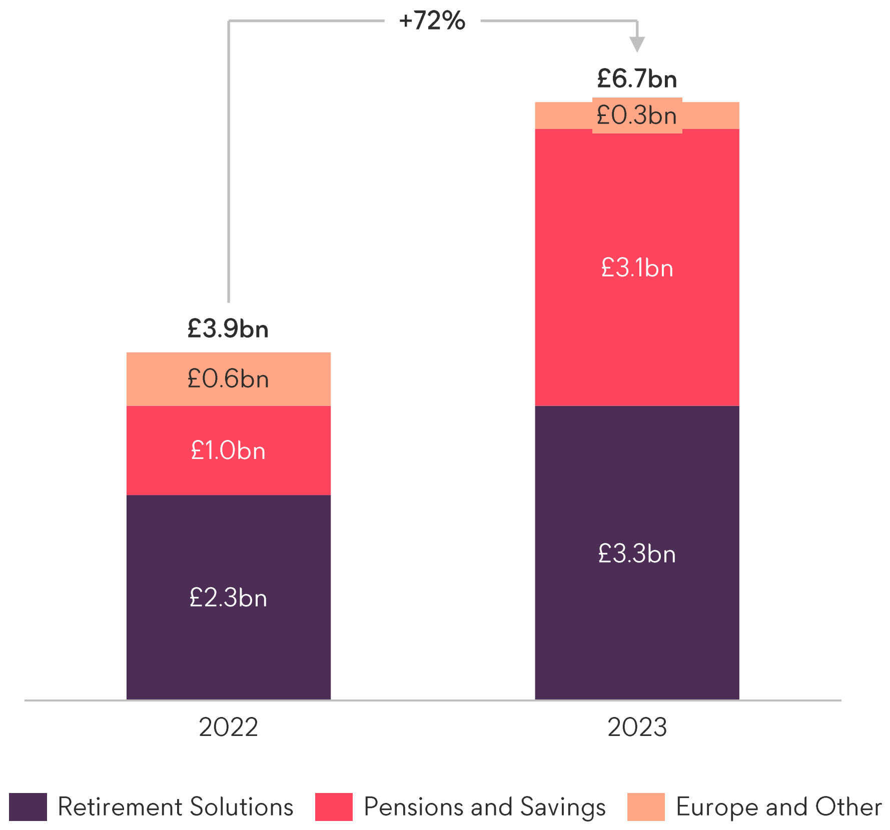
£1.5 billion of new business long-term cash delivered two years ahead of our 2025 target

Cash Earnings

Strong incremental new business long-term cash



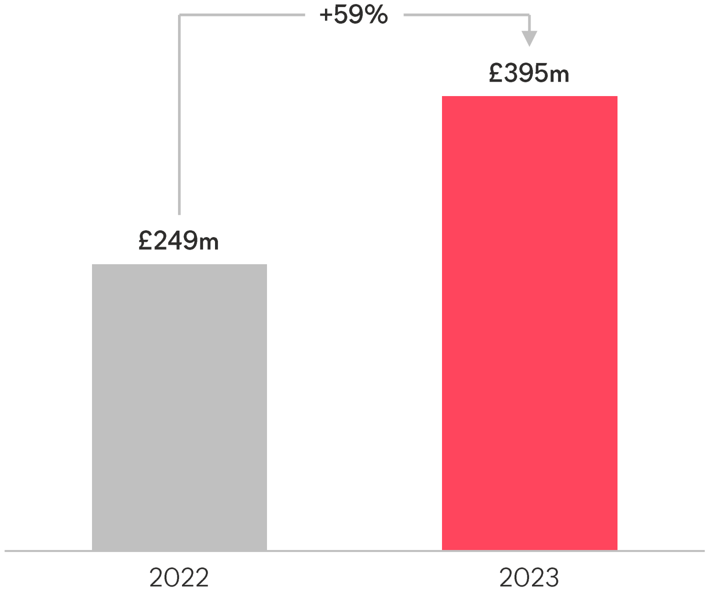
Our strategy is driving increased new business net fund flows



Our capital-light Pensions and Savings business is growing strongly

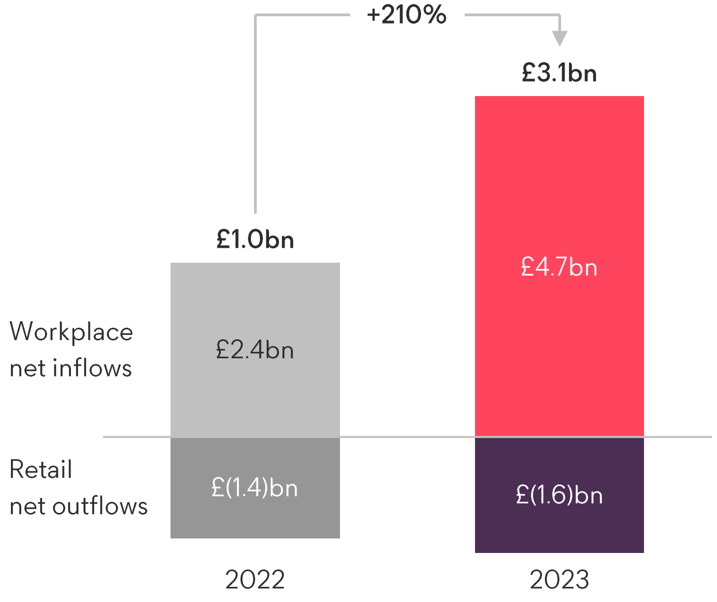
Cash Earnings

Incremental new business long-term cash



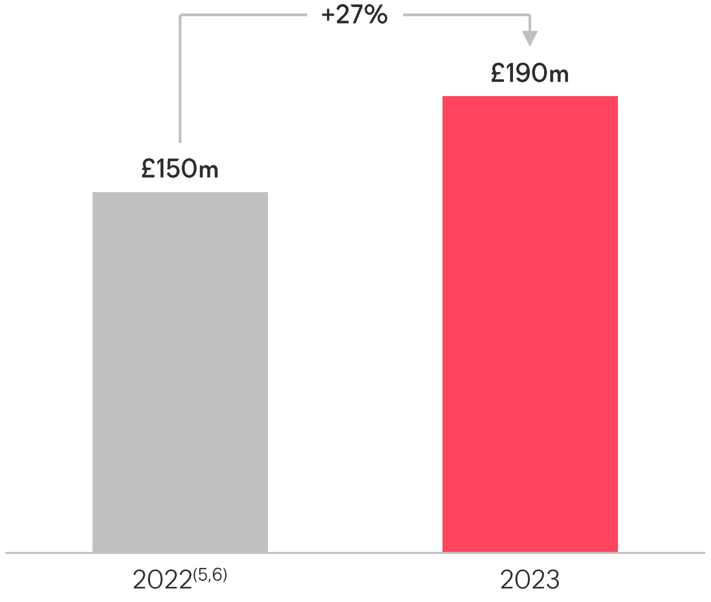
- Strong growth driven by Workplace, reflecting new joiners to existing schemes and increased member contributions including salary inflation

New business net fund flows



- Won the Siemens workplace scheme, one of the largest UK scheme transfers in recent years
- Excellent customer service and our digital portal also support strong net fund flow performance

Adjusted operating profit



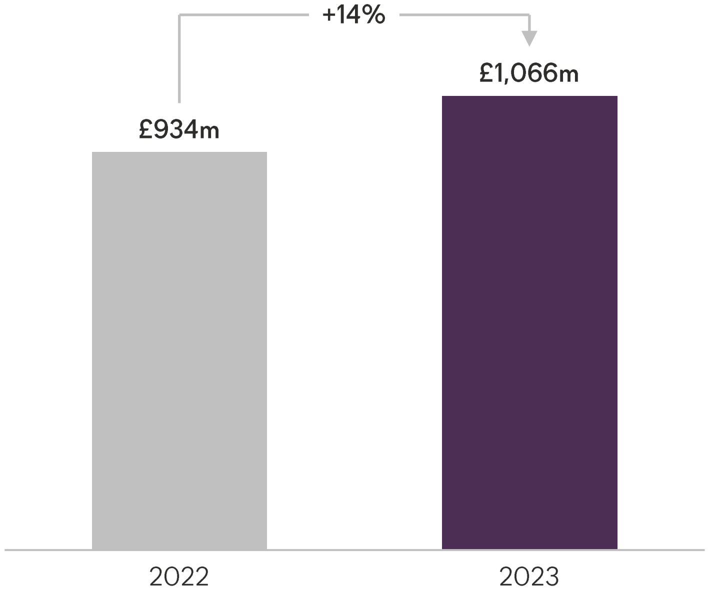
- Strong year-on-year growth driven by increased assets and expanding margin through operating leverage

See Appendix 16 for footnotes

Our Retirement Solutions business has been competitive in a busy annuities market and further reduced the capital strain

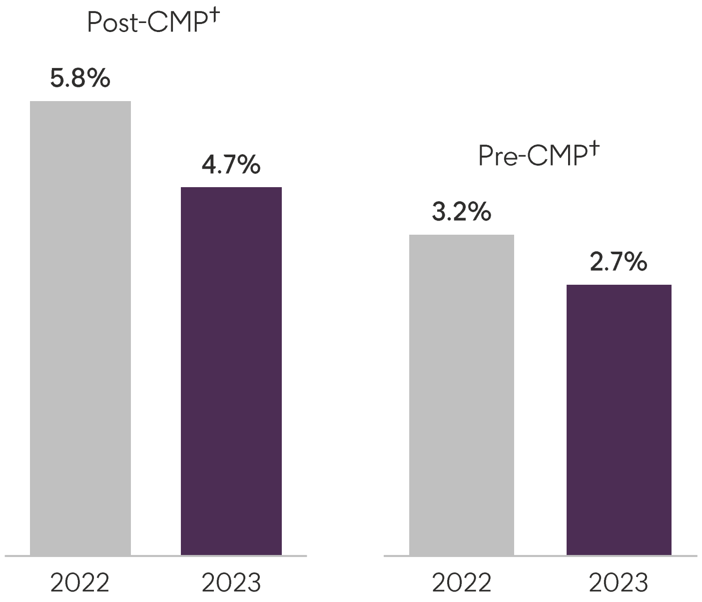
Cash Earnings

Incremental new business long-term cash



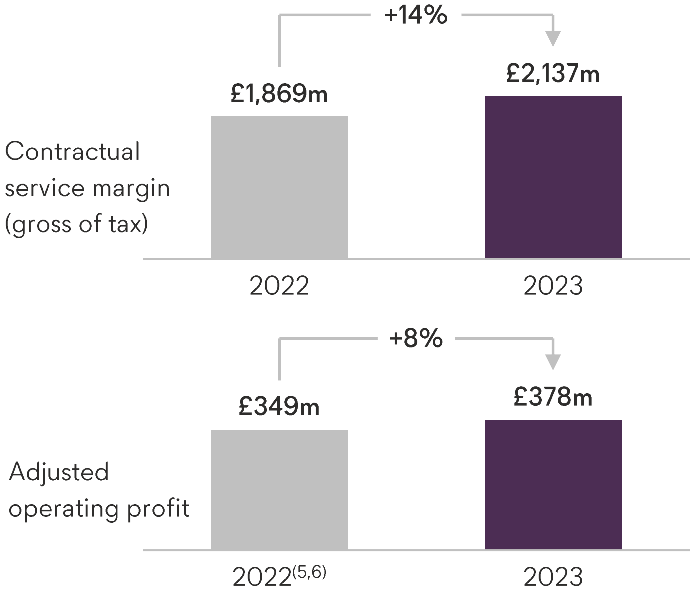
- Continued growth in a competitive BPA market with £6.2bn of premiums written in 2023 (FY22: £4.8bn)
- Achieved mid-teens IRR in 2023

BPA capital strain



- Diversified business model supports capital efficient growth
- Capital invested of £288m (FY22: £277m)

IFRS earnings



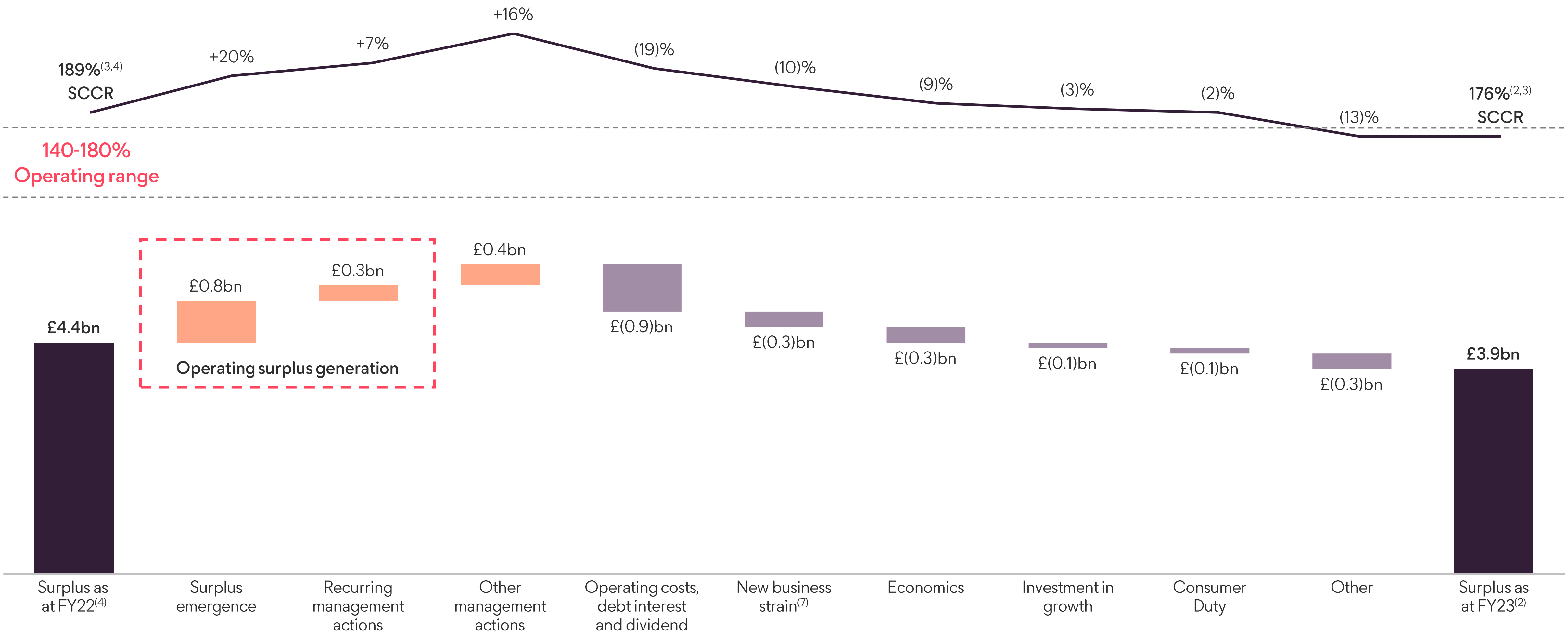
- Strong growth in CSM due to new business and positive assumption changes
- Growth in adjusted operating profit was dampened by BPAs landing late in the year

See Appendix 16 for footnotes

† Capital Management Policy

Shareholder Capital Coverage Ratio of 176% remains towards the upper-end of our operating range

Capital



See Appendix 16 for footnotes

We expect to deliver a growing level of recurring management actions

Capital

Our recurring management actions come from two key areas:

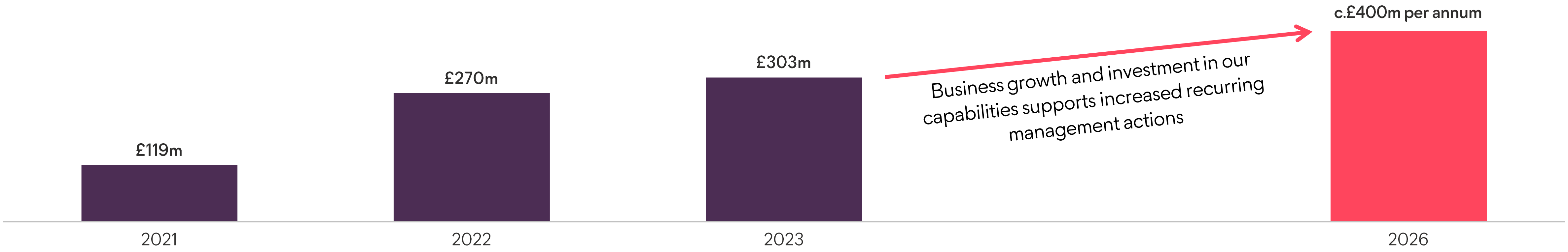
Assets - continuous portfolio optimisation

- Liquid credit: capturing dynamic pricing dislocations across public credit and government bonds between geographies, sectors & ratings
- New business: broadening and diversifying our investable asset universe to deliver enhanced risk adjusted returns

