Phoenix
Half year 2023 results
Phoenix Group Holdings plc
18 September 2023

Agenda

09:00 - 09:30	Half year 2023 results presentation	Andy Briggs | Group CEO Rakesh Thakrar | Group CFO
09:30 - 10:15	Half year 2023 results Q&A	Andy Briggs | Group CEO Rakesh Thakrar | Group CFO
10:15 - 10:30	Coffee break	
10:30 - 11:00	IFRS 17 transition analyst education	Rakesh Thakrar | Group CFO

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Good morning everybody, and welcome to Phoenix Group's 2023 half year results presentation.

Now, as you know, we have always run our business focused on cash and capital, as that is what underpins our sustainable, and growing dividend.

But we recognise the industry has transitioned, to IFRS 17.

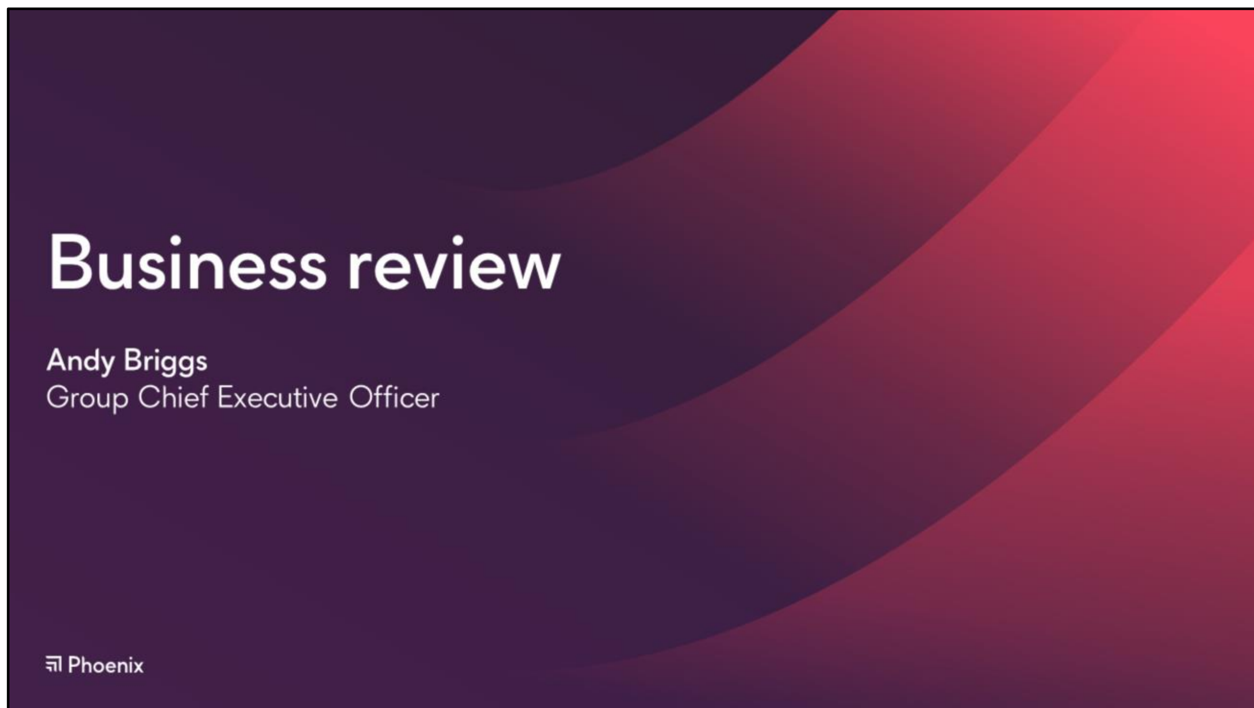
So the plan today is that Rakesh and I will walk you through our excellent half year results, as usual, including a summary of the key IFRS 17 transition impacts. And we'll go straight into a Q&A on the main results.

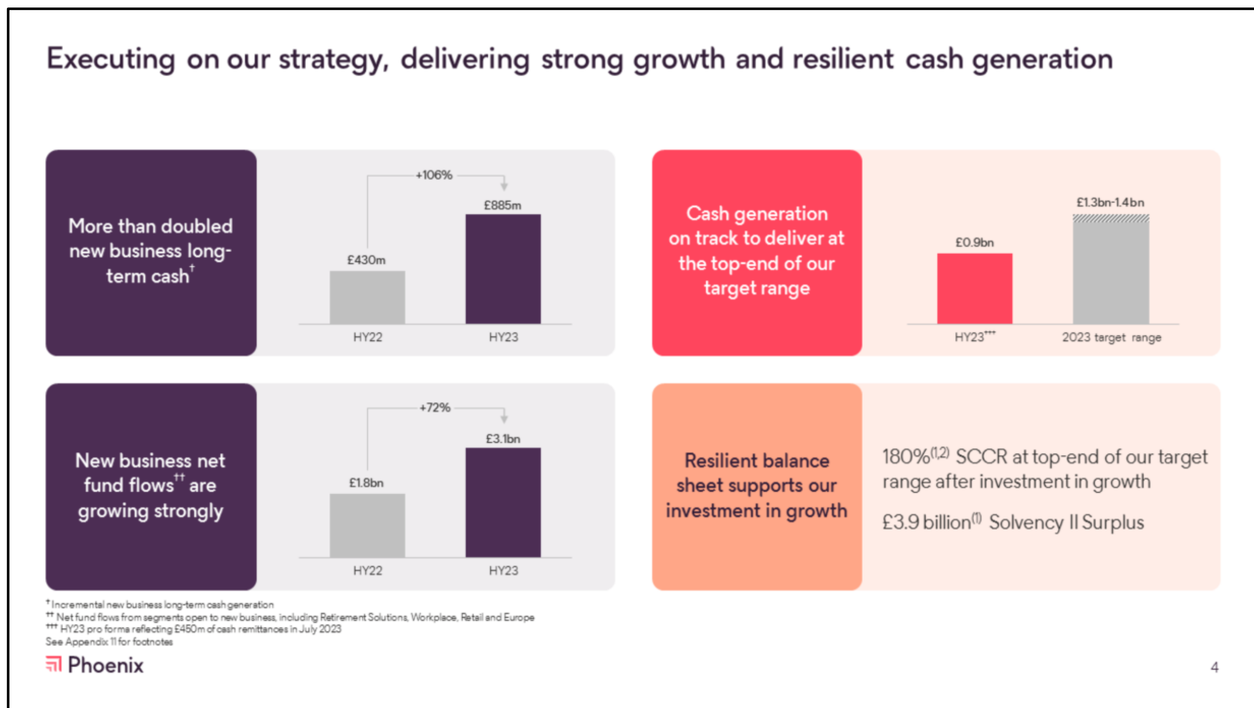
We'll then take a short break, and follow up with a further education session for the analysts, on the technical accounting transition to IFRS 17.

As you are probably aware, our half year IFRS results will not be published until Thursday 28th September. I understand this may be frustrating for some of you, for which we apologise.

It reflects a short delay in our process, in part due to the complexity of the project. But let me reassure you that, there are no concerns with the numbers themselves.

So, starting with our first half performance...


Business review
Andy Briggs
Group Chief Executive Officer
Phoenix



At Phoenix, we have a clear and focused strategy, and I am delighted with how well our team are executing, on that strategy. Delivering strong growth, and resilient cash generation.

We have more than doubled new business long-term cash, year-on-year, to £885 million. Thanks to a strong first half performance, in both Workplace and BPA.

And this means we have already more than offset the run-off of our in-force business of £800 million per annum, in just the first half.

And our new business net fund flows increased 72%, year on year, to £3.1 billion. This is particularly pleasing, given that across the wider market, net fund flows are down.

As ever, we have delivered strong cash generation, with around £900 million remitted. We are therefore on track, to deliver at the top-end of our target range, of £1.3-to-£1.4 billion for the year.

And our balance sheet remains resilient, with a shareholder capital coverage ratio of 180%, at the top-end of our target range, supporting our investment into growth.

Phoenix has a single strategic focus – which is helping customers journey to and through retirement.

This is important, because we are seeking to meet a huge societal need.

With only around 10% of people currently getting advice on their journey. And only 1-in-7 defined contribution savers on track for a decent retirement income, that maintains their current standard of living.

So there is a clear need for more propositions and support, which we at Phoenix are well placed to provide.

Which is why we are building a business that can support customers, across every point of their savings lifecycle. Through offering them the long-term savings and retirement propositions, and the education and advice, that they need. As they accumulate wealth through the savings phase, then transition, through to securing income in retirement.

And yet in spite of these unmet needs, the market is already huge today, with an estimated £3 trillion of stock. And is growing strongly, with around £150 to £200 billion of annual flows, that we can access.

So, a significant organic growth opportunity.

Now, many are saying that the UK economic environment is challenging, and it is for most industries.

But for us, the structural growth opportunities in the market, are only being accelerated, by the current economic environment.