Liabilities - balance sheet efficiency actions

- Capital model efficiencies: ongoing actions as risk profile and regulations evolve
- Non-credit risks: optimise evolving risk exposures using interest and inflation rate hedging tools

Recurring management actions grow as our business and capabilities grow



Phoenix has undertaken a comprehensive Consumer Duty review of its back-book products and set aside a prudent £70 million provision

Capital

Phoenix has a strong track record of delivering good customer outcomes

- Phoenix is a provider of products and services – we do not provide advice
- Delivering value to customers is not new to Phoenix – we have an ongoing programme of product and service reviews
- We have sought to standardise our customer approach across products as we have acquired legacy books
- Over the past seven years, we have provisioned >£200 million to proactively reduce customer charges

Consumer Duty prioritises fair value for customers

Consumer Duty prioritises the concept of **fair value** where the amount paid for the product is reasonable relative to the **overall benefits**

The new duty requires firms to:

- Define measures and criteria of fair value
- Apply these to assess products
- Take corrective action before the regulatory deadlines and on an ongoing basis
  - → July 2023 deadline for open products
  - → July 2024 deadline for closed products

We are on track to comply by July 2024 and do not expect a material financial impact

✓ Completed the review across all open products covering 4 million customers, with few changes required ahead of the July 2023 deadline

✓ Completed the review across all closed products covering 8 million customers, and identified where we need to cap charges to deliver fair value and improve communications

✓ We have been engaging closely with the FCA throughout our review process

✓ We are now implementing the changes to meet the July 2024 deadline

Recognised a prudent £70 million of SII capital provision to cover the cost of implementation

Improved IFRS earnings, including 13% growth in adjusted operating profit

Earnings

	FY22[5,6]	FY23
Pensions and Savings	£150m	£190m
Retirement Solutions	£349m	£378m
With-Profits	£54m	£10m
Europe and Other	£60m	£132m
Corporate Centre	£(69)m	£(93)m
Adjusted operating profit before tax	**£544m**	**£617m**
Non-operating items:		
Investment return variances and economic assumption changes	£(3,309)m	£147m
Amortisation and impairment of intangibles	£(353)m	£(322)m
Other non-operating items	£(262)m	£(439)m
Finance costs	£(199)m	£(195)m
Profit before tax attributable to non-controlling interest	£67m	£28m
Loss before tax attributable to owners	**£(3,512)m**	**£(164)m**
Tax credit attributable to owners	£855m	£76m
Loss after tax attributable to owners	**£(2,657)m**	**£(88)m**

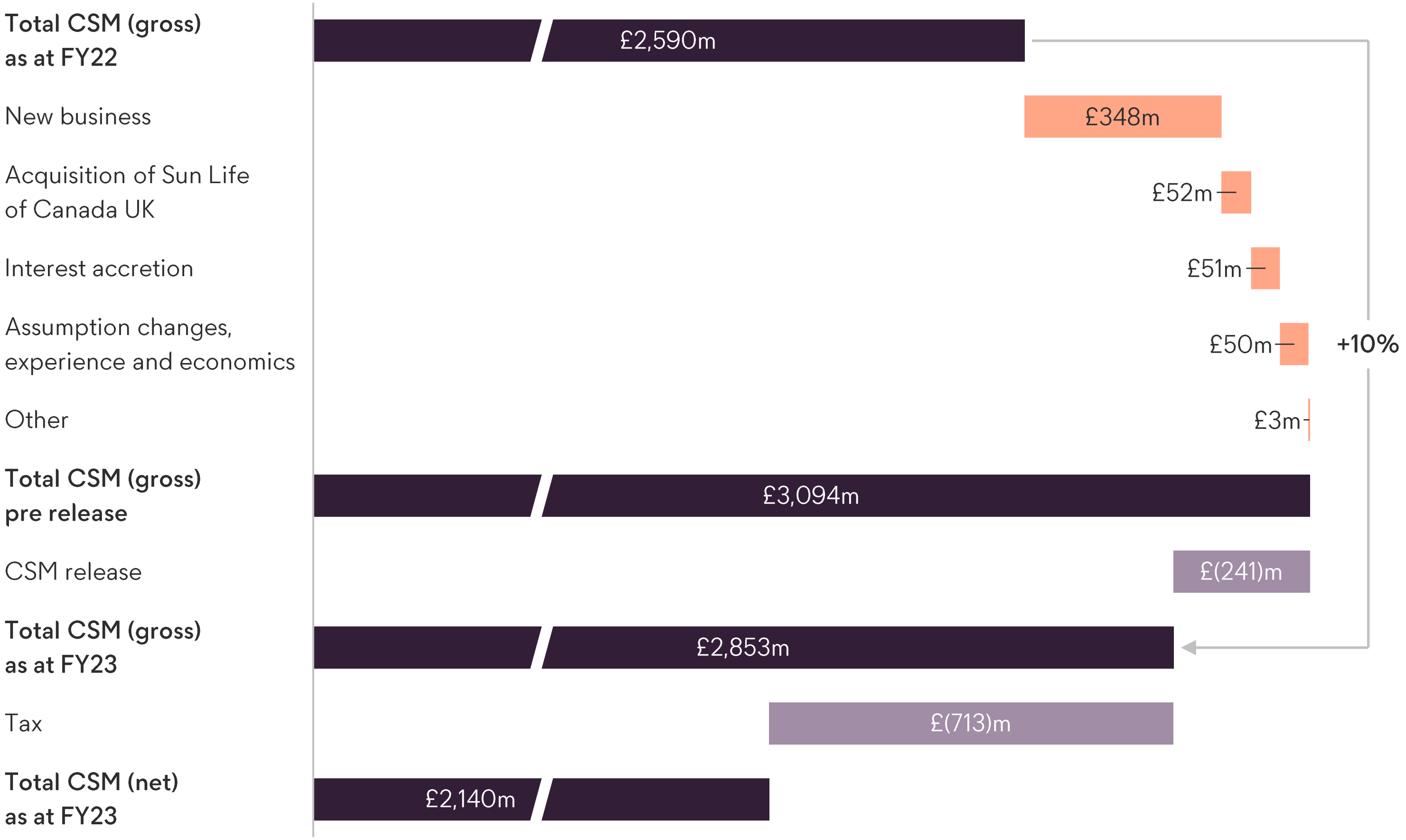
See Appendix 16 for footnotes

Key messages

- 13% year-on-year growth in adjusted operating profit to £617 million driven by Pensions and Savings and Retirement Solutions
- Europe and Other includes strong investment returns on Group shareholder funds in 2023 of £80 million
- Other non-operating items of £439 million include M&A integration costs, IFRS 17 implementation costs, investment into our growth propositions and other Group project costs
- Significant reduction in IFRS loss after tax due to reduced impact of economic variances from lower market volatility

10% growth in the Contractual Service Margin (CSM), a store of future profits

Earnings



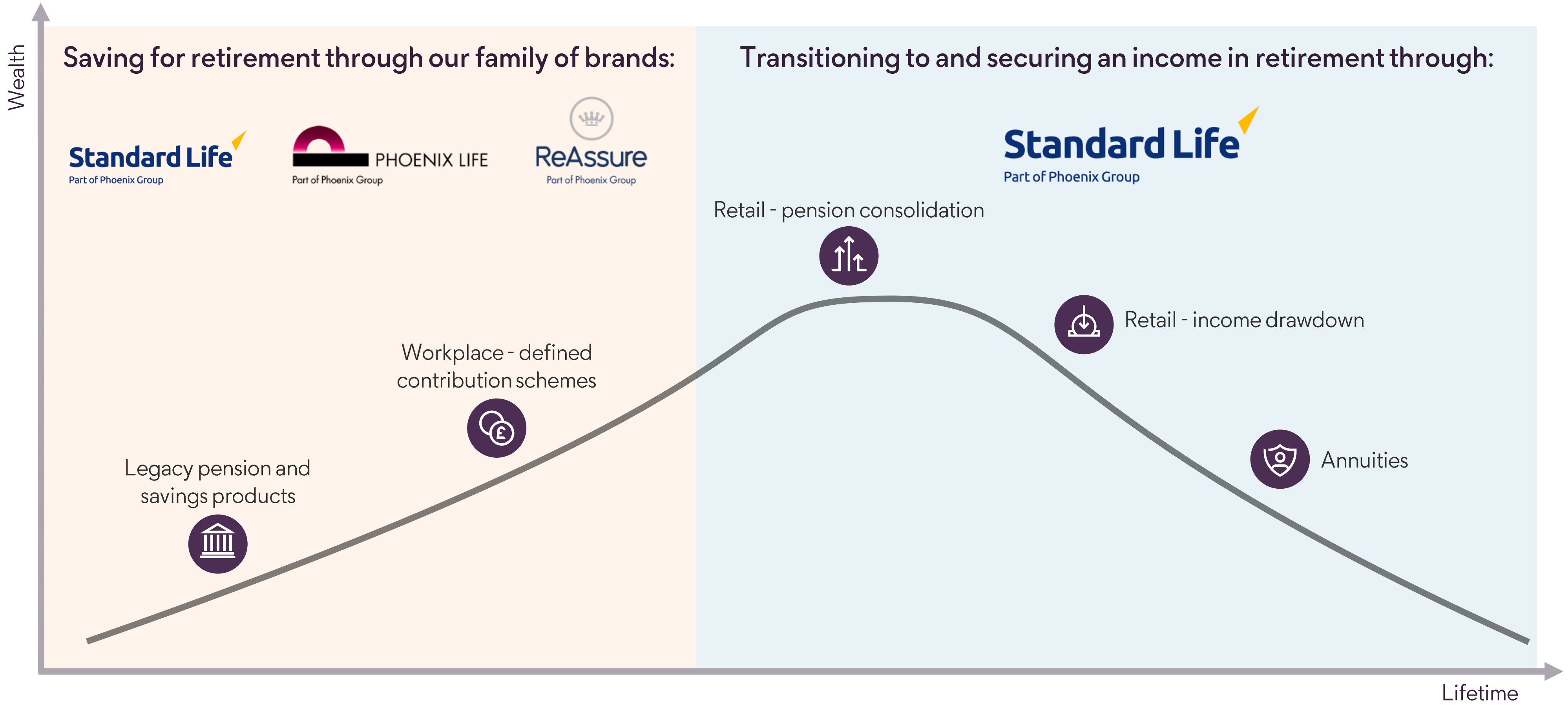
Key messages

- Total CSM (gross of tax) of £2.9bn grew 10% (FY22: £2.6bn), primarily due to new BPA business written, positive assumption changes and the acquisition of the Sun Life of Canada UK business in 2023
- The CSM release represents c.8% of the closing CSM (gross of tax) pre release of £3.1bn
- We expect the release of the CSM (gross of tax) to be c.5-7% over time, primarily driven by annuities
- Adjusted shareholders' equity of £4.6bn (FY22: £5.2bn) with a reduction in shareholders' equity to £2.5bn (FY22: £3.2bn), partly offset by growth in the CSM (net of tax) to £2.1bn (FY22: £2.0bn)

Strategic update

Andy Briggs
Group Chief Executive Officer

Our strategy is to help people secure a life of possibilities by meeting their savings and retirement income needs from age 18 to 80+



The UK long-term savings and retirement market is large and growing rapidly

c.£3 trillion[8] total stock | **£150-200 billion[9] annual flows**

See Appendix 16 for footnotes

Our vision is to become the UK's leading retirement savings and income business

We will win in the market by delivering a compelling customer experience…

We will engage and support our customers to improve their financial futures…

…by offering a range of retirement savings and income solutions…

…with a selection of simple fund investment options…

…supported by strong customer service, and at a competitive price

…through building on our strengths and evolving our business

Digital customer interface with personalised data, guidance and advice

Pensions and Savings
- Workplace pensions
- Retail pensions

Innovative retirement income solutions

Retirement Solutions
- Annuities
- Other retirement income solutions

Phoenix Asset Management optimises assets and fund performance

Single and efficient Group-wide operating model

Future M&A can add further scale to our business

We are building the required capabilities on the journey to our vision

Key capabilities	2020	2023	2026
M&A execution and integration	✓	✓	✓
Trusted and well-known consumer brand – Standard Life	✗	✓	✓
Competitive and capital-efficient annuities business	✗	✓	✓
Established and growing capital-light Workplace business	✗	✓	✓
In-house asset management capability	✗	✓	✓
Innovative retirement income solutions	✗	✗	✓
Attractive Retail market propositions	✗	✗	✓
Digital customer interface with personalised data, guidance and advice	✗	✗	✓
Single and efficient Group-wide model operating model	✗	✗	✓

Integrate and Build

Grow, Optimise and Enhance

We are investing to grow, optimise and enhance on the next phase of our journey

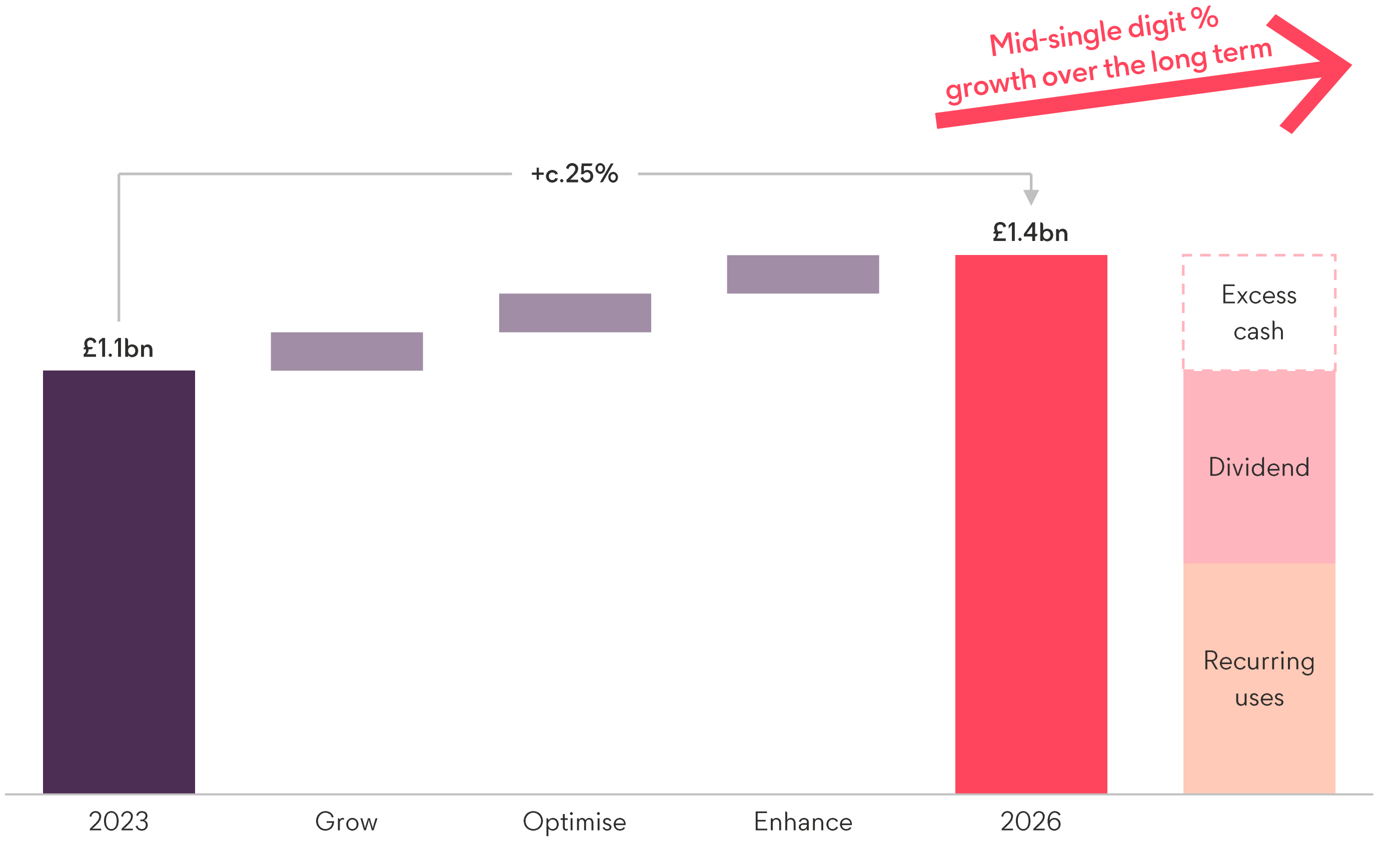
Grow	Optimise	Enhance
Investment:		
• c.£100m to develop our growth propositions • c.£200m of capital p.a. into annuities	• At least £500m of debt repayment by the end of 2026 • c.£100m to enhance our asset and liability optimisation capabilities	• c.£500m† of migration, transformation and cost efficiency investment
Delivery:		
✓ Develop innovative **Retail** propositions for both the adviser and direct markets ✓ Further develop our **Workplace & Annuities** businesses to drive more profitable growth	✓ **Deleverage** our balance sheet ✓ Enhance our **asset management and balance sheet efficiency** capabilities	✓ Complete remaining **customer migrations** ✓ **Simplify our business** by embedding a single and efficient Group-wide operating model
Outcomes:		
• Supports Operating Cash Generation that grows at mid-single digit % over the long term	• Solvency II leverage ratio of c.30%(10) by the end of 2026 • c.£400m of annual recurring management actions by 2026	• £250m of annual cost savings by the end of 2026

See Appendix 16 for footnotes

† Includes c.£300m of remaining planned integration costs previously guided to

Our strategy delivers sustainable, growing Operating Cash Generation which supports a progressive dividend

Strong growth in Operating Cash Generation



The Board has evolved Phoenix's dividend policy to reflect the confidence it has in the Group's strategy:

Phoenix Group's new dividend policy

The Group operates a progressive and sustainable ordinary dividend policy[(1)]

See Appendix 16 for footnotes

Financial outlook

Rakesh Thakrar
Group Chief Financial Officer

We have a new capital allocation framework for the next phase of our strategy

✓ Operate a progressive and sustainable ordinary dividend policy(1)

✓ Strong and resilient balance sheet: 140-180% Shareholder Capital Coverage Ratio operating range

2024-2026 investment priorities:

Invest to grow

- c.£100m into growth propositions
- c.£200m of capital p.a. into annuities

Invest to optimise

- At least £500m of debt repayment by the end of 2026
- c.£100m to enhance our asset and liability optimisation capabilities

Invest to enhance

- c.£500m† of migration, transformation and cost efficiency investment

Surplus capital allocation approach:

Allocate surplus capital to the highest return opportunities

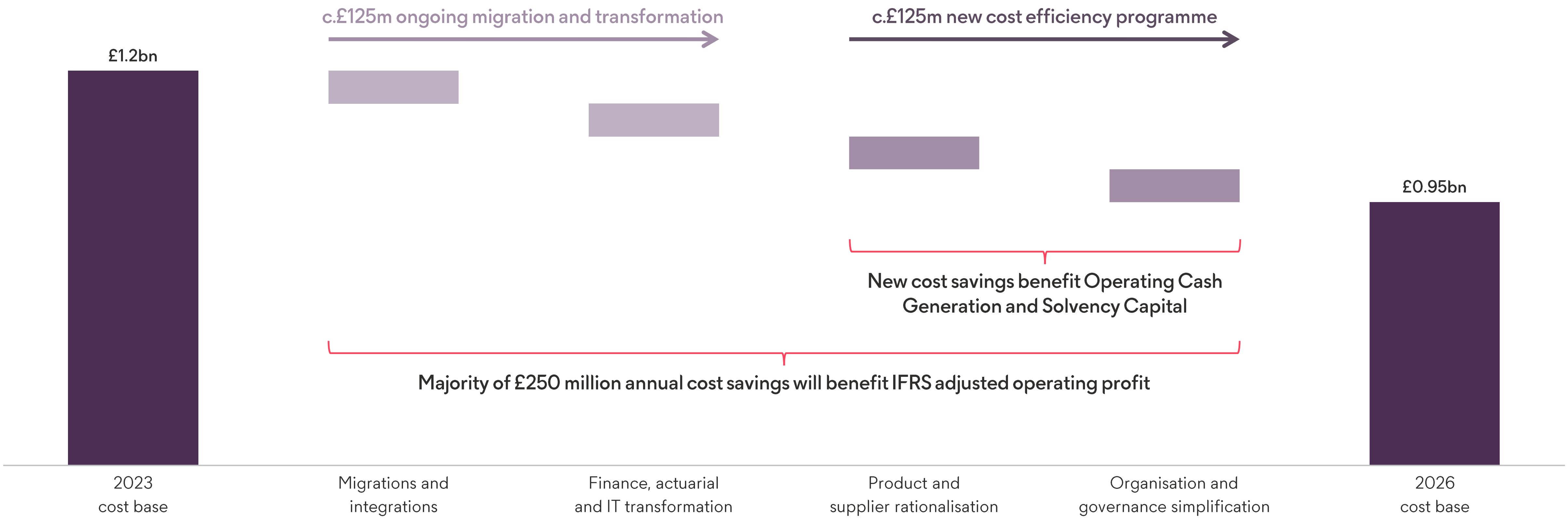
- Investment into growth
- Further deleveraging
- M&A
- Share buybacks

See Appendix 16 for footnotes

† Includes c.£300m of remaining planned integration costs previously guided to

As we invest to enhance, we expect to deliver £250 million of cost savings that improve the key metrics across our financial framework

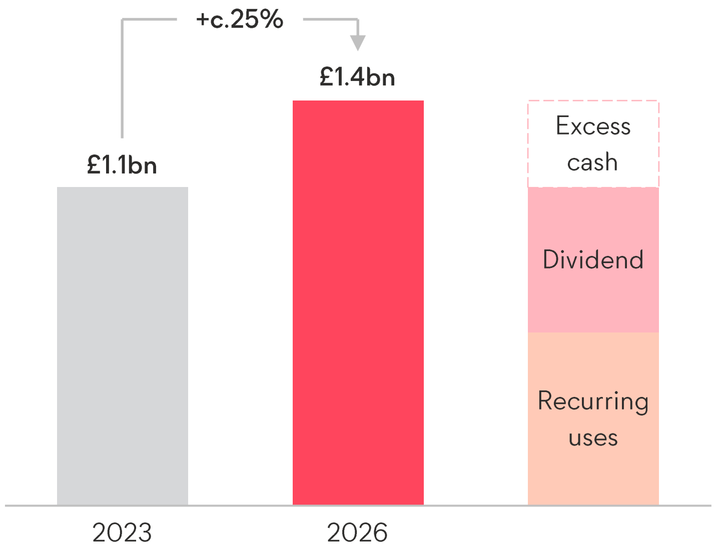
We expect to deliver £250 million of annual cost savings by the end of 2026, net of inflation



We will deliver a clear set of financial outcomes for our shareholders

Cash

Growing Operating Cash Generation that more than covers our recurring uses and dividend



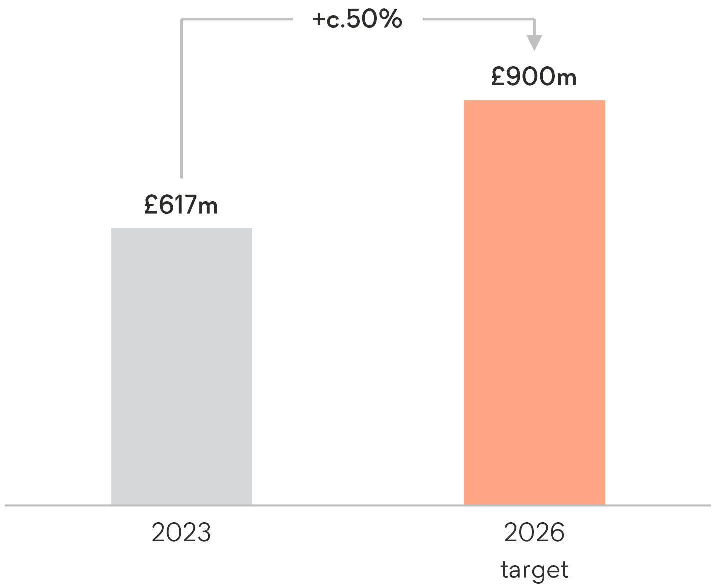
Capital

Resilient balance sheet supports investment to grow, optimise and enhance our business

- ✓ 140-180% Shareholder Capital Coverage Ratio operating range
- ✓ Solvency II leverage ratio of c.30%[10] by the end of 2026

Earnings

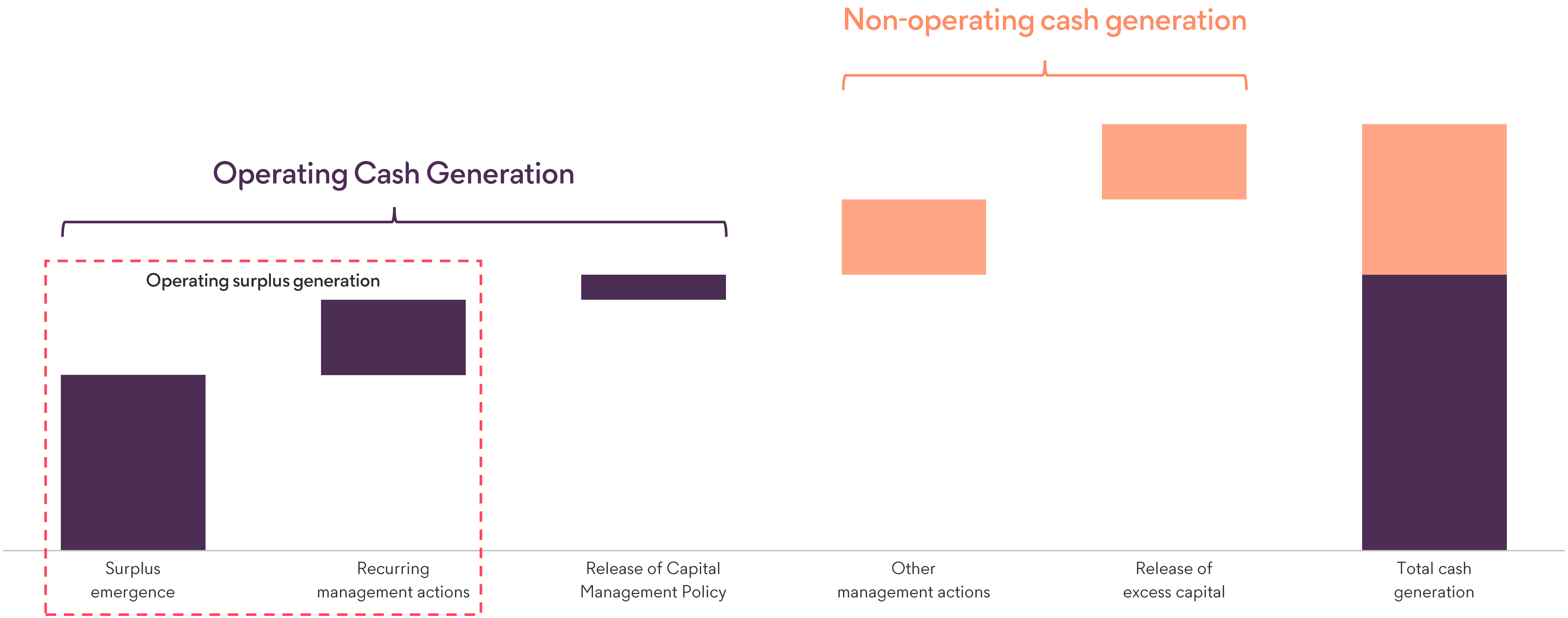
Growing IFRS adjusted operating profit



See Appendix 16 for footnotes

We are introducing Operating Cash Generation as a new metric to demonstrate the long-term sustainability of our business model

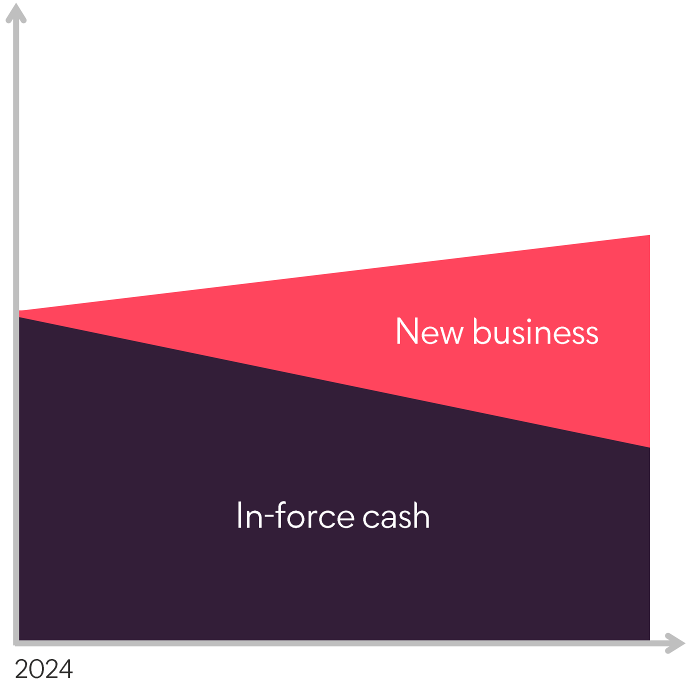
Cash



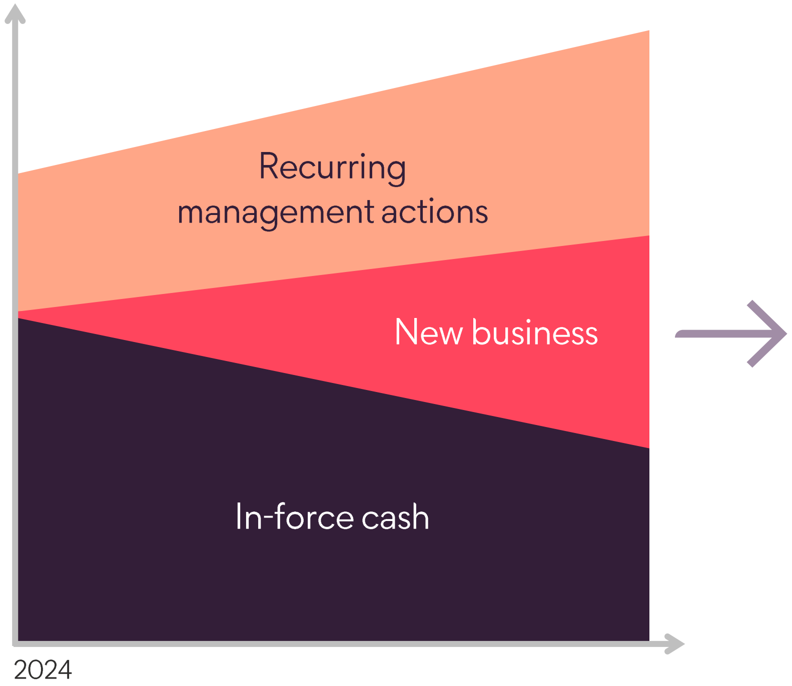
We will deliver sustainable, growing Operating Cash Generation

Cash

Future new business will more than offset the in-force run-off…



…with growing recurring management actions generated each and every year…

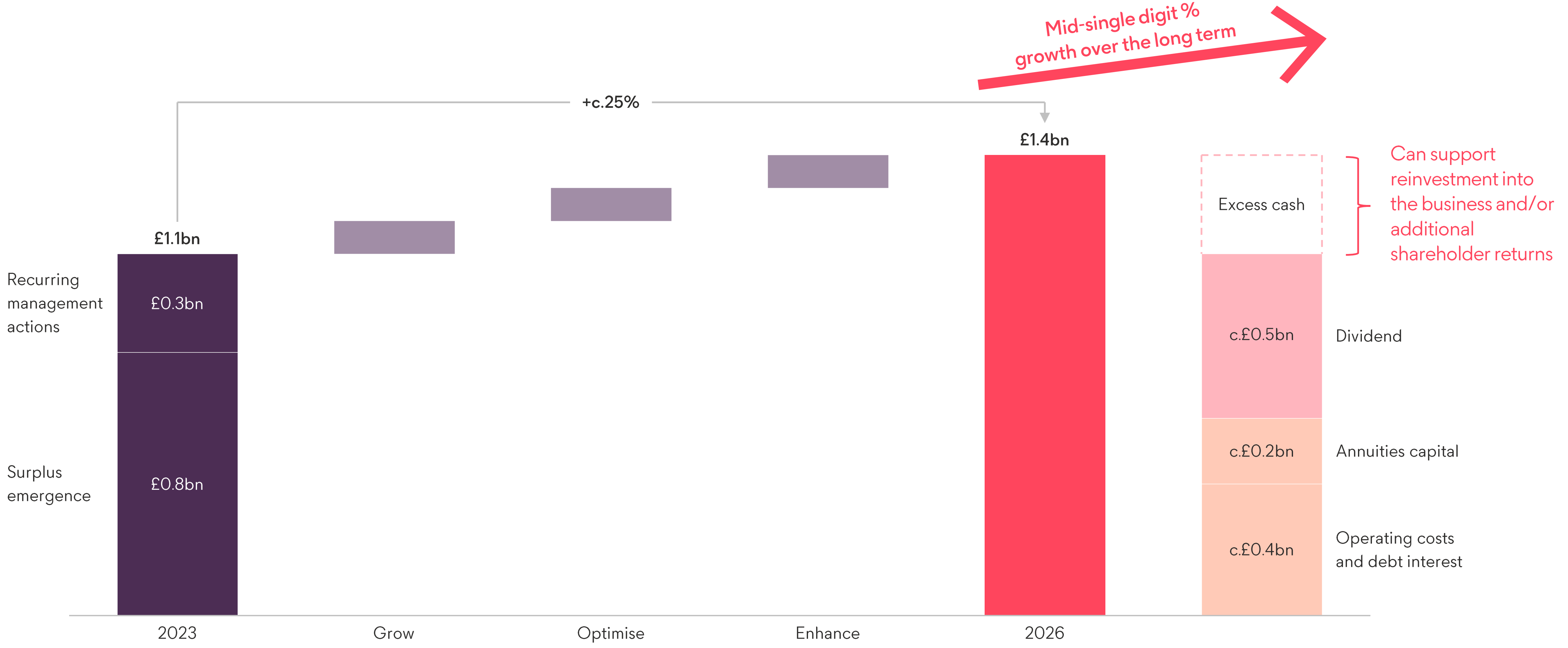


…which supports sustainable cash generation

New disclosure: profile of 2023 in-force and new business cash emergence available in Appendix (page 43)