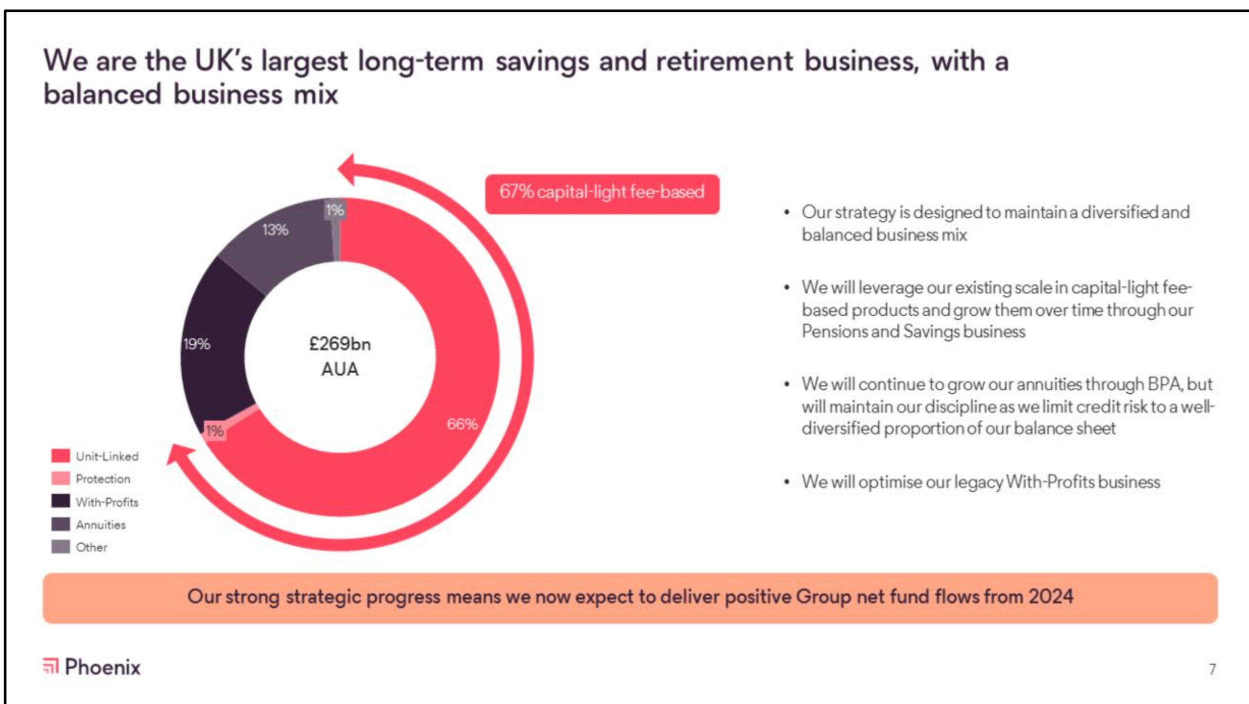
So, we are seeing strong growth in Workplace, fuelled by high levels of salary inflation, and full employment in the UK economy.

The Retail market has slowed down in this economic environment, with less switching of flows between providers. But for Phoenix this is helpful, given our scale in-force book, as it helps us to improve our customer retention.

And the BPA market is seeing record levels of demand, due to higher interest rates, making buy-ins and buy-outs more affordable.

Finally, we believe there will be more M&A opportunities coming to market over time, as high inflation means that it's harder to deliver the necessary cost reductions, every year, in unhedged closed books. So their cash generation will reduce.

It's counterintuitive, I know, but the challenging UK economic environment is positive for our sector.



Now, a bit more colour on where we play in the market.

Phoenix is the UK's largest long-term savings and retirement business.

We have a diversified, and balanced, business mix, across the savings life cycle. And two-thirds of our business is capital-light, fee-based products.

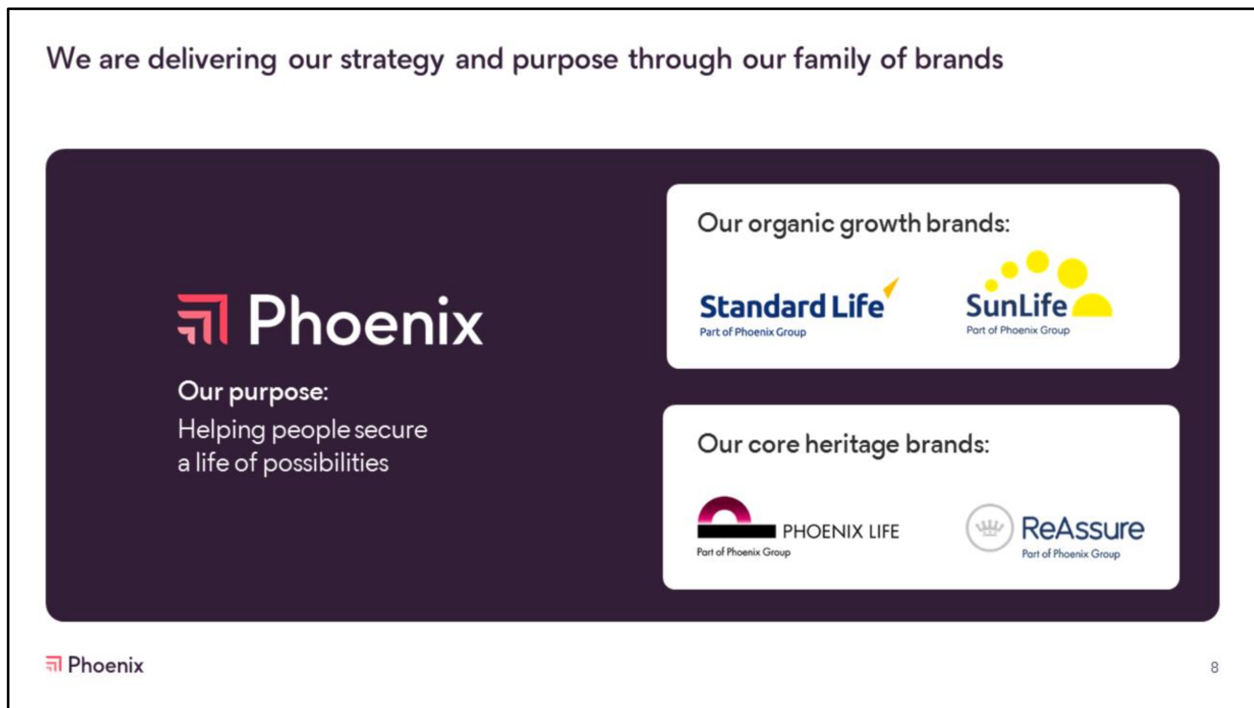
Our strategy is designed to maintain a balanced mix, as we leverage our existing scale, in capital-light fee-based products, to grow our Pensions and Savings business.

And we are disciplined in our annuity growth, as we keep this to a small proportion of our business mix, and hence limit the credit risk we retain on our balance sheet.

Our strategy is already delivering strong new business net fund flows, which are exceeding our expectations.

This excellent execution of our strategy, together with the positive tailwinds of the UK economic environment, is why we are now confident of delivering positive Group net fund flows from 2024. Which means that our new business inflows, will more than offset our legacy run-off outflows.

This is a pivotal moment for Phoenix, which Rakesh will cover in more detail later.



Having trusted brands is critical to engaging customers, and having the credibility to support them, with some of the most important financial decisions they make.

We are therefore very proud to have a family of brands, to successfully engage and support customers, throughout their savings lifecycle. And therefore support our growth, both organically, and through M&A.

I want to highlight Standard Life, our primary organic growth brand. It is a brand that people trust, with a deep history and heritage, going back nearly 200 years. And it is therefore well known, to both advisers and customers

But all of our brands have a role to play.

In total, our brands service 12 million customers. And they come together in our passion to deliver Phoenix Group's purpose, of Helping People Secure a Life of Possibilities.

We deliver that purpose, and our strategy, by focusing on our three strategic priorities;

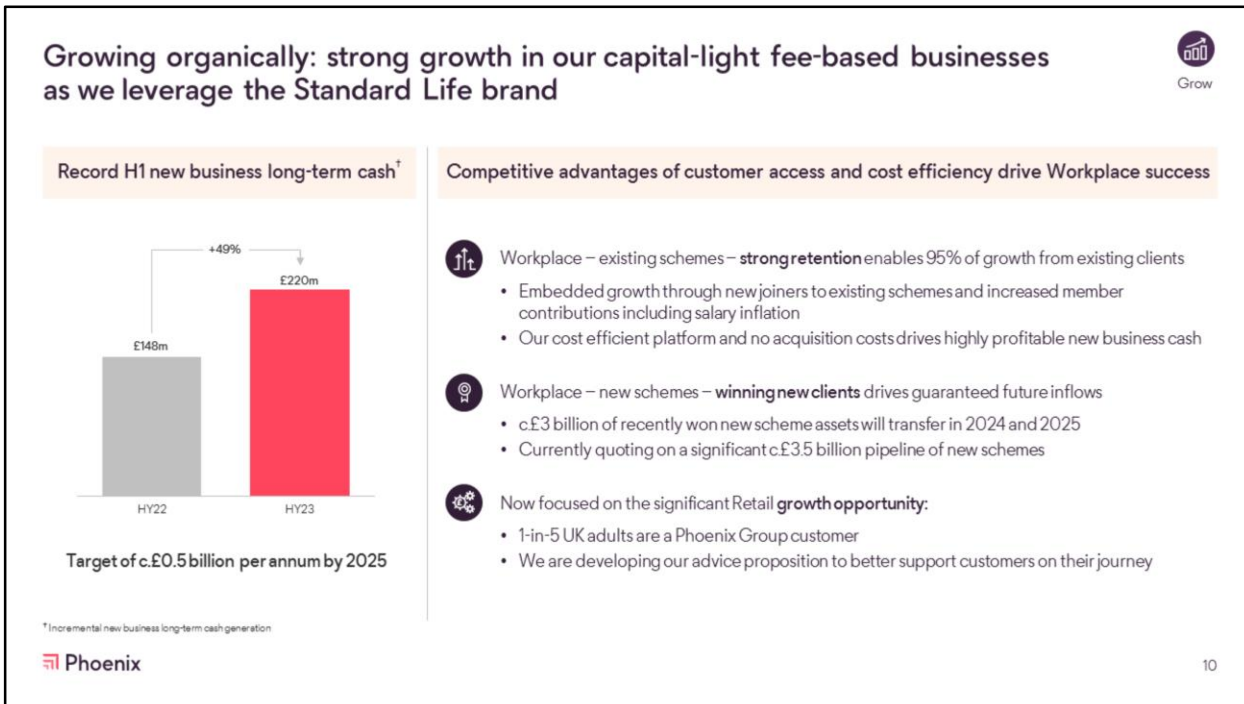
Growing organically and through M&A. Optimising our in-force business. And enhancing our operating model and culture. All of which are informed by, and in support of, our key ESG themes, across both Planet and People.