We expect to deliver 25% growth in Operating Cash Generation by 2026

Cash



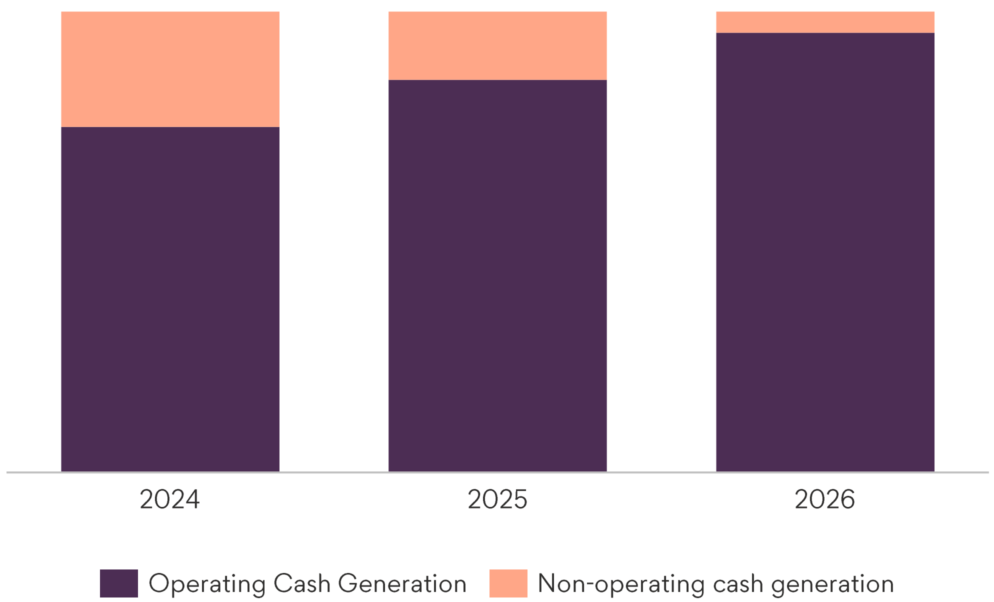
We are setting clear targets for total cash generation over the next three years

Cash

2024 total cash generation target

We will generate cash generation equivalent to c.90% of our current market cap across 2024-26

£4.4 billion total cash generation 3-year target

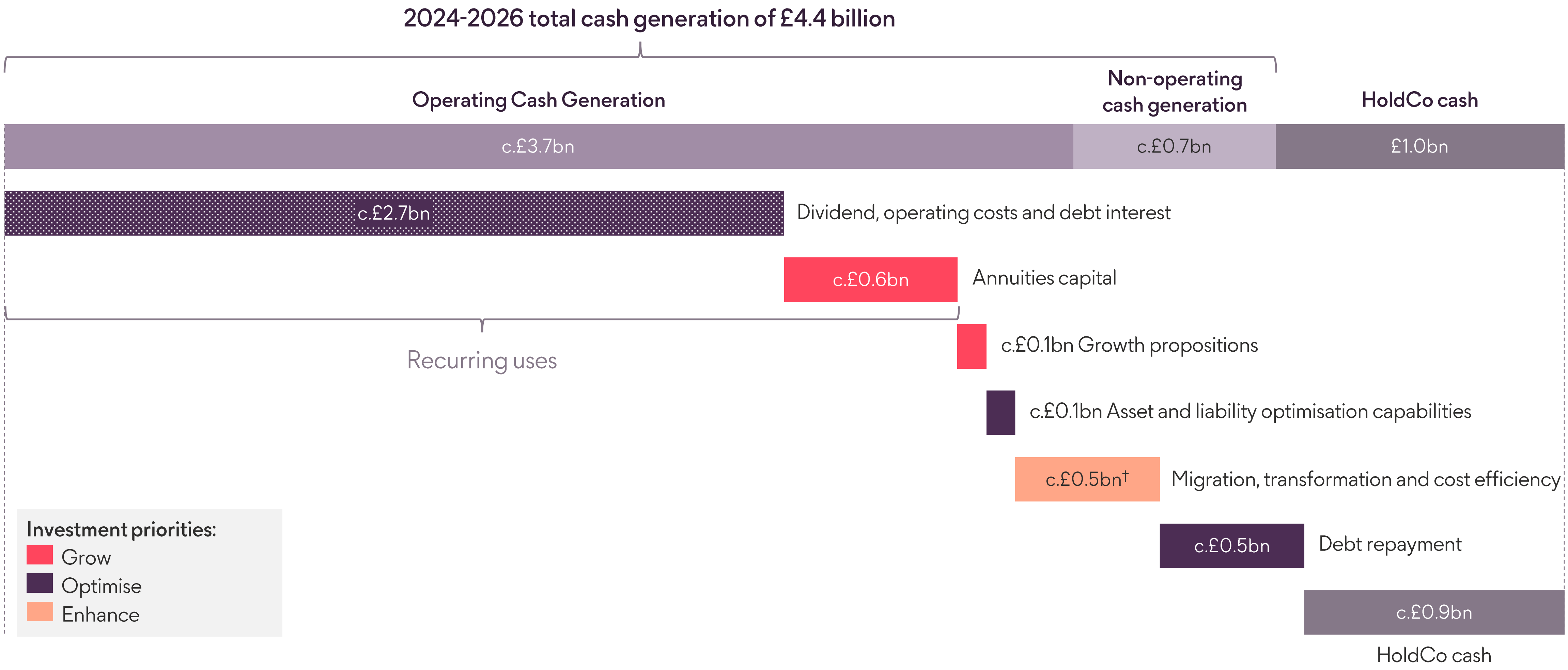


Charts not to scale

Phoenix

Operating Cash Generation more than covers our recurring uses and generates surplus to invest into our business

Cash

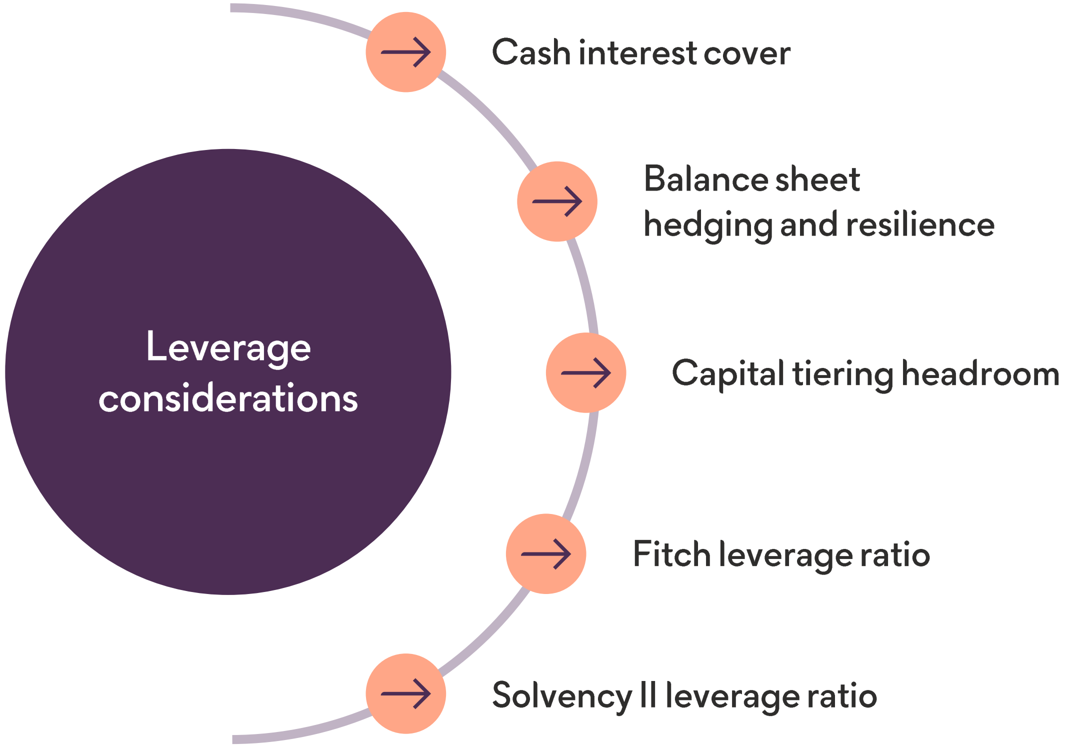


† Includes c.£300m of remaining planned integration costs previously guided to

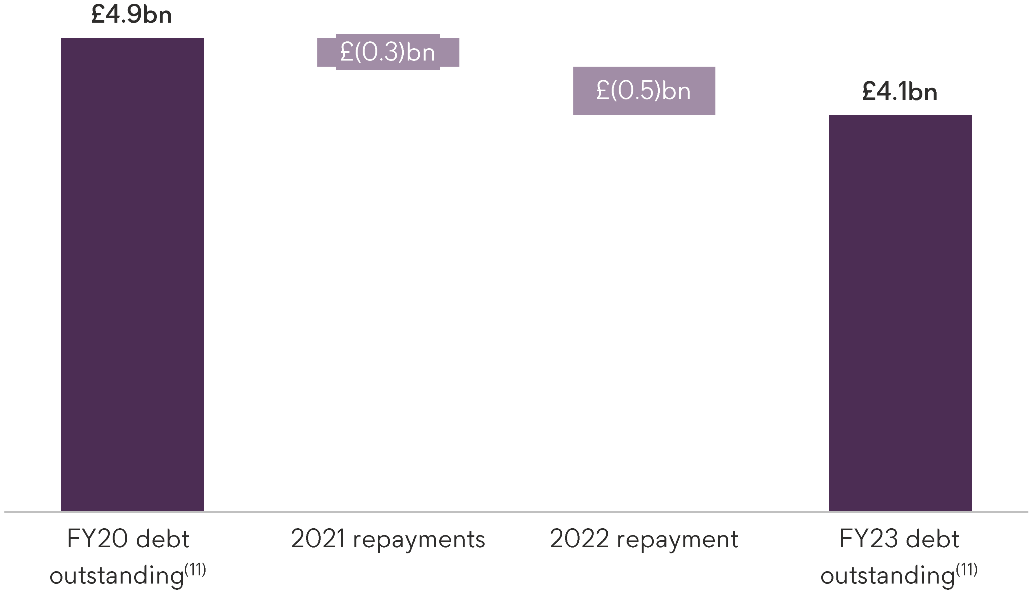
We manage our leverage position across a range of metrics and have a track record of repaying M&A-related debt

Capital

We manage our leverage position by considering a range of factors...



...and our approach is to pay down M&A-related debt as we generate surplus cash



31%[12]

Solvency II leverage ratio has increased due to a reduction in Own Funds as a result of rising rates

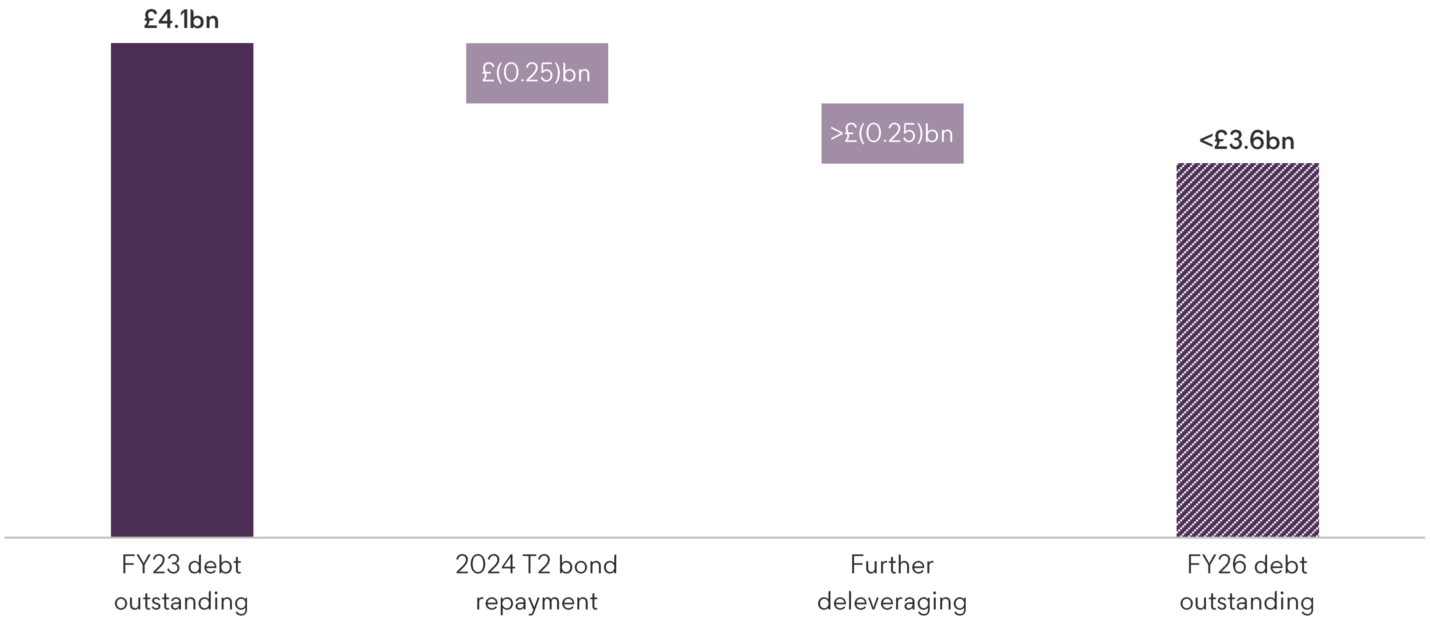
36%[12]

See Appendix 16 for footnotes

We have a clear deleveraging approach and are targeting a Solvency II leverage ratio of c.30%[10] by the end of 2026

Capital

We plan to repay at least £500 million of M&A-related debt by the end of 2026



We are targeting a Solvency II leverage ratio of c.30%[10] by the end of 2026

See Appendix 16 for footnotes

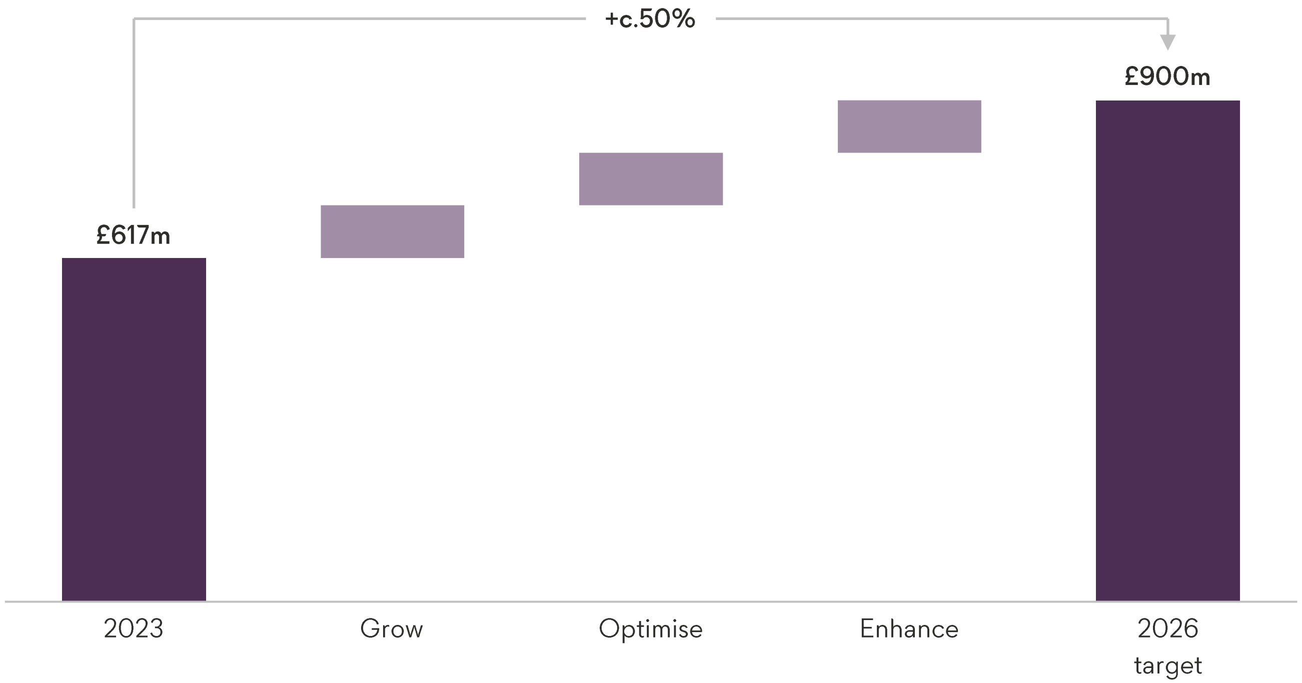
Key messages

- We expect to repay the Tier 2 bond that is callable in June 2024, subject to regulatory approval, and will consider further deleveraging options in 2025 and beyond
- £500 million of debt repayment is equivalent to a pro forma Solvency II leverage ratio of c.31%
- We would expect a c.1% point reduction in the Solvency II leverage ratio for every 100bps reduction in long-term rates
- We will also continue to monitor our Fitch leverage ratio (FY23: 23%[13]) and will seek to maintain an investment grade credit rating

We are targeting IFRS adjusted operating profit growth of c.50% by 2026

Earnings

Targeting IFRS adjusted operating profit of £900m in 2026



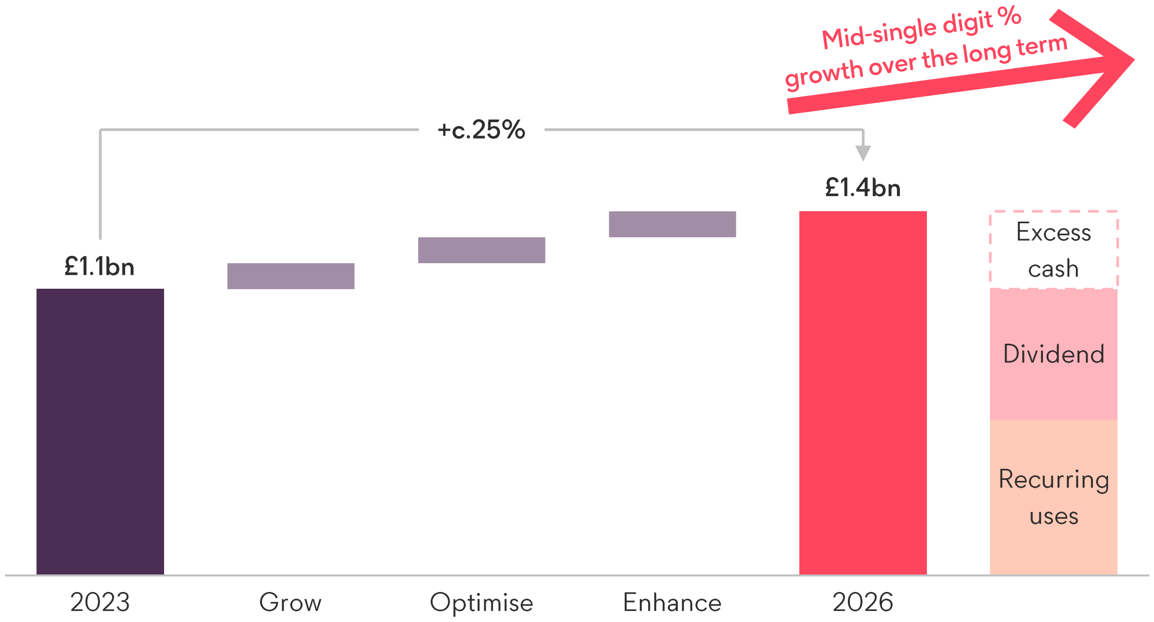
Key messages

- Adjusted operating profit will grow over time, as we grow, optimise and enhance our business
- Elevated non-operating items will reduce in 2027+:
  - Expect some reversal of recent adverse economics if interest rates normalise
  - Amortisation of intangibles run-off at c.8% p.a.
  - No material other non-operating items expected in 2027+
  - Finance costs expected to remain stable as we deleverage
- Strong CSM growth supports adjusted equity that is broadly stable near-term and which grows over the long term

Shareholders' equity will decline near-term due to elevated below-the-line items, but is expected to remain positive over the long term

We will deliver a clear set of financial outcomes for our shareholders

Growing Operating Cash Generation supports our new progressive dividend policy



Phoenix Group's new dividend policy

The Group operates a progressive and sustainable ordinary dividend policy[1]

See Appendix 16 for footnotes

We have a clear set of supporting targets

Cash

- ✓ £1.4-to-£1.5 billion of total cash generation in 2024
- ✓ £4.4 billion of total cash generation across 2024-2026

Capital

- ✓ 140-180% Shareholder Capital Coverage Ratio operating range
- ✓ Solvency II leverage ratio of c.30%[10] by the end of 2026

Earnings

- ✓ Targeting £900 million of IFRS adjusted operating profit in 2026
- ✓ £250 million of annual cost savings by the end of 2026

Summary

Andy Briggs
Group Chief Executive Officer

Our vision is to become the UK's leading retirement savings and income business

1	Phoenix is on a journey, as we transition from a closed-book life consolidator to a purpose-led retirement savings and income business
2	We have made significant progress in executing our strategy, as our strong 2023 financial results demonstrate
3	We are balancing our future investment across our strategic priorities as we grow, optimise and enhance our business
4	Our strategy delivers sustainable, growing Operating Cash Generation that more than covers our recurring uses
5	Phoenix will now operate a progressive and sustainable ordinary dividend policy

Q&A

Cash appendices

Phoenix

Cash appendices

1. Cash generation definition
2. Profile of 2023 in-force and new business cash emergence
3. Group cash flow analysis
4. Change in Life Company Free Surplus
5. 3-year total cash generation targets across 2021-2025

Appendix 1: Cash generation definition

Life companies

Our life companies manage the financial assets of our customers, with profitable business creating free surplus, which is remitted as total cash generation to Group

→ **Total cash generation is remitted to Group** →

Group

The Group holding company utilises this total cash generation to fund Group expenses and investment, and to provide strong shareholder returns

→ Group operating costs

→ Debt interest and repayment

→ Investment into the business

→ Shareholder dividends

↓

Excess cash is available for investment into the business and/or additional shareholder returns

Appendix 2: Profile of 2023 in-force and new business cash emergence

	Years 1-3	Years 4-10	Years 11-15	Years 16-20	Years 20+	Lifetime
In-force Operating Cash Generation as at 31 December 2023	c.£2.2bn	c.£3.8bn	c.£2.6bn	c.£2.1bn	c.£4.0bn	c.£14.7bn
Recurring management actions over the long term	c.£400m per annum by 2026					
In-force non-operating cash generation	c.£0.7bn					c.£0.7bn
Expected cash emergence from Pensions and Savings[1] new business (based on volume written in 2023)	c.£100m	c.£170m	c.£80m	c.£50m	c.£50m	c.£450m
Expected cash emergence from Retirement Solutions new business (based on volume written in 2023)	c.£125m	c.£300m	c.£200m	c.£175m	c.£250m	c.£1,050m

[1] Includes Pensions and Savings, Europe and SunLife

Key messages

- c.£14.7bn of cash from our 2023 in-force business, including an uplift from 2033 (year 10) when TMTP relief ends
- We also expect to generate growing recurring management actions with at least c.£400m in 2026, supported by the investment in our capabilities and growth in our business
- In addition, there is incremental future cash emergence from the c.£125m of annual cost savings that will benefit our in-force and new business cash emergence by 2026
- We expect to deliver sustainable new business growth over time with the cash emergence more than offsetting the run-off of the in-force business

Appendix 3: Group cash flow analysis

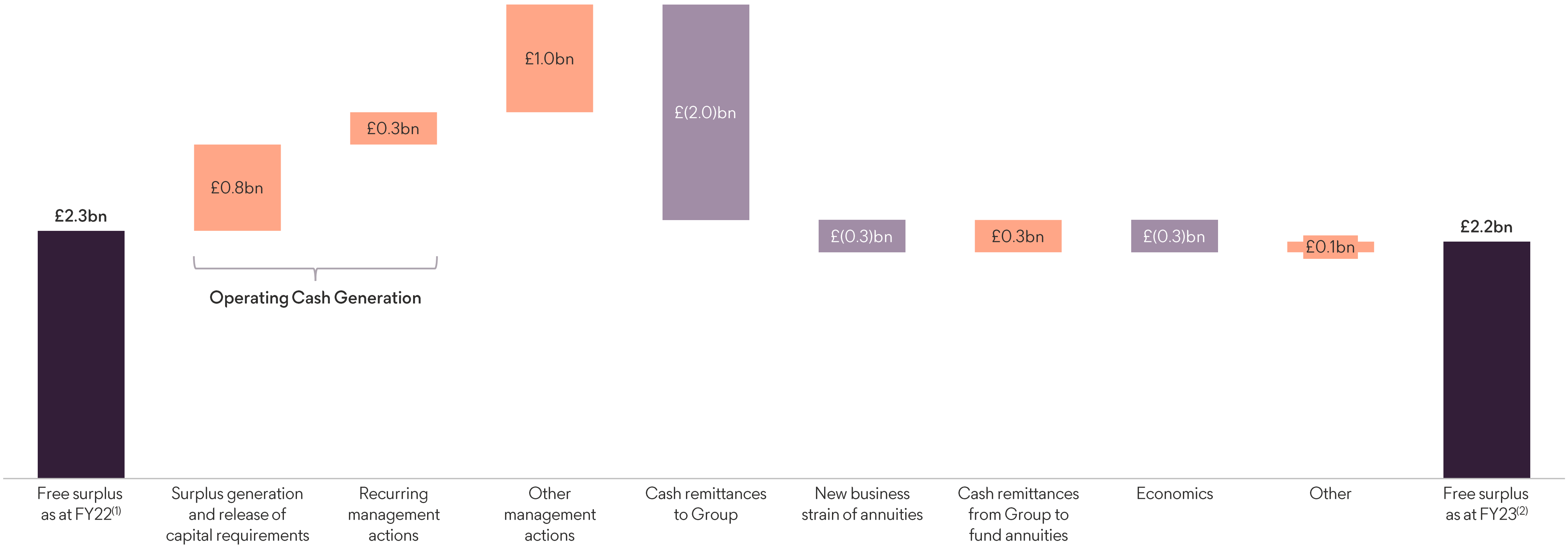
	FY23
Cash and cash equivalents at 1 January	£503m
Total cash generation[1]	**£2,024m**
Uses of cash:	
Operating expenses	£(97)m
Pension scheme contributions	£(16)m
Debt interest	£(229)m
Non-operating net cash outflows	£(111)m
Shareholder dividend	£(520)m
Debt repayments	£(350)m
Debt issuance	£346m
Total uses of cash	**£(977)m**
Support of BPA activity	£(288)m
Cost of acquisitions	£(250)m
Closing cash and cash equivalents at 31 December	**£1,012m**

[1] Total cash generation includes £219 million received by the holding companies in respect of tax losses surrendered

Key messages

- Strong total cash generation of £2,024 million in the period funds our uses of cash
- Non-operating net cash outflows of £111 million (FY22: £395 million net cash outflow) include:
  - £196 million of net collateral cash and hedge close-outs
  - £(307) million of centrally funded projects and investments, inclusive of £129 million of costs in relation to legacy platform migrations, £18 million for other ongoing integration programmes including ReAssure and Sun Life of Canada UK, £56 million of investment related to our growth propositions and £12 million for our Finance Transformation
- Paid £250 million of consideration to complete cash-funded acquisition of Sun Life of Canada UK

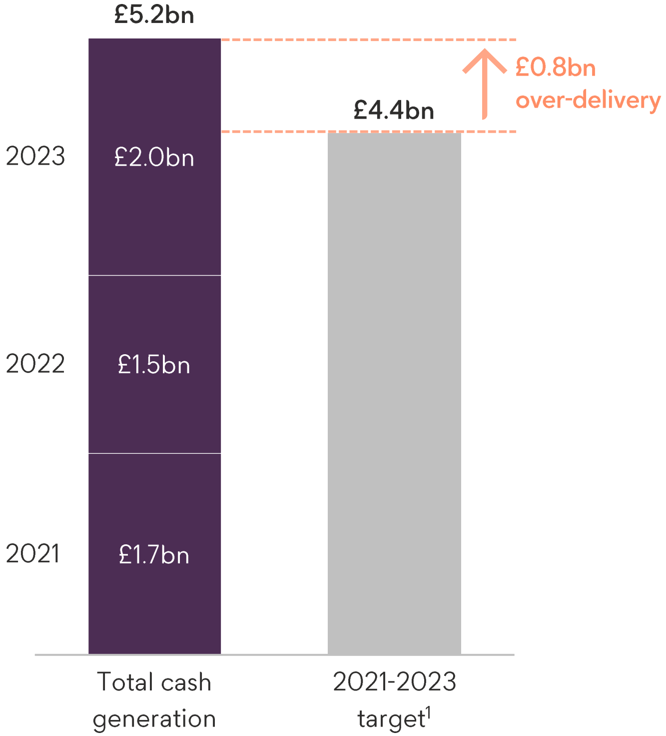
Appendix 4: Change in Life Company Free Surplus



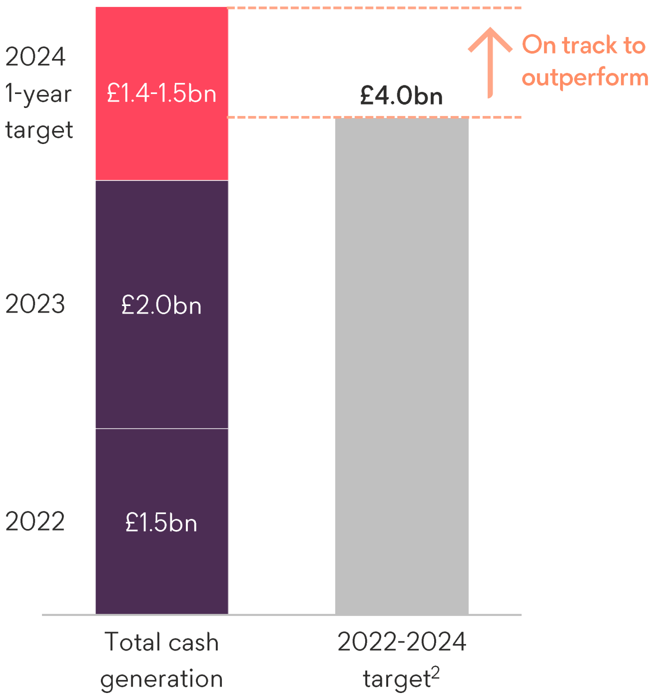
[1] 31 December 2022 Life company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals as at 31 December 2022. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would increase by £0.1bn
[2] 31 December 2023 Life company Free Surplus is an an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2023