Executing on these strategic priorities will strengthen our competitive advantages, of capital efficiency, customer access, and cost efficiency.

Phoenix is well known for leveraging these competitive advantages to deliver strong financial outcomes, on our in-force business. And we have a long track record of successfully leveraging them on M&A, and creating shareholder value.

Now, we are also growing organically, by leveraging those same competitive advantages. All of which supports us in delivering increased cash, better returns, and a dividend that grows over time.

So, looking at our first half performance, against each strategic priority in turn…



Starting first with our strong organic growth.

I am delighted with the further progress we have made this year, on our capital-light fee-based business, with new business long-term cash up almost 50%, year-on-year.

This growth has been driven by our Workplace business, and reflects our success in leveraging our key competitive advantages in this market, of customer access and cost efficiency.

Workplace is different to most other markets, in that the majority of growth comes from your existing customers. With regular new joiners to existing schemes. And increased member contributions, through higher salary inflation.

So it is critical to retain your existing customers, which we are now doing very successfully.

And that is why 95% of our new business cash, in the first half, has come from our existing clients.

Given there is virtually no acquisition cost on these incremental flows, and our customer administration platform is already highly cost efficient, this embedded growth generates highly profitable long-term cash.

In addition, by winning new schemes in the market, we can turbo charge our future growth too.

It is therefore great to see that our new scheme wins continue to accelerate. And we are now winning the big schemes too, which has enabled us to attract around £3 billion of new scheme asset wins, over the past 12 months.

We expect these assets to transfer across to us in 2024 and 2025. And so will drive future net fund flows, and new business cash.

We are also currently quoting on a significant pipeline of new Workplace schemes, and are confident of winning further new schemes over time.

Finally, we are now turning our attention to the Retail opportunity.

Here we have a huge in-built growth opportunity, to better support the 1-in-5 UK adults, who are already customers of Phoenix Group. With the development of our advice proposition a key enabler.

I am hugely excited by the opportunities we have available to us, in both the Workplace and Retail markets. And I am confident in our ability to achieve the ambitious targets we have set for our business.

We also continue to deliver sustainable growth in our Retirement Solutions business, where we are winning in a competitive BPA market, with our strong proposition, and the Standard Life brand.

This market is large and growing, ever more strongly, due to higher interest rates. Our participation is consciously disciplined, to limit our exposure to credit risk, and maintain our balanced business mix.

We therefore continue to take a selective approach to deals, focused on "value over volume". With £3.2 billion of premiums written in the first half, driving strong year-on-year growth in new business cash.

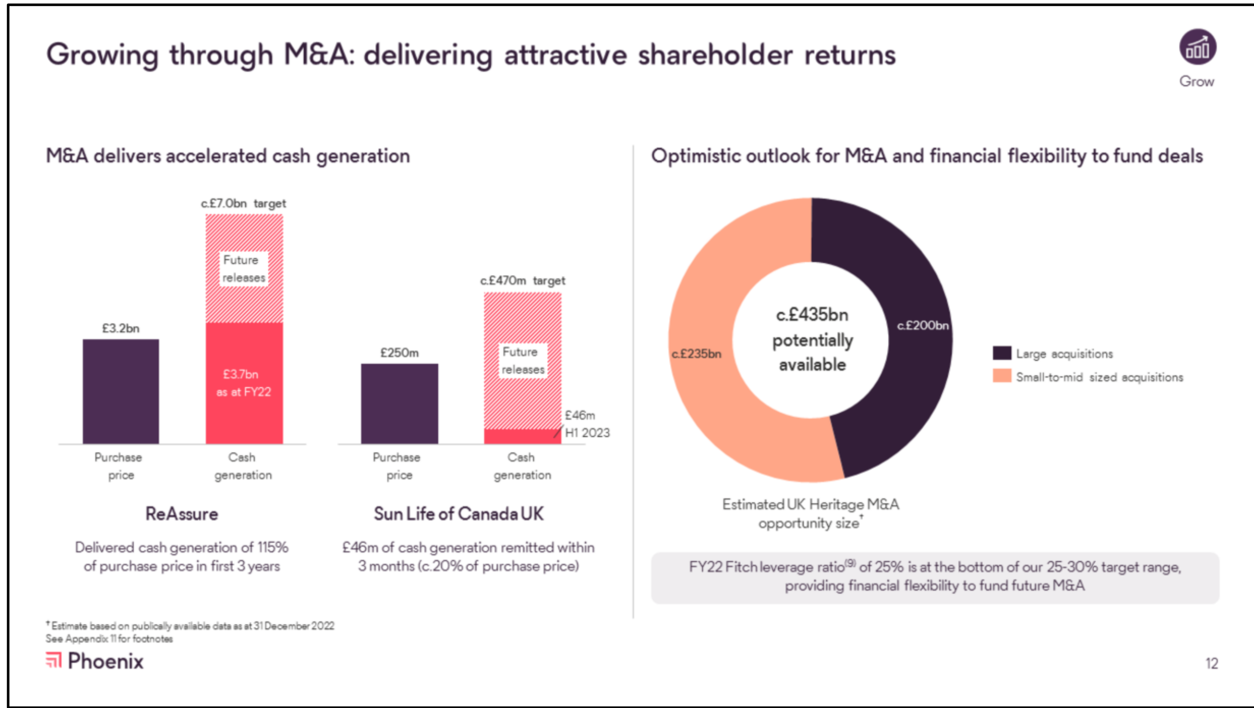
However, given the size and attractiveness of the BPA market, we are exploring innovative ways of leveraging our expertise, to participate in a capital efficient way, through our recently established Bermudan entity, Phoenix Re.

Our initial focus is on improving our capital efficiency through internal reinsurance. Future plans could see us leverage third party capital, in time.

Finally, we continue to see increased demand from customers for annuities, and this month, launched our first open market individual annuity product.

This product is available to both new and existing customers, under the Standard Life brand. And is another example of us filling in the remaining gaps, to complete our full-service customer proposition.

Turning now to M&A…



We have a long and successful track record of delivering strong returns from M&A.

By buying at an attractive price, and delivering significant cost and capital synergies, we deliver cash generation over the life of the business, which far exceeds the purchase price.

But what is particularly pleasing is the speed of that cash emergence.

For example, we bought ReAssure for £3.2 billion, and have already remitted £3.7 billion in cash generation, to achieve a three-year payback. With a further £3.3 billion of cash generation still to emerge, over time.

While on Sun Life of Canada UK, we completed the acquisition in April, and have already received nearly 20% of the purchase price back, within three months.

Looking forward, we are optimistic on the outlook for further M&A over time, with an estimated £435 billion of UK Heritage assets potentially available.

Now, I can't predict exactly which books of business will come to the market, or when. But, as you know, I have regular conversations with my peers across the industry. And these suggest that the challenging economic environment makes M&A, both large and small, more likely.

As ever, we stand ready to do our next deal, through our ability to integrate efficiently and

swiftly. And to manage multiple migrations concurrently.

We also have the financial capacity to fund deals.

With our surplus cash and capital ready to deploy. And we have debt funding capacity too, if required, with a Fitch leverage ratio that was 25% at the end of 2022.

Our second and third strategic priorities are optimising our in-force business, and enhancing our operating model and culture.

These are the core capabilities that drive management actions, with £412 million of benefit delivered, in the first half.

And these are the same capabilities, that also help us to generate better returns, from both our organic growth, and M&A.

The slide covers the specifics of what we have delivered in the first half, against the key actions I outlined at the Full Year results, back in March.

Our first half performance extends our recent track record, of delivering high levels of management actions, and reflects the fact that we continue to optimise and enhance our business.

However, we do not expect our pipeline of management actions to ever dry up.

Instead, we are confident that the capabilities we have now built, in-house, across asset management, and capital optimisation, will enable us to leverage evolving market dynamics on an ongoing basis. And hence deliver a repeatable pipeline of management actions, over the very long term.

So, in summary, we are executing on our strategy, to deliver a dividend that is sustainable, and grows over time.

Our organic growth is compelling. We've more than doubled our new business long-term cash, in the first half. We are comfortably on track to deliver our target, of £1.5 billion per annum, by 2025. And now expect to deliver positive Group net funds flows, from 2024.

We are also growing through M&A, delivering strong returns, with an accelerated payback.

We are optimistic of further acquisition opportunities emerging over time, and are confident in our ability to both fund and execute transactions successfully.