Appendix 5: 3-year total cash generation targets across 2021-2025

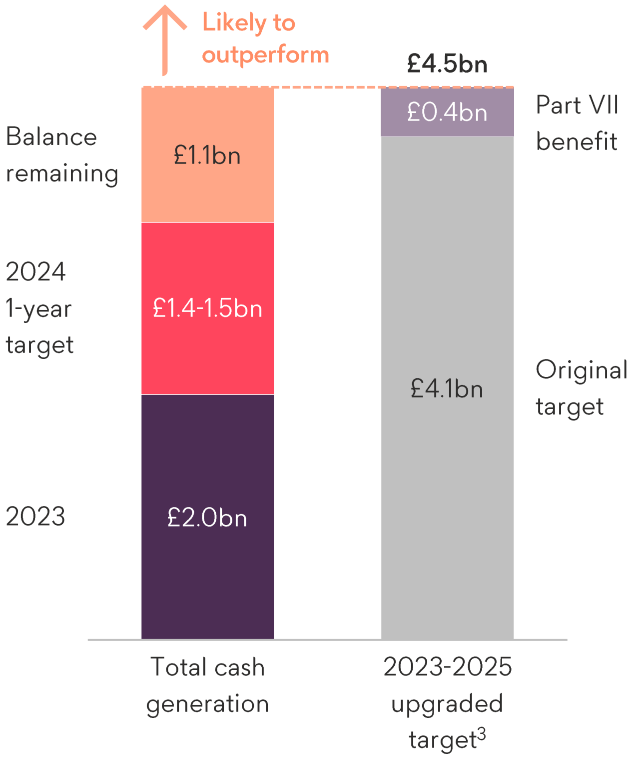
2021-2023 total cash generation



2022-2024 total cash generation



2023-2025 total cash generation



[1] 2021-2023 target set in March 2021

[2] 2022-2024 target set in March 2022

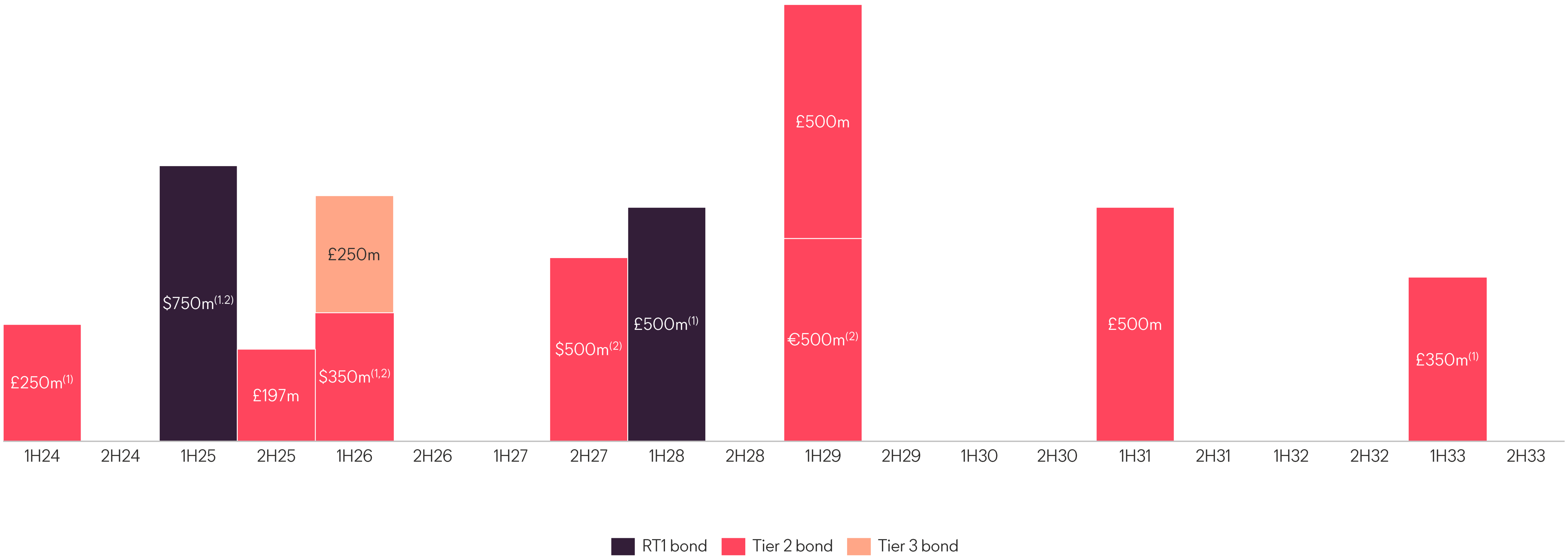
[3] 2023-2025 target upgraded from £4.1bn to £4.5bn in November 2023 following completion of funds merger through Part VII transfer of Standard Life and Phoenix Life businesses into a single entity

Other appendices

Other appendices

1. Debt maturity profile as at 31 December 2023
2. Movement in assets under administration
3. Movement in assets under administration by segment
4. Movement in assets under administration by segment (Pensions and Savings)
5. Estimated PGH Solvency II surplus and coverage ratios
6. Change in Solvency II Own Funds and SCR
7. Additional Solvency II disclosures
8. PGH Solvency II Shareholder Capital Coverage Ratio sensitivities
9. Movement in adjusted shareholders' equity
10. 2023 operating profit drivers
11. Movement in Group Contractual Service Margin, including segmental split
12. Shareholder credit portfolio
13. Diversification of illiquid asset portfolio as at 31 December 2023
14. ESG ratings and collaborations
15. 2024 sustainability commitments
16. Footnotes

Appendix 1: Debt maturity profile as at 31 December 2023



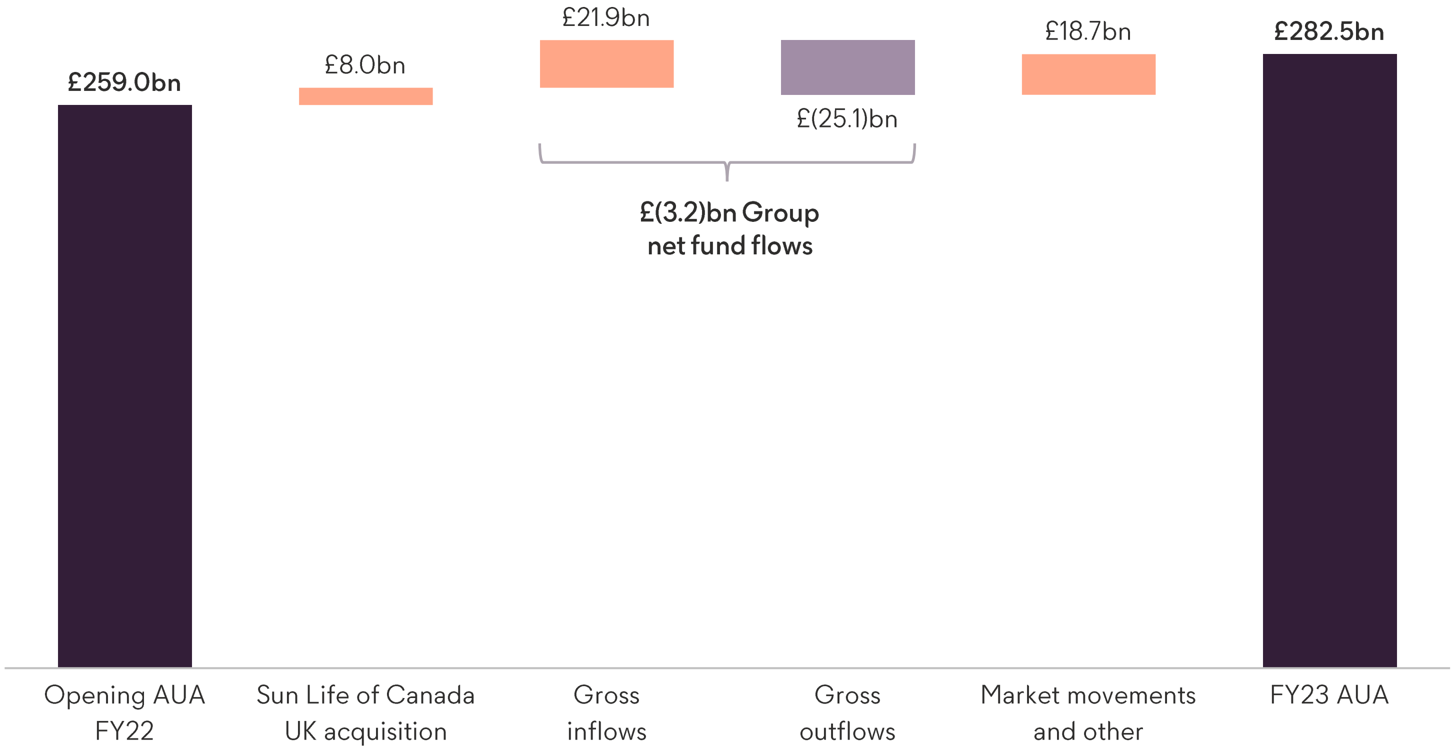
[1] First optional redemption

[2] All currency debt converted into GBP based on the closing 31 December 2023 exchange rates

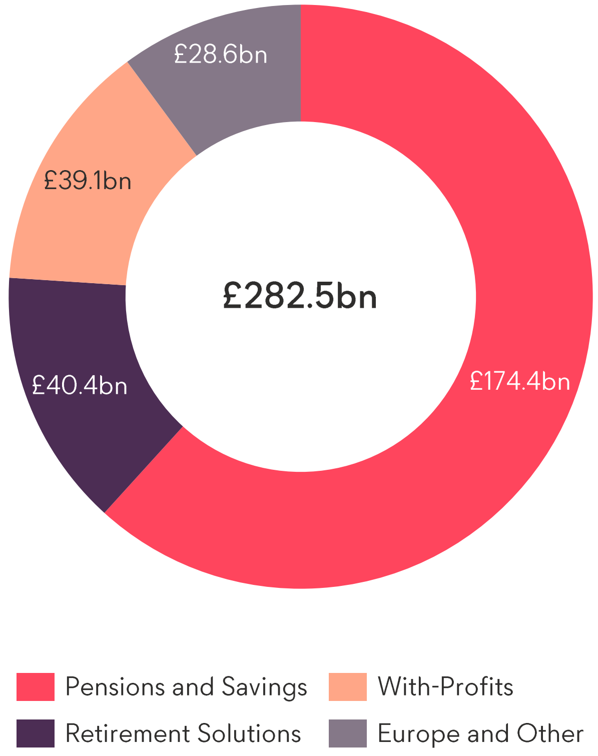
Phoenix

Appendix 2: Movement in assets under administration

Movement in AUA from 1 January 2023 to 31 December 2023

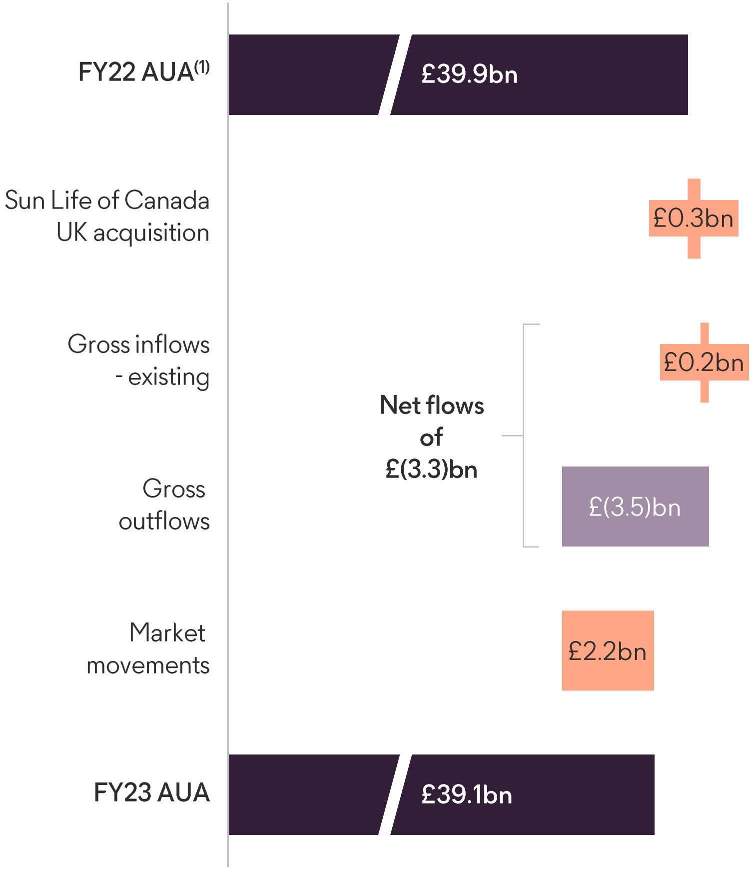


Split by segment

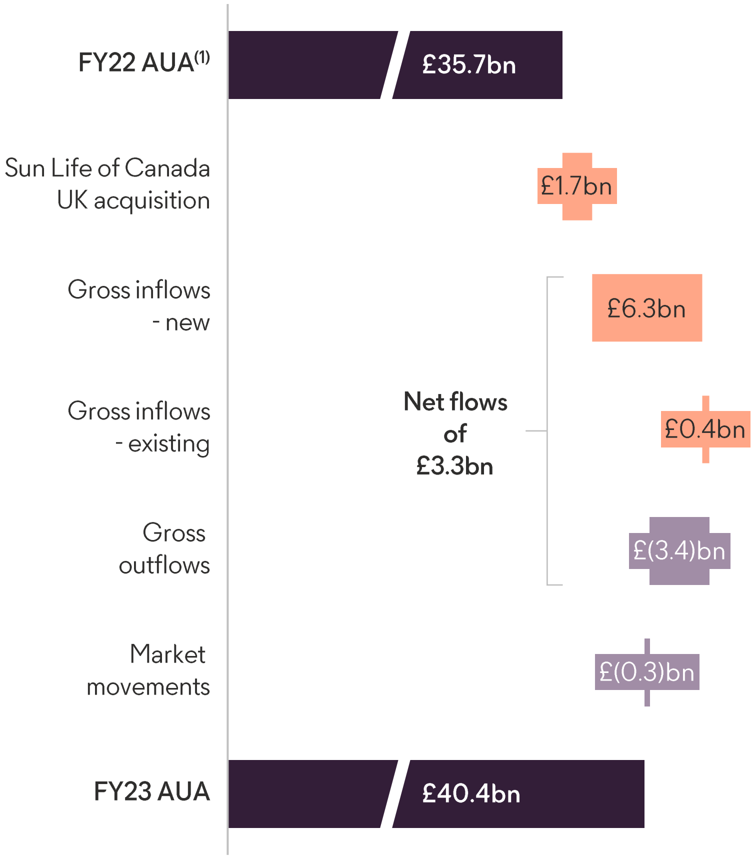


Appendix 3: Movement in assets under administration by segment

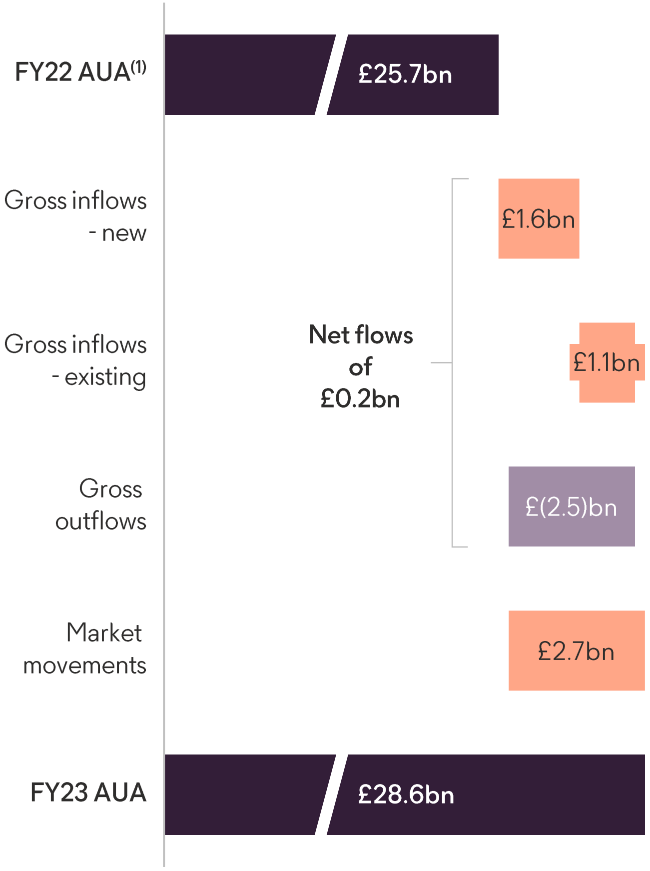
With-Profits



Retirement Solutions



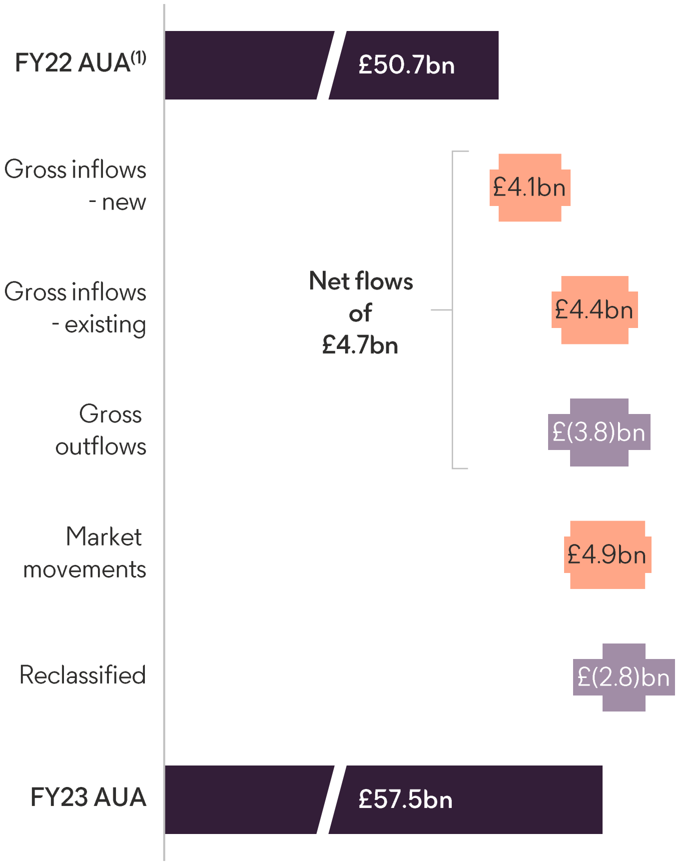
Europe and Other



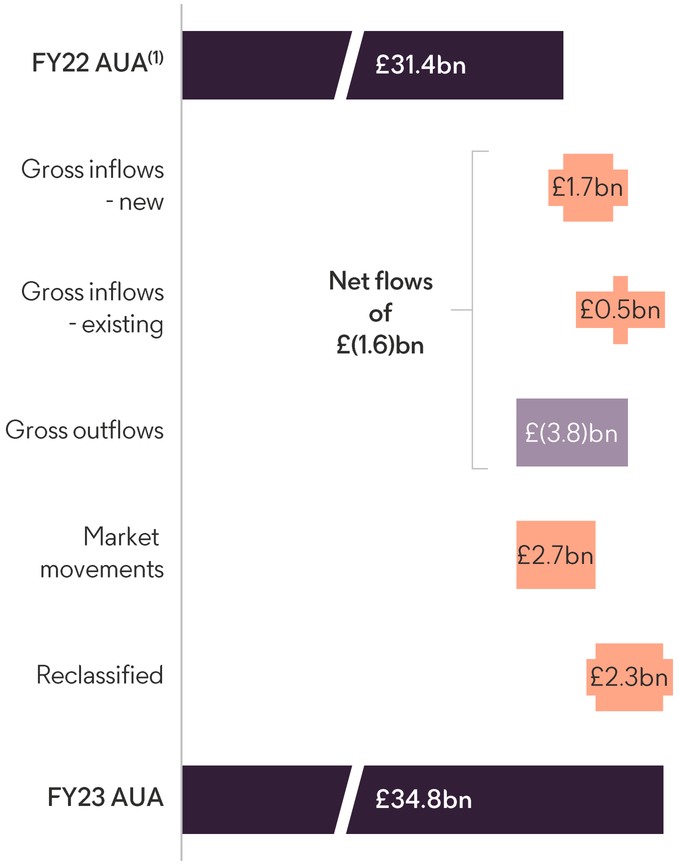
[1] FY22 opening AUA has been restated to reflect new reporting segments

Appendix 4: Movement in assets under administration by segment (Pensions and Savings)

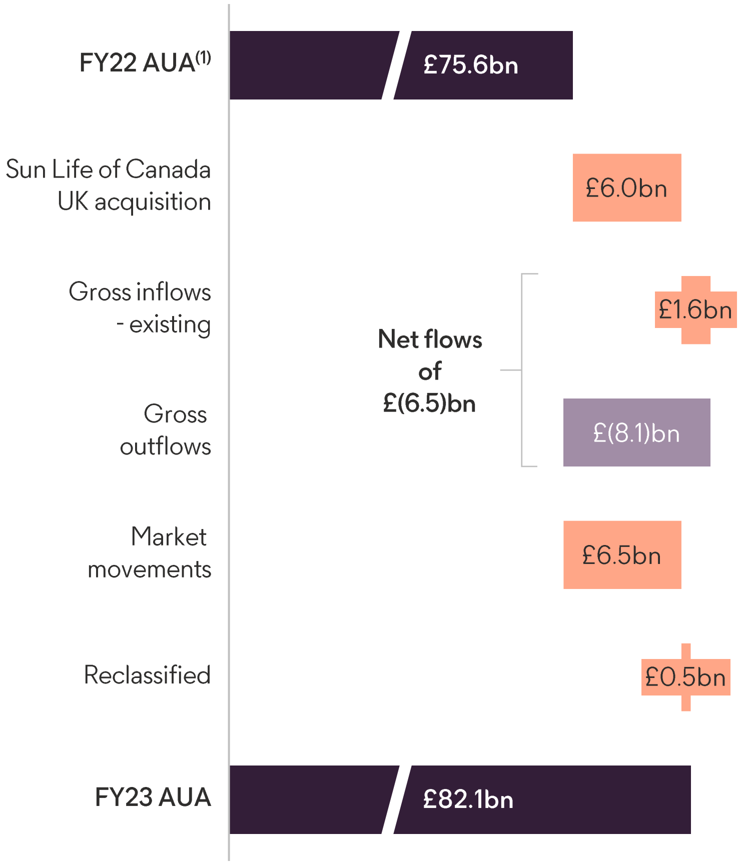
Pensions and Savings - Workplace



Pensions and Savings - Retail



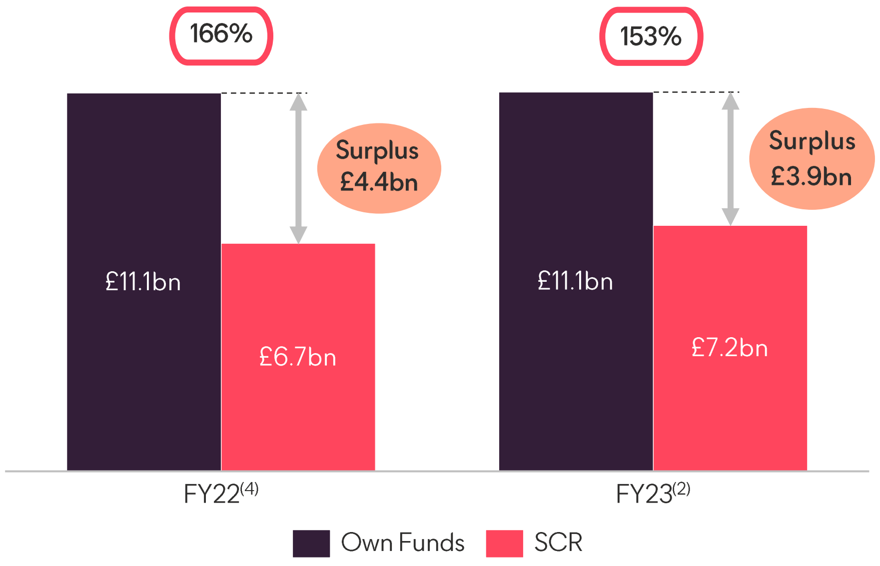
Pensions and Savings – Legacy



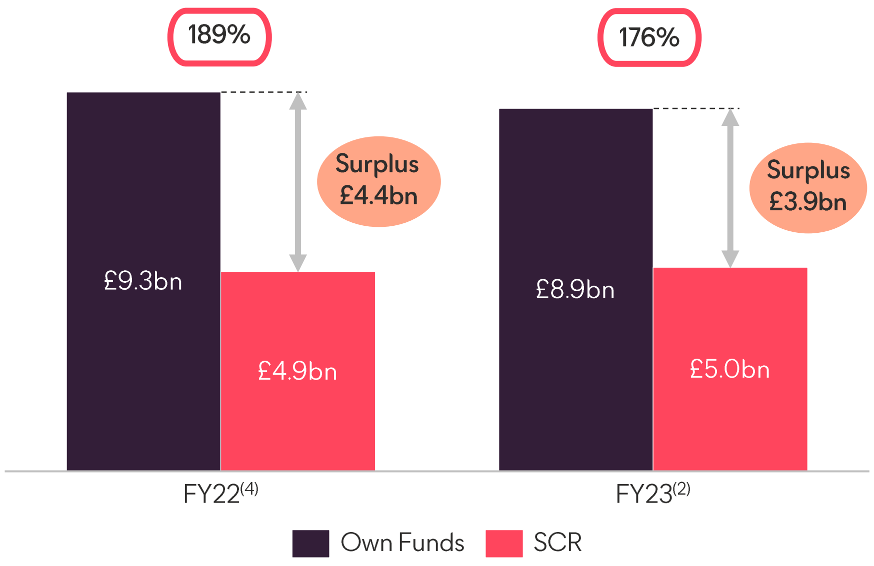
[1] FY22 opening AUA has been restated to reflect new reporting segments

Appendix 5: Estimated PGH Solvency II surplus and coverage ratios

PGH Solvency II Regulatory Coverage Ratio[2]



PGH Shareholder Capital Coverage Ratio[2,3]

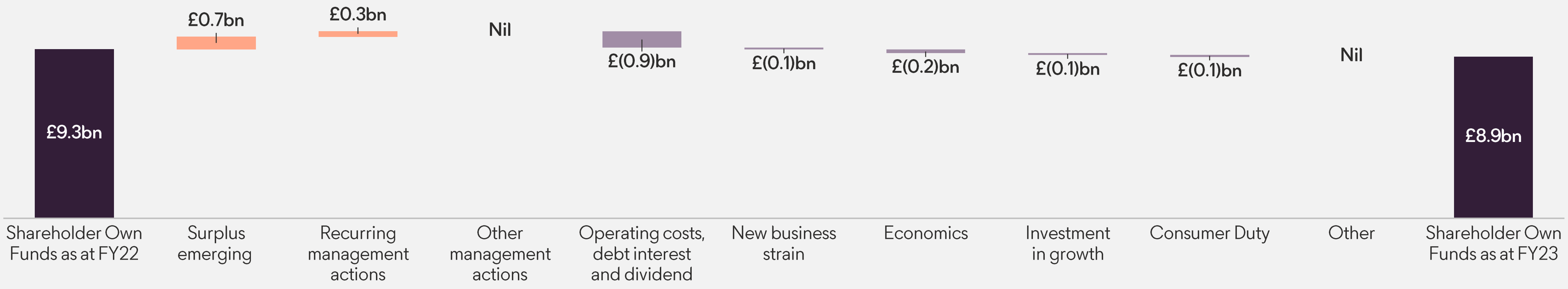


	FY22	FY23
PGH Solvency II Own Funds	**£11.1bn**	**£11.1bn**
Less: Unsupported With-Profit funds	£(2.0)bn	£(2.4)bn
Adjustment for unsupported pension schemes and restrictions	£0.2bn	£0.2bn
PGH Shareholder Own Funds	**£9.3bn**	**£8.9bn**

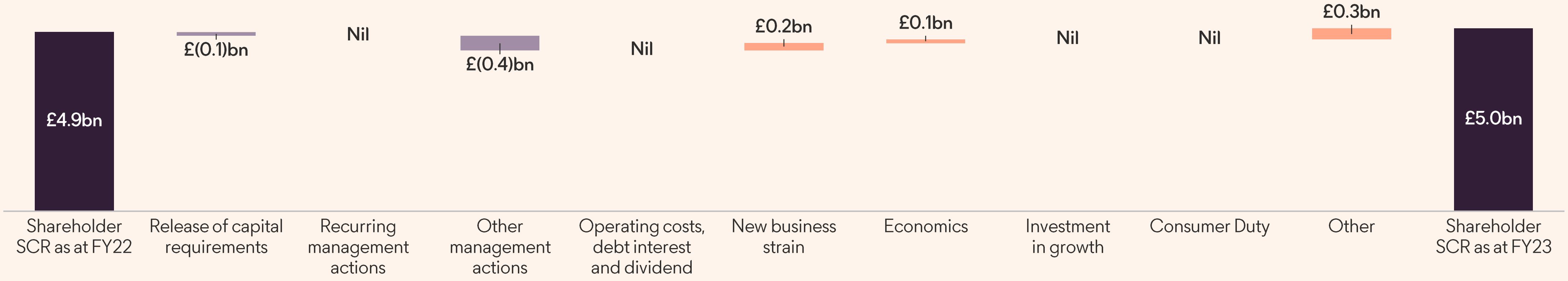
See Appendix 16 for footnotes

Appendix 6: Change in Solvency II Own Funds and SCR

Change in Own Funds



Change in SCR

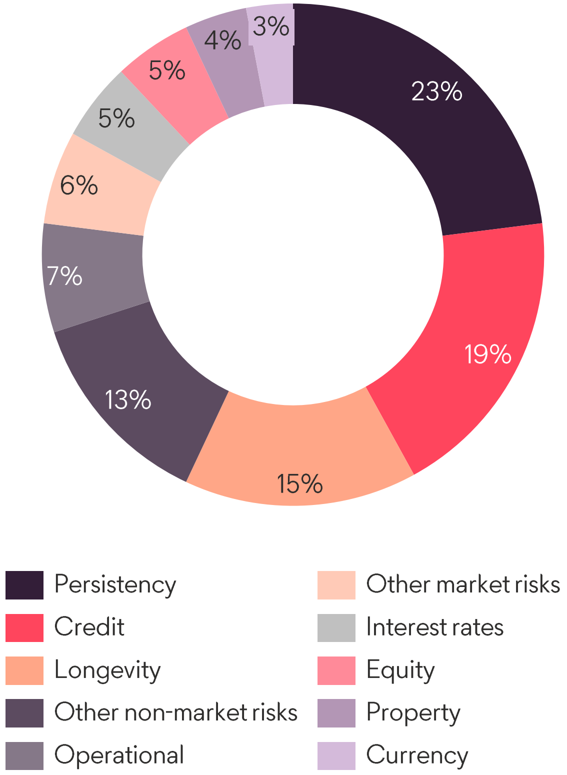


Impact on SII surplus	£4.4bn[4]	£0.8bn	£0.3bn	£0.4bn	£(0.9)bn	£(0.3)bn	£(0.3)bn	£(0.1)bn	£(0.1)bn	£(0.3)bn	£3.9bn[2]

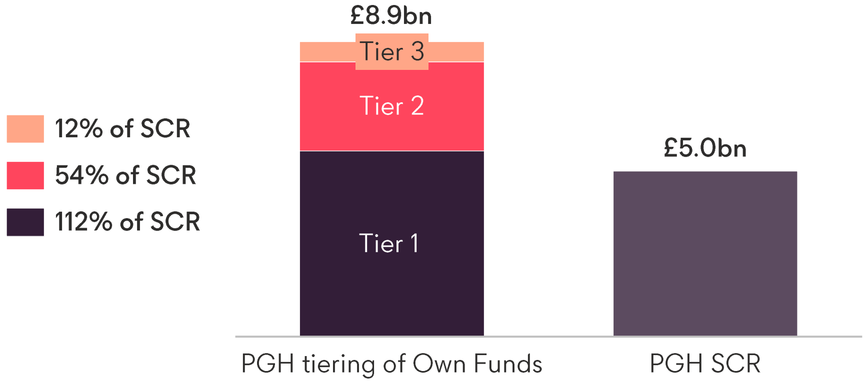
See Appendix 16 for footnotes

Appendix 7: Additional Solvency II disclosures

Estimated FY23 SCR by risk type[1]



FY23 PGH Own Funds by capital tier[2]



Share of Solvency II Own Funds by capital tier

	£bn	%
Tier 1[3]	£5.6bn	63%
Tier 2	£2.7bn	30%
Tier 3	£0.6bn	7%
Total	**£8.9bn**	**100%**

[1] Split of SCR pre diversification benefits and on a Shareholder Capital basis
[2] 31 December 2023 Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2023 and recognition of the foreseeable Final 2023 shareholder dividend of £267m
[3] Tier 1 includes £1.1bn of Restricted Tier 1 capital at fair value

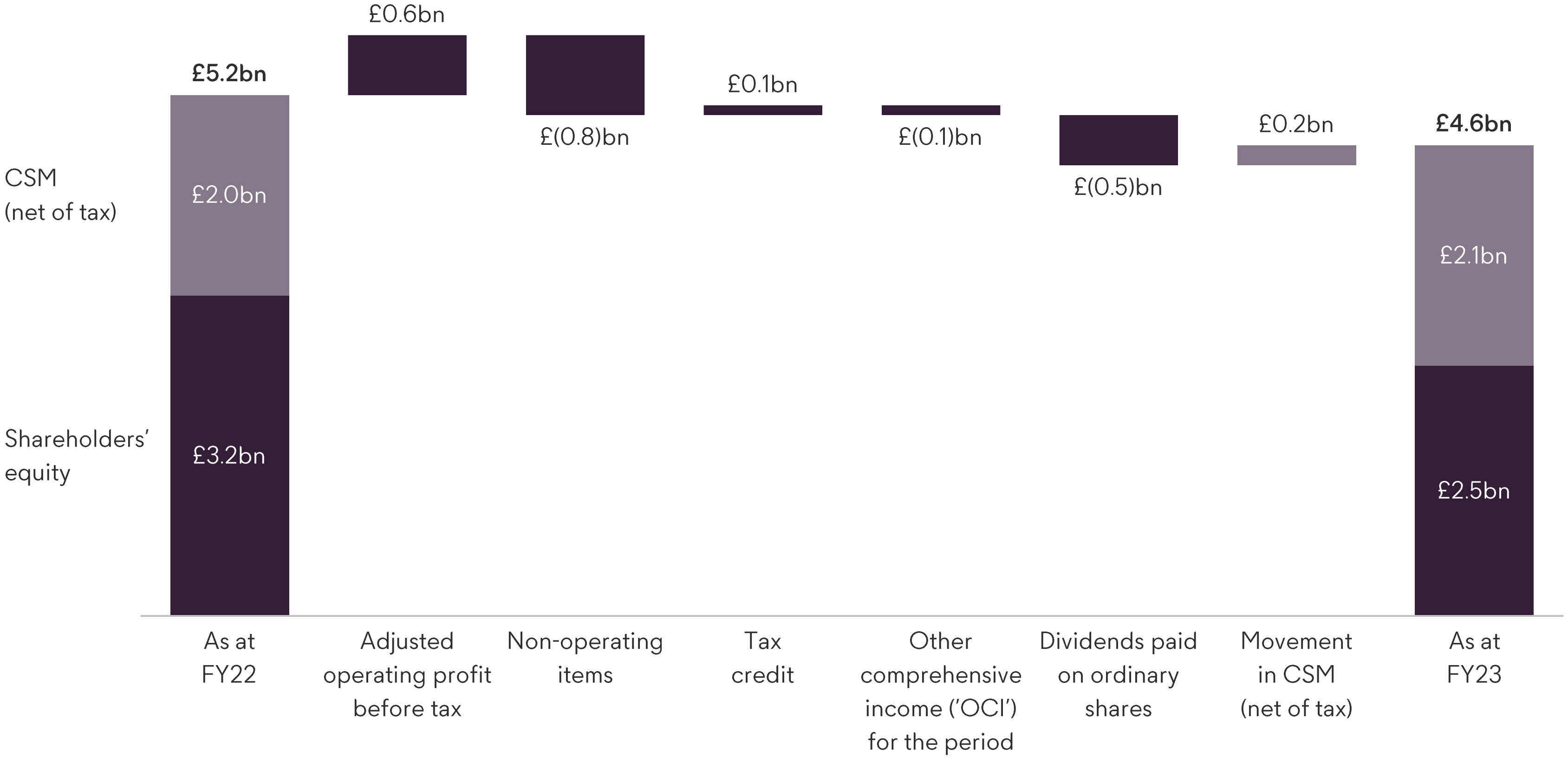
Appendix 8: PGH Solvency II Shareholder Capital Coverage Ratio sensitivities