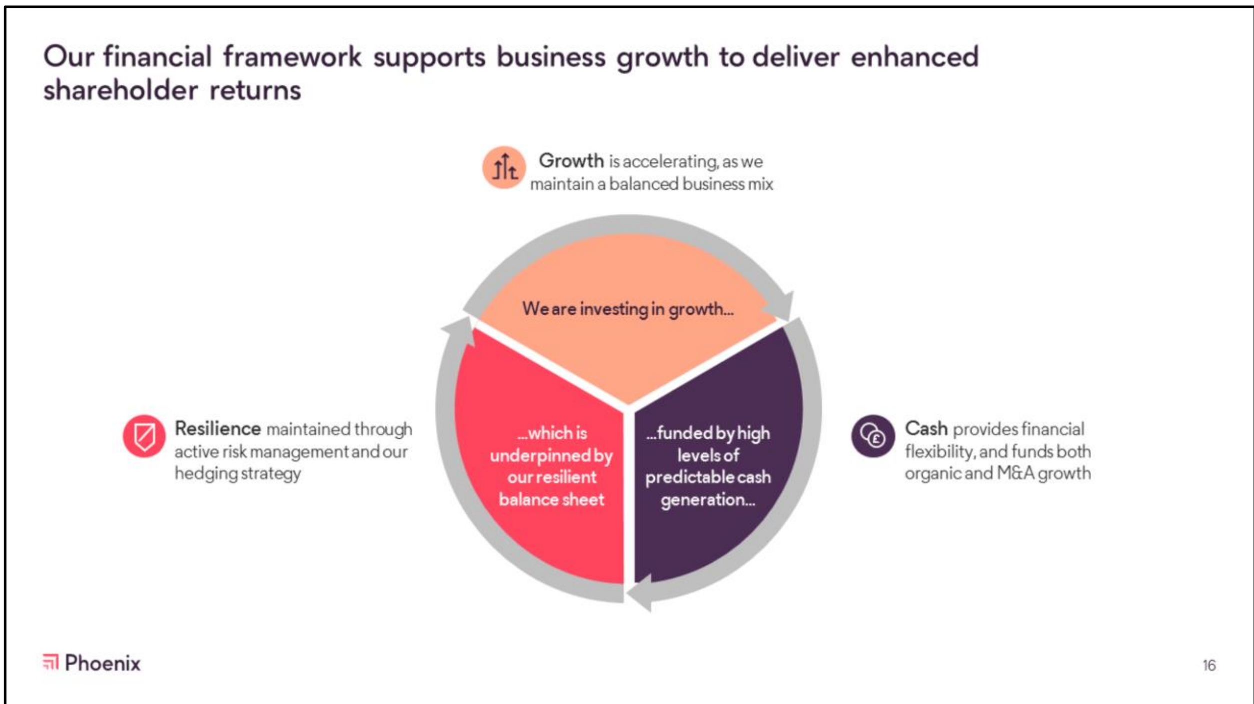
Finally, we continue to optimise and enhance our business, which has supported the delivery of a further £412 million of management actions in the period.

And we believe that our enhanced in-house capabilities, will enable us to deliver a sustainable level of repeatable management actions, over the very long term.

So, a strong first half, and an exciting future ahead...

And with that, I will now hand you over to Rakesh, who will cover our first half financials in more detail.

Thank you Andy and good morning everybody.

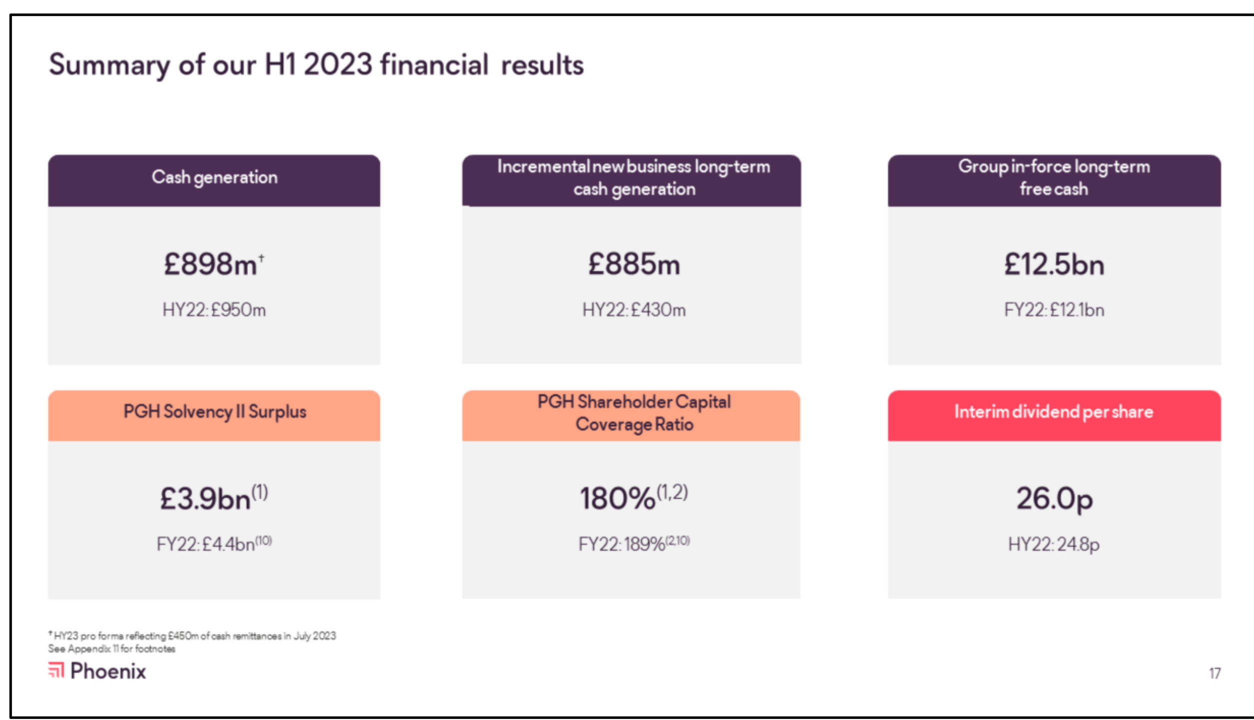


Phoenix has a clear financial framework, which is designed to support growth and deliver enhanced shareholder returns over time.

We are investing in our growth, which is accelerating, as we maintain our balanced business mix.

And our high levels of predictable cash generation provide the financial flexibility to invest into the significant growth opportunities available to us.

All of which is underpinned by our resilient balance sheet, which we will not compromise.



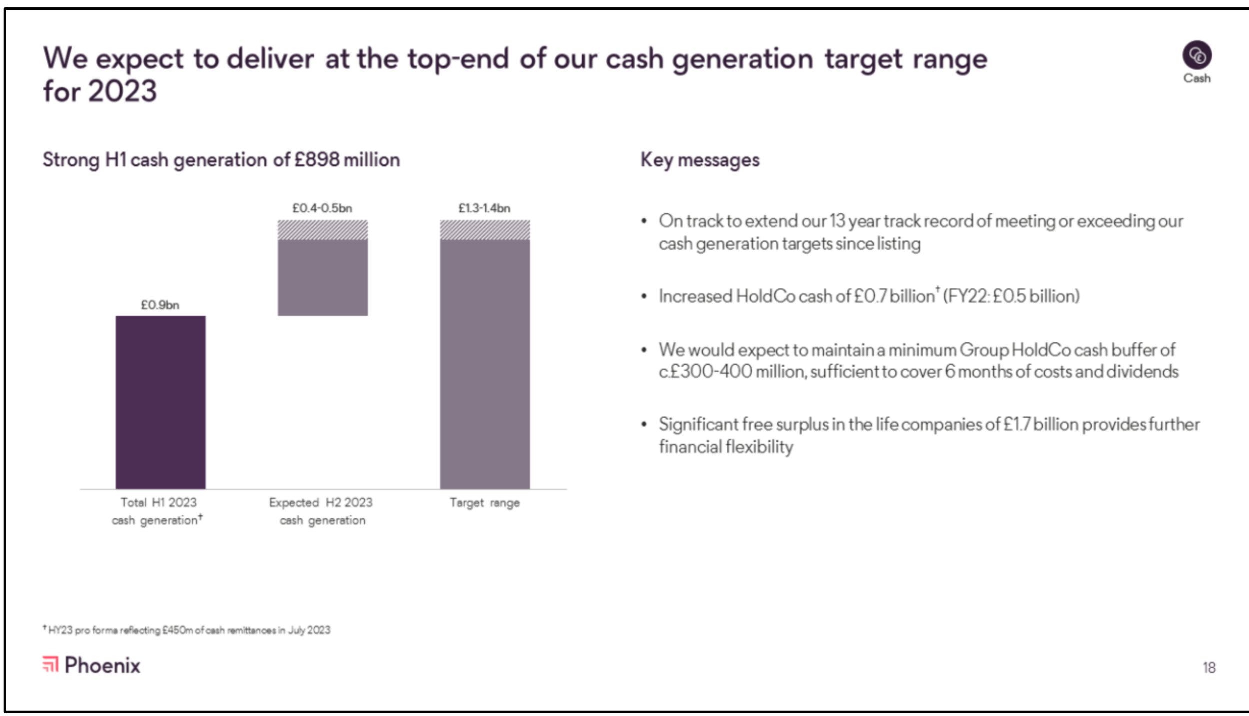
Phoenix has delivered a strong financial performance in the first six months of the year.

Our dependable cash generation continues to emerge as expected, and we have more than doubled incremental new business long-term cash generation, while our long-term free cash has also increased.

And our balance sheet remains as resilient as ever!

As a result, the Board has declared a 26 pence per share Interim dividend, in line with our Final 2022 dividend, which is a 5% year-on-year increase.

So, turning to the detail...



Starting with cash.

We have delivered £898 million of cash generation in the first half.

And now expect to deliver at the top-end of our target range of £1.3-to-£1.4 billion for the full year, with a long track record of meeting or exceeding our targets.