	Base position	Unrewarded market risks[14]						Demographic risks[14]		Rewarded market risks[14]		
		Equities 20% fall in markets	**Long-term rates** 100bps rise in interest rates[15]	**Long-term rates** 100bps fall in interest rates[15]	**Long-term inflation** 50bps rise[16]	**Currency** 15% reduction[17]	**Currency** 10% increase[17]	**Lapse** 10% increase/ decrease in rates[18]	**Longevity** 6 months increase[19]	**Property**† 12% fall in values[20]	**Credit** 135bps spread widening[21]	**Credit**†† 20% portfolio full letter downgrade[22]
Impact on Solvency II surplus	£3.9bn	£0.1bn	£0.1bn	£(0.1)bn	£(0.1)bn	£0.2bn	£(0.1)bn	£(0.1)bn	£(0.4)bn	£(0.2)bn	£(0.2)bn	£(0.3)bn
Impact on SCCR (Target range: 140-180%)	176%	5%	6%	(5)%	(1)%	1%	0%	(1)%	(8)%	(5)%	(4)%	(9)%

† Property lending includes ERM and Commercial Real Estate
†† Downgrade sensitivity includes an estimate for realistic management actions
See Appendix 16 for footnotes

Appendix 9: Movement in adjusted shareholders' equity

Movement of IFRS adjusted shareholders' equity over 2023



Note: Numbers in the graph above do not sum due to rounding

Key messages

- Adjusted shareholders' equity reduced to £4.6 billion, with strong CSM growth more than offset by a decline in shareholders' equity due to elevated non-operating items
- The Group's CSM (gross of tax) grew 10% year-on-year, supported by strong BPA new business, positive assumption changes and the acquisition of Sun Life of Canada UK

Appendix 10: 2023 operating profit drivers

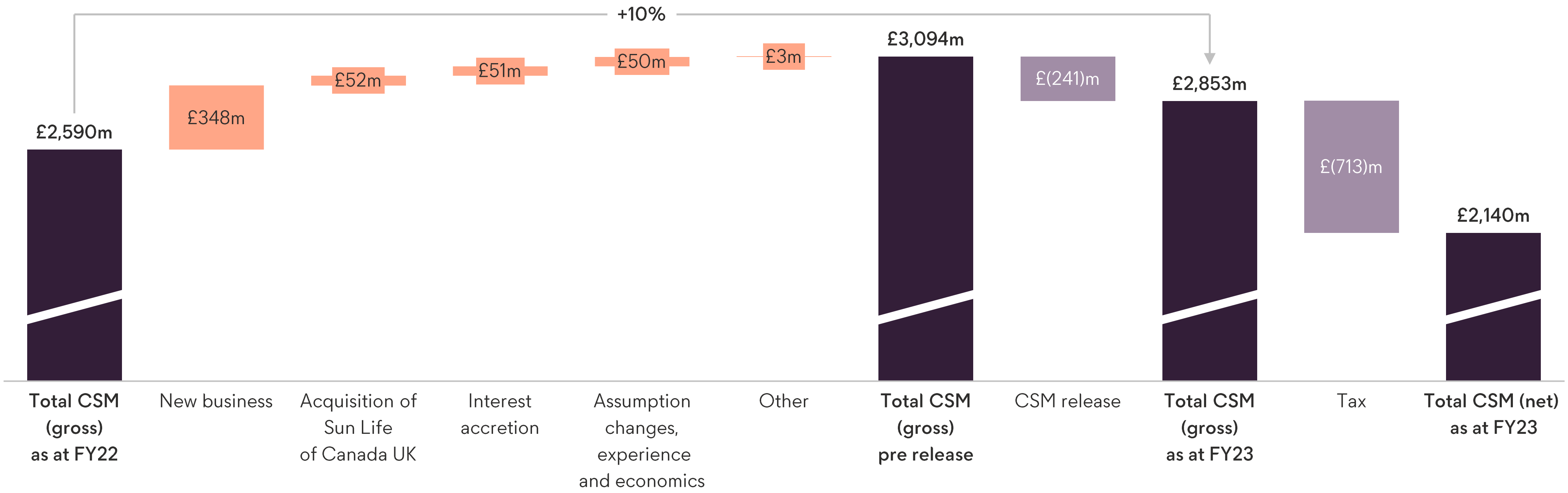
	CSM release	Risk adjustment release	Operating profit on investment contracts	Expected investment margin	Non-financial experience variances	Other	Operating profit
Pensions and Savings	£25m	£8m	£262m	-	£(28)m	£(77)m	**£190m**
Retirement Solutions	£129m	£19m	-	£292m	£(9)m	£(53)m	**£378m**
With-Profits	£17m	£1m	£(7)m	£14m	£(6)m	£(9)m	**£10m**
Europe and Other	£28m	£5m	£(10)m	£80m	£48m	£(19)m	**£132m**
Corporate Centre	-	-	-	-	-	£(93)m	**£(93)m**
Total	£199m	£33m	£245m	£386m	£5m	£(251)m	**£617m**

Operating earnings per share(1)	32.7p

[1] Operating earnings per share is calculated using adjusted operating profit less financing costs, after tax divided by the weighted average number of ordinary shares in issue during the period

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

Movement of the Group CSM from 1 January 2023 to 31 December 2023

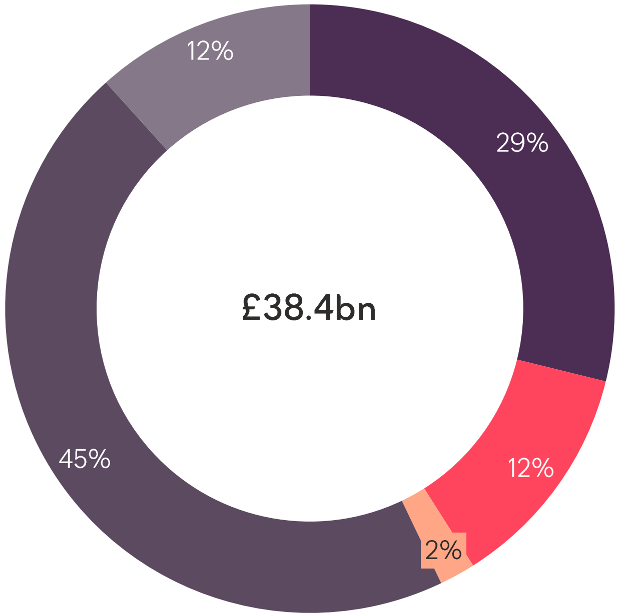


Split by segment:

	Total CSM (gross) as at FY22	New business	Acquisition of Sun Life of Canada UK	Interest accretion	Assumption changes, experience and economics	Other	Total CSM (gross) pre release	CSM release	Total CSM (gross) as at FY23	Tax	Total CSM (net) as at FY23
With-Profits	£423m	-	-	£7m	£96m	£(17)m	£509m	£(59)m	£450m	£(113)m	£337m
Retirement Solutions	£1,869m	£297m	£16m	£39m	£27m	£18m	£2,266m	£(129)m	£2,137m	£(534)m	£1,603m
Pensions and Savings	£94m	-	£34m	-	£100m	£(2)m	£226m	£(25)m	£201m	£(50)m	£151m
Europe and Other	£204m	£51m	£2m	£5m	£(173)m	£4m	£93m	£(28)m	£65m	£(16)m	£49m
Total Group	**£2,590m**	**£348m**	**£52m**	**£51m**	**£50m**	**£3m**	**£3,094m**	**£(241)m**	**£2,853m**	**£(713)m**	**£2,140m**

Appendix 12: Shareholder credit portfolio

Prudently positioned shareholder credit portfolio



- Gilts/Sovereigns/Supra/Sub-sovereign
- Financials
- Cyclical
- Non-cyclical
- ERM

† Excluding non-rated

Credit rating

- Shareholder credit assets are a small proportion of our c.£283bn balance sheet (c.14%)
- Our prudent portfolio is c.99% investment grade†
- No credit defaults

Appendix 13: Diversification of illiquid asset portfolio as at 31 December 2023

Equity Release Mortgages
£4.5 billion with AA rating

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

Private Corporate Credit
£2.3 billion with A rating

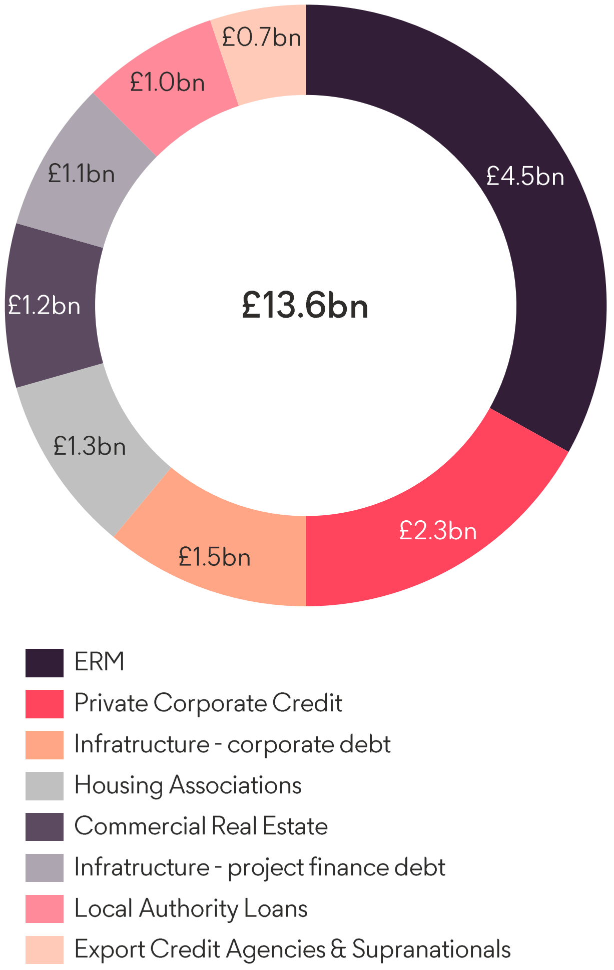
- Diversified portfolio with c.26% of exposure secured on variety of assets
- Loans across 50 different counterparties

Infrastructure – corporate debt
£1.5 billion with BBB+ rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- 11% of portfolio backed by UK Government (directly or indirectly)

Housing Associations
£1.3 billion with A- rating

- 100% of portfolio is secured on assets
- Average loan size of c.£18 million across 27 different counterparties



Commercial Real Estate
£1.2 billion with BBB rating

- Structured with robust covenant protection, a combination of loan-to-value and interest coverage ratio
- Average LTV for portfolio is 47%

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

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

Local Authority Loans
£1.0 billion with A+ rating

- Unsecured but with implicit Government support
- Loans across 38 different counterparties with average loan size of <£20m

Export Credit Agencies & Supranationals
£0.7 billion with AA rating

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

Appendix 14: ESG ratings and collaborations

Strong ESG ratings

Ratings agency	FY22	FY23	Change
MSCI	A	AA	↑
Sustainalytics	19.8 / low risk	20.3 / medium risk	↓
CDP	A-	A-	↔
S&P Global	84th percentile	90th percentile	↑
ISS ESG corporate rating	C-	C prime	↑

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

Collaborations and Commitments

- Climate Action 100+
- Living Wage Foundation
- IIGCC – The Institutional Investors Group on Climate Change
- PRI – Principles for Responsible Investment
- PCAF – Partnership for Carbon Accounting Financials
- MMM – Make My Money Matter
- The Net-Zero Asset Owner Alliance
- TNFD – Taskforce on Nature-related Financial Disclosures
- TCFD – Task Force on Climate-related Financial Disclosures
- Science Based Targets – Driving ambitious corporate climate action
- UK Stewardship Code
- United Nations Global Compact

Appendix 15: 2024 sustainability commitments

ESG Theme: Planet

We want to help shape a better future. This means delivering good outcomes for our customers, playing a key role in delivering a net zero economy by 2050 and understanding our impact and dependency on nature.

Key 2024 commitments:

- Begin implementing customised decarbonising benchmarks for our listed equities and create a roadmap for rolling out decarbonising strategies across the remainder of our listed equity and credit portfolios, in line with delivering good customer outcomes.
- Develop a roadmap for our ambition to invest up to £40 billion in sustainable, transition, and productive[1] assets subject to overcoming barriers, and in line with commercial objectives and delivering good customer outcomes.
- Continue 50-70% target range for shareholder illiquid asset origination to be sustainable or transition assets.
- Continue our programme of thought leadership, collaboratively driving policy change to unlock investment in climate solutions through roundtables and political manifesto recommendations.
- Deliver a programme to engage colleagues to reduce our emissions from business travel.

ESG Theme: People

We want to help people live better longer lives. This means tackling the pensions savings gap and supporting people to have better financial futures through promoting financial wellness and the role of good work and skills.

Key 2024 commitments:

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

[1] Productive Finance Working Group, convened in November 2020 by the Bank of England, HM Treasury and the FCA. Current guidance.

Appendix 16: Footnotes

1. The Board will continue to prioritise the sustainability of our dividend over the very long term. Future dividends and annual increases will continue to be subject to the discretion of the Board, following assessment of longer-term affordability.
2. 31 December 2023 Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2023 and recognition of the foreseeable Final 2023 shareholder dividend of £267m.
3. The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements of unsupported With-Profit funds and unsupported pension schemes.
4. 31 December 2022 Solvency II capital position reflects a dynamic recalculation of transitionals for the Group's Life companies and recognition of the foreseeable Final 2022 shareholder dividend. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.1bn and 2% respectively.
5. 2022 IFRS adjusted operating profit restated to reflect adoption of IFRS 17.
6. Incorporates changes to the Group's methodology for determining adjusted operating profit since Half Year 2023.
7. New business strain reflects capital invested into annuities.
8. Sources: LCP report (A seismic shift in buy-ins/outs: how is the market adapting, October 2023), and Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021).
9. Sources: LCP report (A seismic shift in buy-ins/outs: how is the market adapting, October 2023), NMG UK Stock Flow Model, and Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021).
10. Assuming economic conditions in line with 31 December 2023.
11. Debt outstanding on a face value basis.
12. Solvency II leverage ratio calculation = debt (all debt including RT1) / SII regulatory Own Funds. Ratio allows for currency hedges over foreign currency denominated debt.

Appendix 16: Footnotes

13. Fitch leverage ratio is estimated by management based on Fitch's published methodology. Ratio allows for currency hedges over foreign currency denominated debt.

14. Illustrative impacts assume changing one assumption on 1 January 2024, while keeping others unchanged, and that there is no market recovery. They should not be used to predict the impact of future events as this will not fully capture the impact of economic or business changes. Given recent volatile markets, we caution against extrapolating results as exposures are not all linear.

15. Assumes the impact of a dynamic recalculation of transitionals (subject to PRA approval) and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interaction of rates with other correlated risks including longevity.

16. Rise in Inflation: 15yr inflation +50bps.

17. A 15% weakening/ 10% strengthening of GBP exchange rates against other currencies.

18. Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.

19. Only applied to the annuity portfolio.

20. Property stress represents an overall average fall in property values of 12%.

21. Credit stress varies by rating and term and is equivalent to an average 135bps spread widening. It assumes the impact of a dynamic recalculation of transitionals (subject to PRA approval) and makes no allowance for the cost of defaults/downgrades.

22. Impact of an immediate full letter downgrade across 20% of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A, etc). This sensitivity assumes management actions are taken to rebalance the annuity portfolio back to the original average credit rating and makes no allowance for the spread widening which would be associated with a downgrade.

Legal disclaimer

This presentation 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, 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.

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