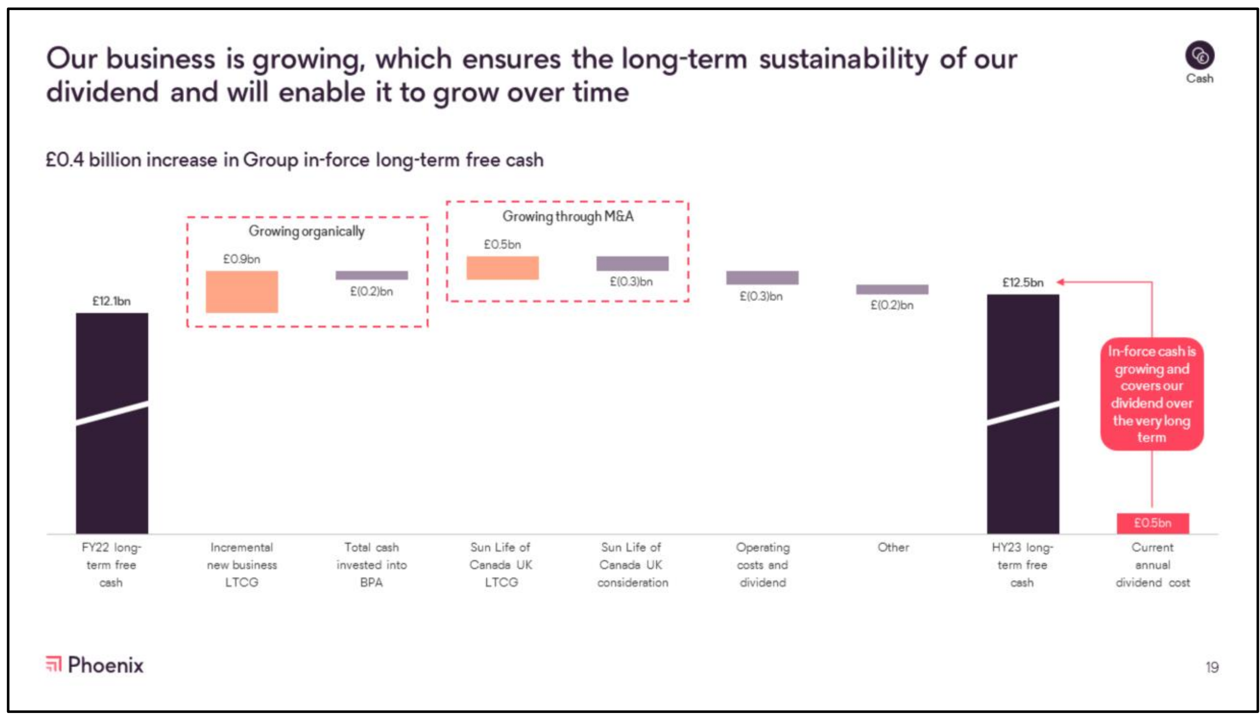
Our Group Holding Company cash balance is around £700 million and means we have surplus cash available.

This is because I would generally look to hold a minimum buffer of around £300-400 million.

This is sufficient to cover 6 months of costs and dividends.

And it is appropriate given the cash remittances from our life companies are typically paid up twice a year.

In addition, the free surplus in our life companies is significant at £1.7 billion, and provides further financial flexibility should we need it.



Group in-force long term free cash is a measure of the cash that will be available to our shareholders over time, from our existing business.

It is calculated net of the cash needed to service and redeem all outstanding debt, and after deducting committed integration costs.

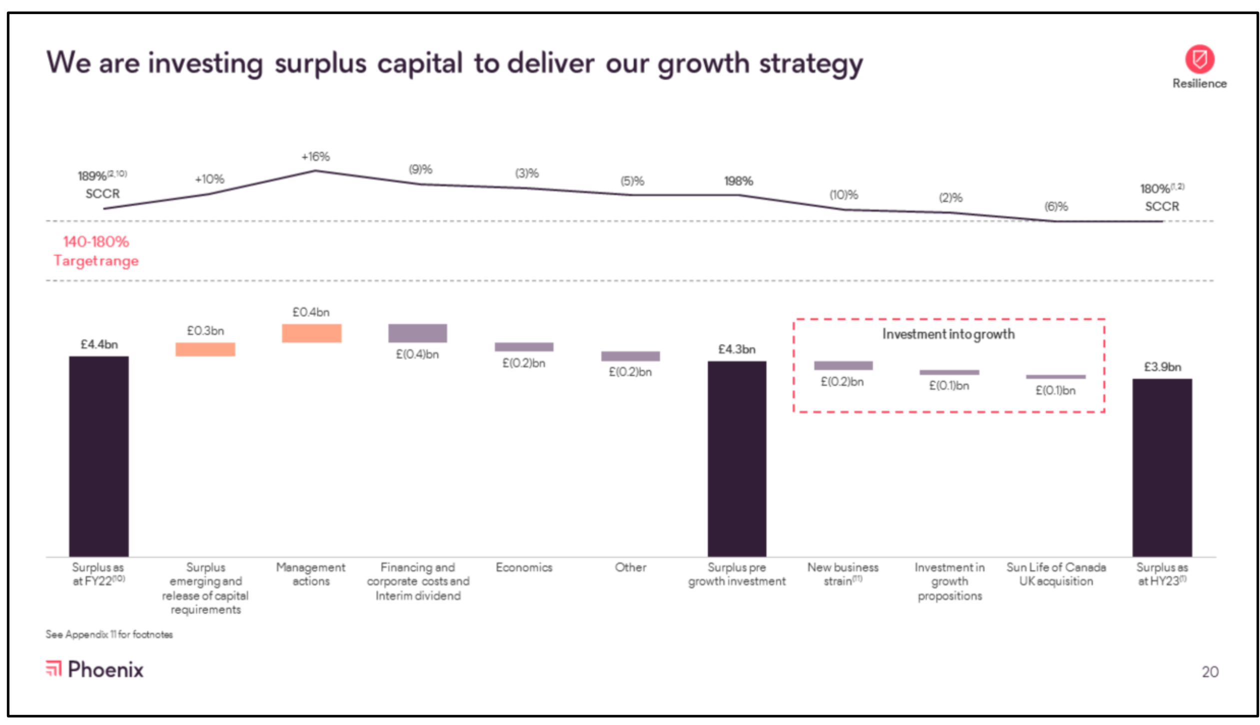
During the first half, it increased by around £400 million, primarily driven by a net £700 million increase through organic growth and £200 million through M&A growth.

This equates to long-term free cash growth of 7% in just six months, which more than offset our uses of cash in the period.

At £12.5 billion, we have a huge amount of in-force cash to emerge over time, and this means that we can sustainably fund our dividend over the very long term.

And as it continues to grow, it will support us in delivering on our policy of paying a dividend that is sustainable and grows over time.

Turning next to resilience…



Our resilient Solvency II capital position is enabling us to invest surplus capital into growth opportunities.

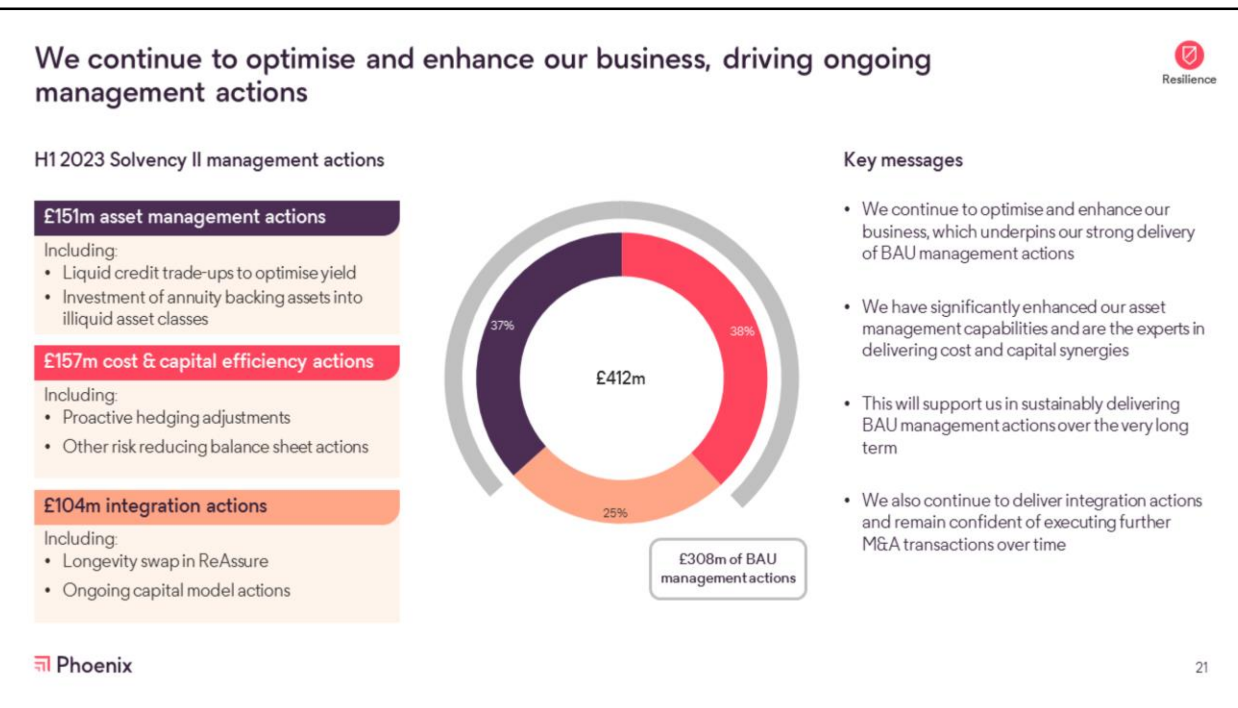
With our shareholder capital coverage ratio of 180%, remaining at the very top-end of our target range, even after this investment.

Our surplus, prior to investment, was broadly flat. With the high levels of predictable surplus and management actions, funding our ongoing uses.

Our closing surplus of £3.9 billion therefore reflects our active decision to invest around £400 million of surplus capital into growth, which has increased our Group in-force long-term free cash, and will drive future cash and capital generation.

And, as ever, our reported surplus also reflects the accrual of our Interim dividend.

Looking forward, I would expect our end of year surplus to be slightly lower, as we continue to invest into growth.



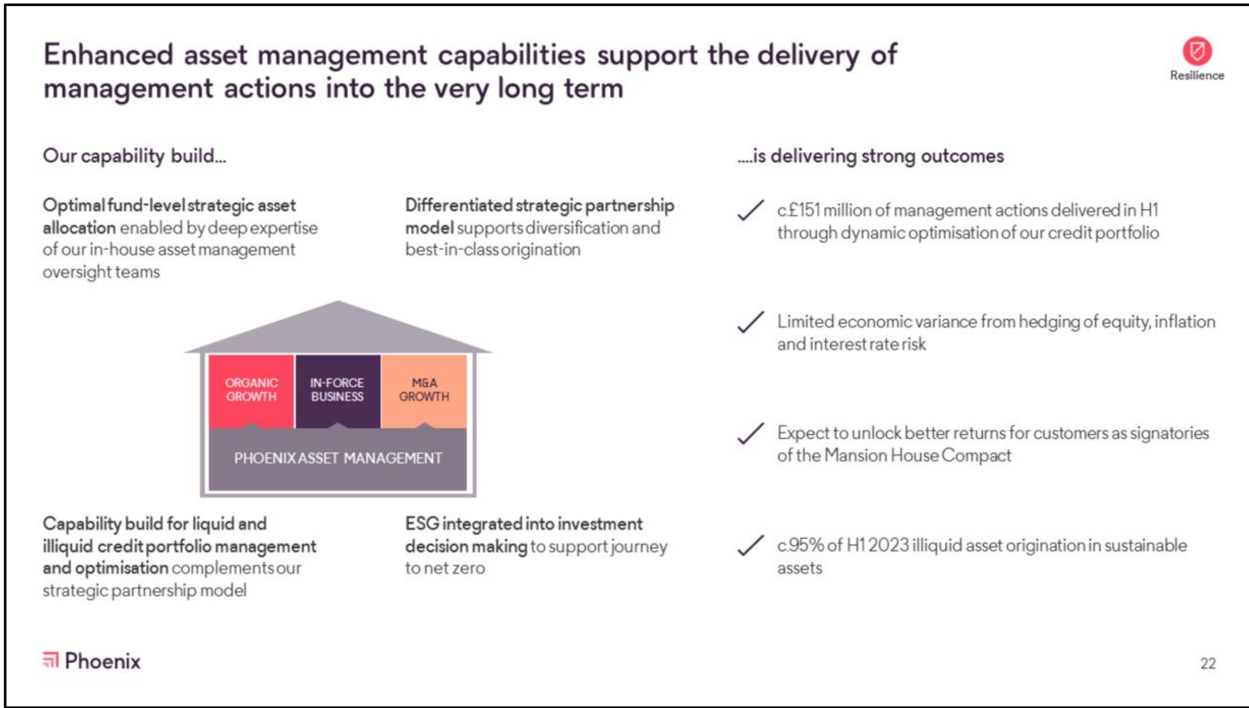
Our ability to deliver management actions is a key differentiator for Phoenix, and we continue to demonstrate our capability here, with £412 million of management actions delivered in the first half.

This significant ongoing level of management actions reflects our focus on optimising and enhancing our business.

During the first half, the majority of these were from "business as usual" actions.

They included £151 million of asset management actions primarily driven by the dynamic optimisation of our liquid credit portfolio, and £157 million of ongoing cost and capital efficiency actions.

It is also pleasing to see that we continue to deliver integration synergies from our previous acquisitions, such as ReAssure, with £104 million realised in the period.



We have invested into enhancing our in-house asset management capability.

We have built an expert team of investment professionals, who set the strategic asset allocation, and oversee the performance of our assets.

This capability enables us to operate our differentiated strategic partnership model, and partner with the best asset managers in each asset class and geography.

abrdn, who manage around half of our customer assets, continue to be a key strategic asset management partner, and playing a significant role in supporting the asset deployment from our new business growth.

We are also complementing our partnership approach, by developing our own in-house capabilities.

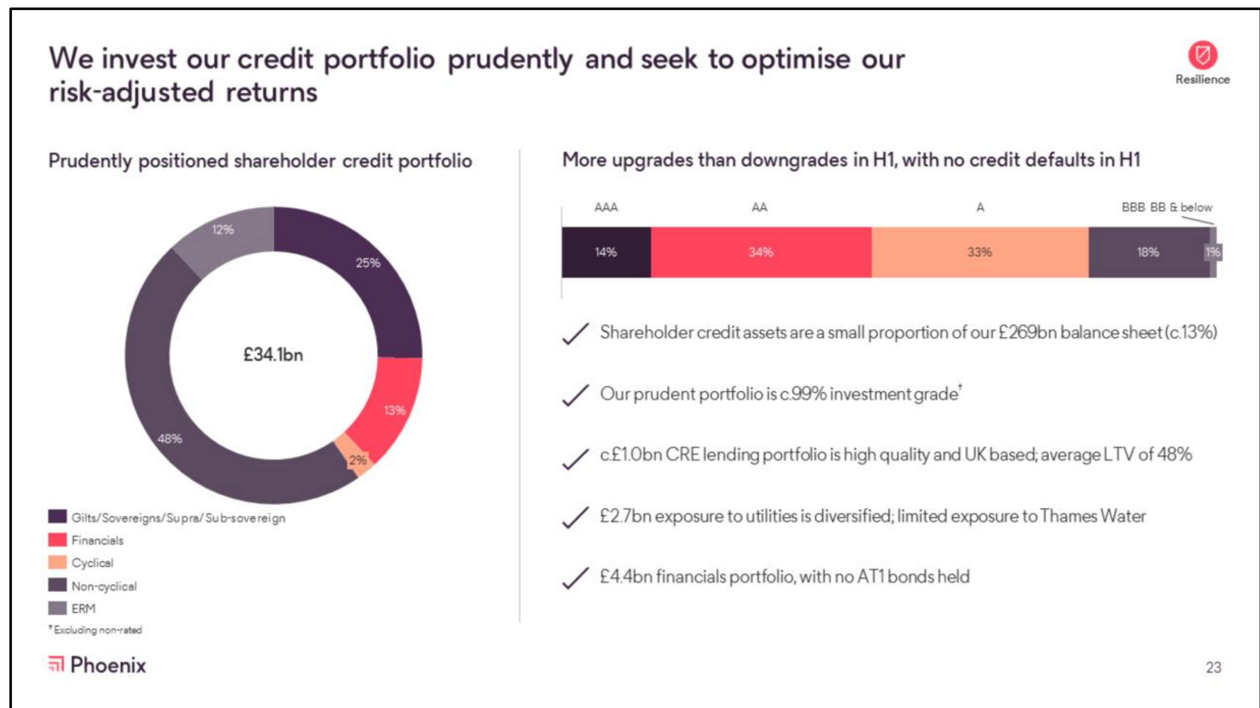
And we remain very focused on integrating ESG into our wider investment decision making, with our recent addition as a signatory to the UK Stewardship Code, a clear statement of intent.

As you can see on the right hand side of the slide, we are seeing the benefits of our investment.

We are confident that our capabilities will enable us to leverage evolving market dynamics on

an ongoing basis. And deliver a repeatable pipeline of management actions, over the very long term.

Looking next in detail at our credit portfolio…



As Andy outlined earlier, our strategy is designed to maintain a balanced business mix, with credit risk making up a small proportion of our balance sheet.

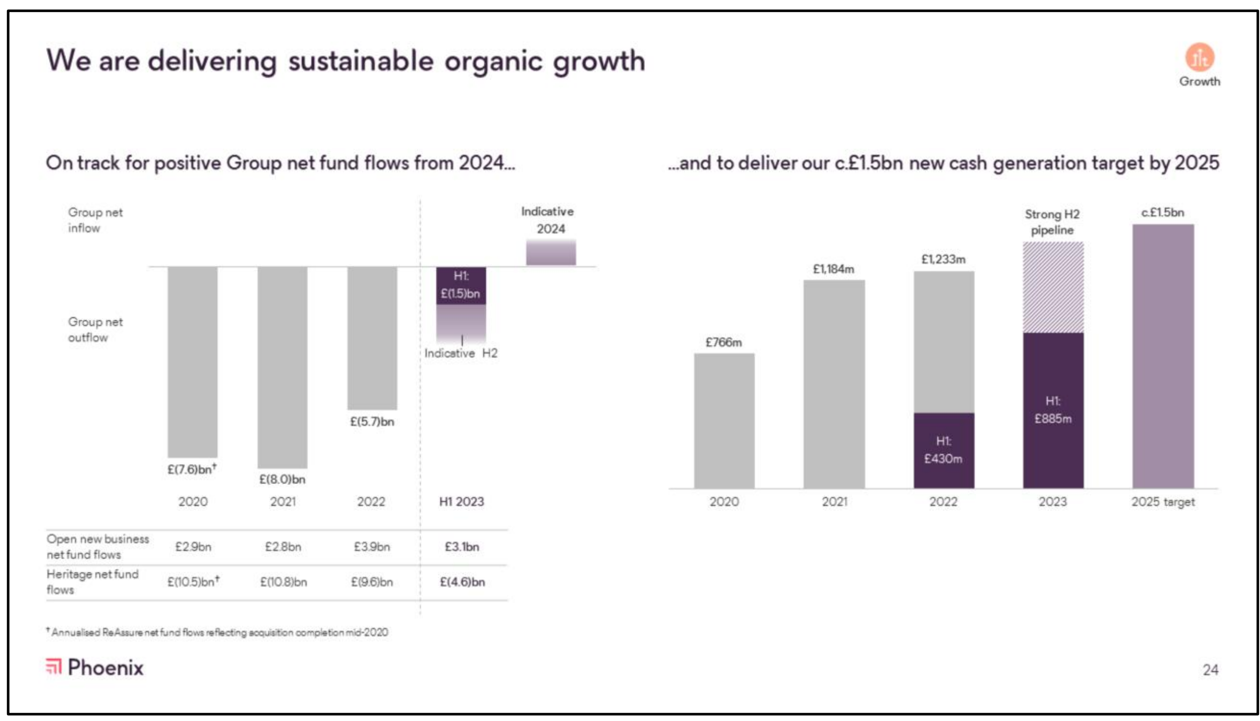
We therefore maintain a prudent and diversified £34 billion shareholder credit portfolio, which is currently around 13% of our total £269 billion of assets.

We are conservative in our sector positioning, with only 2% of our credit portfolio exposed to cyclical sectors, and our portfolio is 99% investment grade.

During the first half of the year we have seen more credit rating upgrades than downgrades, and have suffered no defaults, testament to the pro-active approach taken by our in-house asset management team.

Looking forward, we will continue to manage our portfolio to optimise our risk-adjusted returns.

Moving now to Growth…



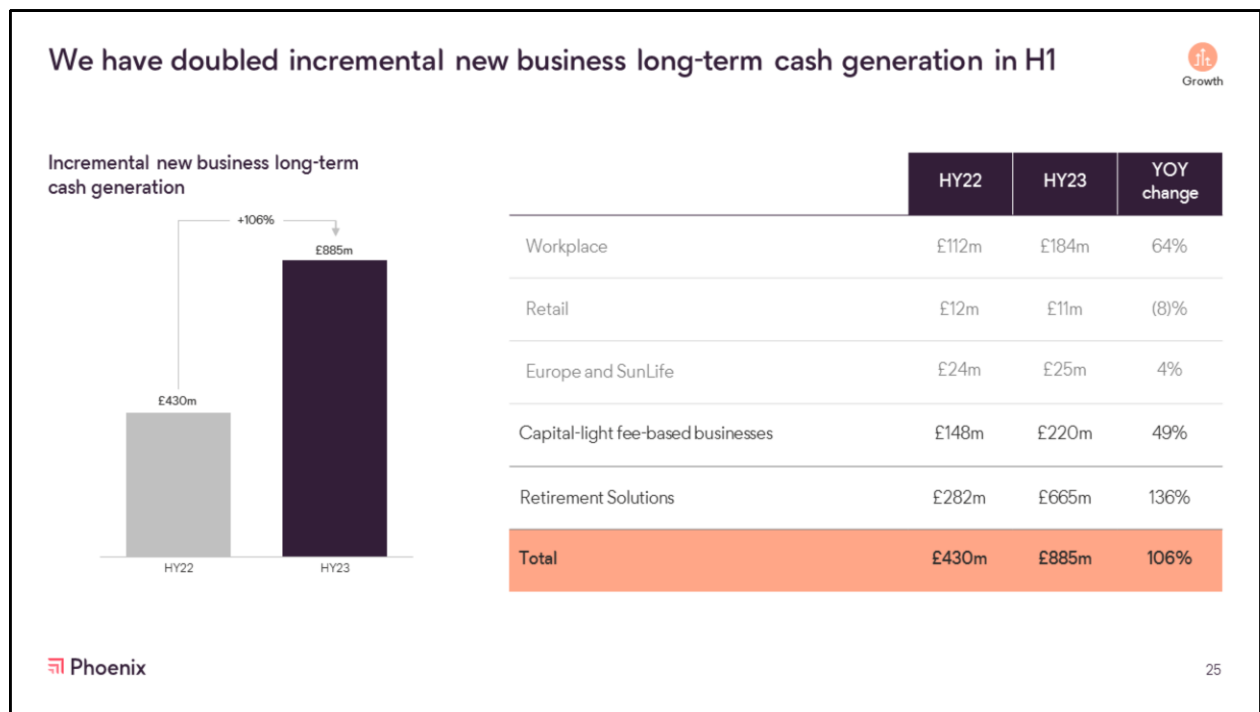
Phoenix is now delivering sustainable organic growth, year-in, year-out.

The growth in our new business net fund flows is accelerating, through our success in Workplace and BPA.

And we now expect Group net fund flows to be positive in 2024, for the first time in Phoenix's history!

As new business inflows offset the legacy outflows, due to our improved proposition and higher customer retention.

Our progress is also delivering increased incremental new business long-term cash generation, and we are very much on track to deliver our target of £1.5 billion per annum by 2025.



	HY22	HY23	YOY change
Workplace	£112m	£184m	64%
Retail	£12m	£11m	(8)%
Europe and SunLife	£24m	£25m	4%
Capital-light fee-based businesses	£148m	£220m	49%
Retirement Solutions	£282m	£665m	136%
Total	**£430m**	**£885m**	**106%**

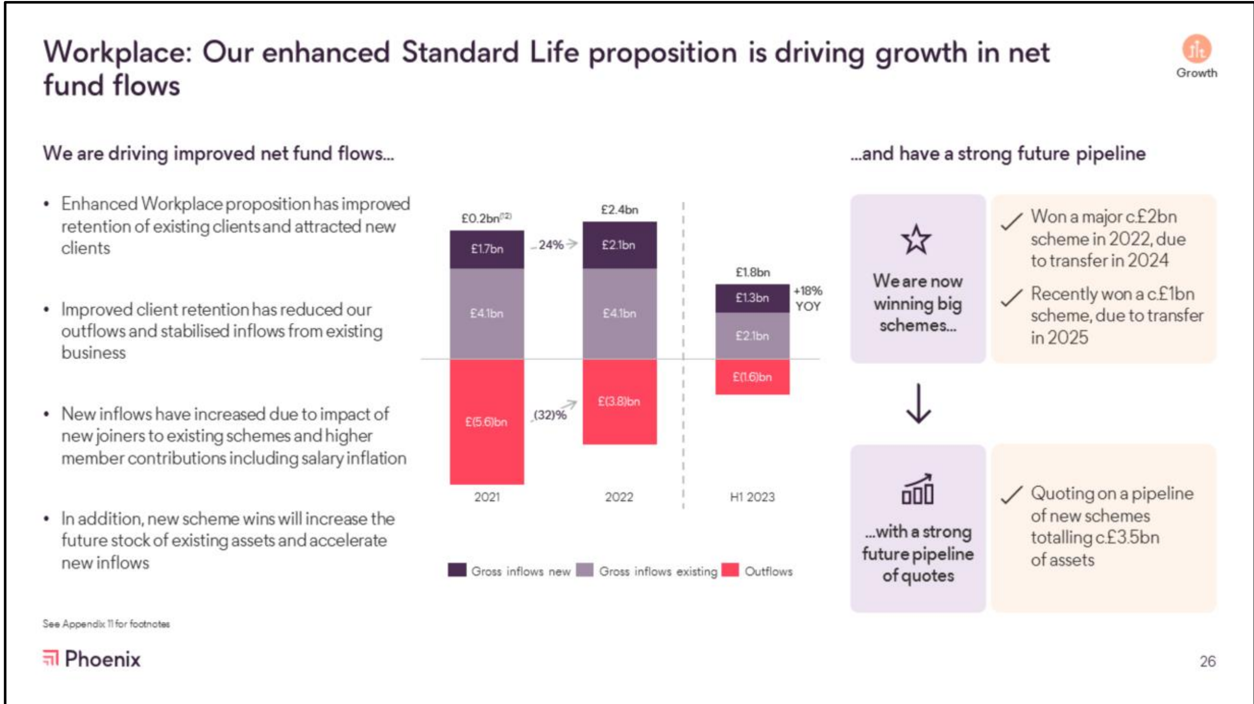
I am delighted therefore that we have more than doubled incremental new business long-term cash generation to £885 million in the first half.

The contribution from our fee-based businesses increased nearly 50% year-on-year to £220 million, primarily due to a strong performance in Workplace.

Retirement Solutions remains the largest contributor at £665 million, with an impressive first half in BPA.

And whilst I do expect 2023 to be another record year for new business, you shouldn't expect this first half performance to simply be annualised when looking at the full year.

A lower second half contribution is expected from BPA, reflecting our disciplined approach to capital allocation, in line with our annual investment of around £300 million.



Building on the momentum we saw in 2022, our Workplace business has continued to grow strongly in the first half through the Standard Life Brand

This is due to the investment we have made into our enhanced Workplace proposition, which is helping us to both retain our existing schemes, and win new schemes in the market.

Our strong retention is enabling us to reduce our outflows and stabilise the inflows from our existing business.

We will continue to benefit from the Workplace compounding "flywheel" effect, with new business growth coming from new joiners to our existing schemes, and increased member contributions including salary inflation.

On top of that, we are winning new schemes in the market, which will both increase the stock of existing assets and accelerate new inflows.

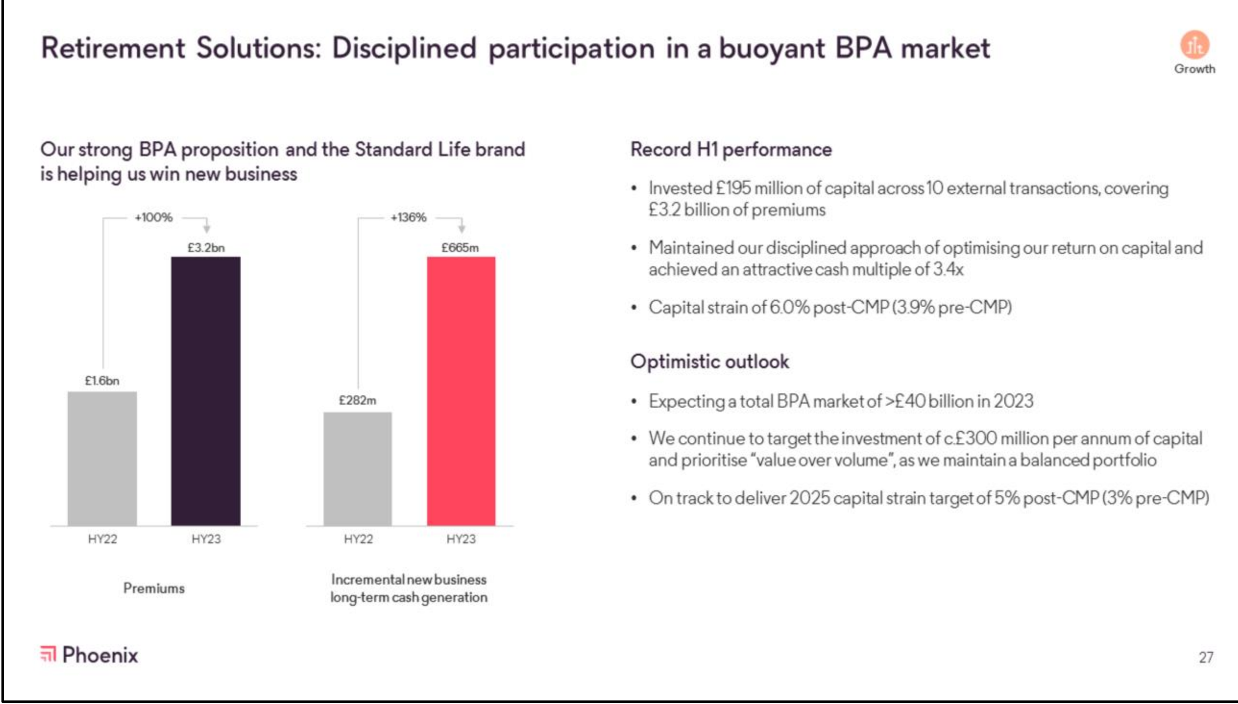
That is why I am delighted with the success we are having in attracting new clients of all sizes.

Last year our largest scheme win covered £2 billion of assets, and is expected to transfer in 2024, with a further £1 billion scheme won this year, that is expected to transfer in 2025.

And neither of these schemes are in our numbers today, so they will benefit future net fund

flows and cash generation.

We are also quoting on a strong pipeline of opportunities, totalling £3.5 billion of assets, and are confident of winning further new schemes over time.



The strength of the Standard Life brand is also helping us to win new business in a competitive BPA market.

With £3.2 billion of premiums written in the first half, driving £665 million of new business long-term cash generation, with an improved cash multiple of 3.4 times achieved.

Our capital strain in the first half was 6% on a post-CMP basis, with our target of 5% remaining very much on track. And this target equates to 3% on a pre-CMP basis and positions us well in a competitive market.

Looking forward, we are quoting on a significant pipeline of opportunities and expect a total market of in excess of £40 billion this year.

Turning next to IFRS 17.

IFRS 17 has no impact on our strategy or dividend

No change to our clear strategy

Our strategy of growing our in-force business over time as we support customers on their journey to and through retirement is unchanged

No impact on our sustainable dividend

The long-term sustainability of our dividend paying capacity remains unchanged, with 2022 IFRS distributable reserves† of c.£5 billion unaffected by IFRS 17

We remain focused on delivering cash and capital

We will continue to focus on the delivery of cash generation and Solvency II capital resilience, with no change to our KPIs or targets

† Our life companies will move onto UK GAAP and are therefore unaffected by changes introduced by IFRS 17

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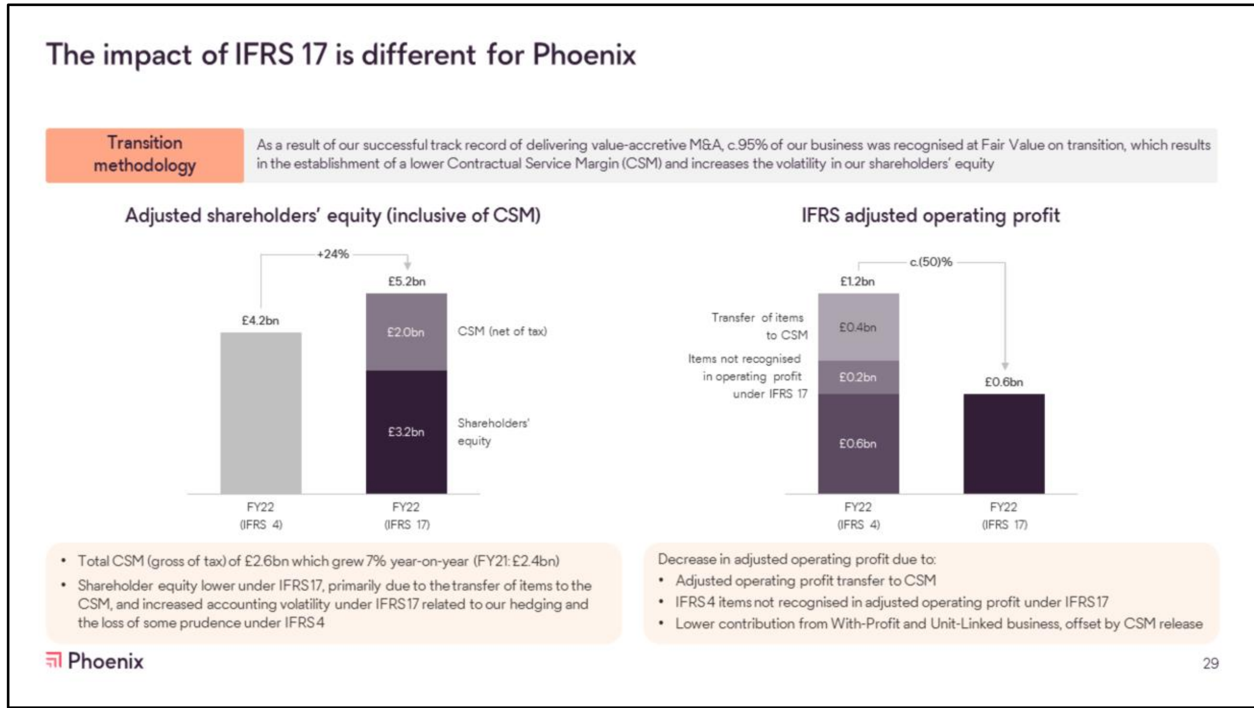
IFRS 17 is a new accounting standard that became effective on 1st January 2023.

However, I want to emphasise that this accounting change does not alter the underlying economics of our business.

It therefore has no impact on our strategy or dividend, and we will continue to remain focused on delivering cash and capital.

I do though want to provide a short update on the impact of IFRS 17 transition for Phoenix.

And I will also host an IFRS 17 transition education session for the analysts, following the main presentation, to answer any of the more technical questions.



It is important to note that the impact of IFRS 17 is different for Phoenix, due to our history of M&A.

As a result of the value-accretive transactions we have completed, around 95% of our business has been recognised using the Fair Value approach. And this results in a lower CSM at transition and increased volatility in our shareholders' equity.

So, looking first at our adjusted shareholders' equity. This was £5.2 billion at the end of 2022, which is 24% higher than under IFRS 4.

This is inclusive of a £2 billion CSM, net of tax, which is a significant store of future profits. And importantly, on a gross of tax basis, this grew year-on-year by 7% in 2022.

Unadjusted shareholders' equity is lower under IFRS 17, primarily due to the transfer of items to the CSM, and increased accounting volatility related to our hedging approach and the loss of some prudence that existed under IFRS 4.

IFRS 17 re-baselines the level of operating profit we will report.

In 2022, our adjusted operating profit has reduced to around £600 million.

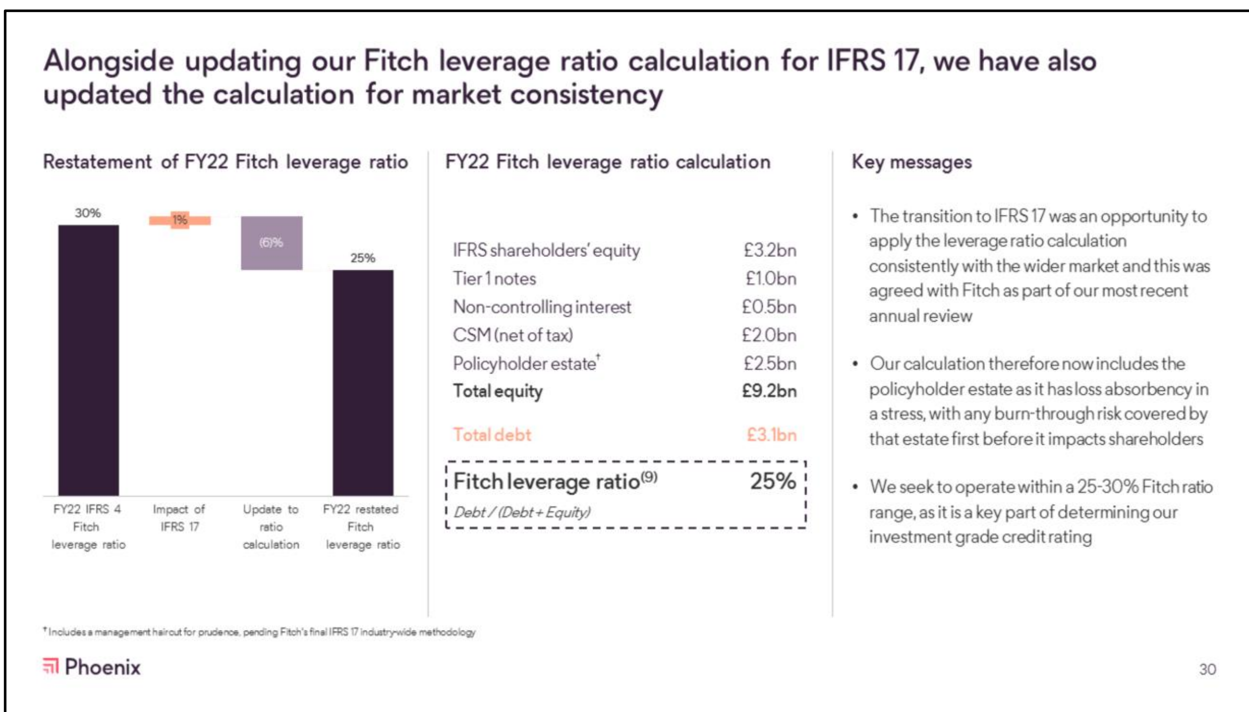
This is principally due to the well understood transfers of annuity new business profits,

assumption changes and management actions to the CSM.

There is also a small reduction from items not recognised in operating profit under IFRS 17.

Looking to full year 2023, I would expect a broadly similar level of annual operating profit.

So turning now to our leverage position…



Our restated Fitch leverage ratio at the end of 2022 was 25%.

This includes the impact of the transition to IFRS 17, which had only a small adverse impact on the ratio.

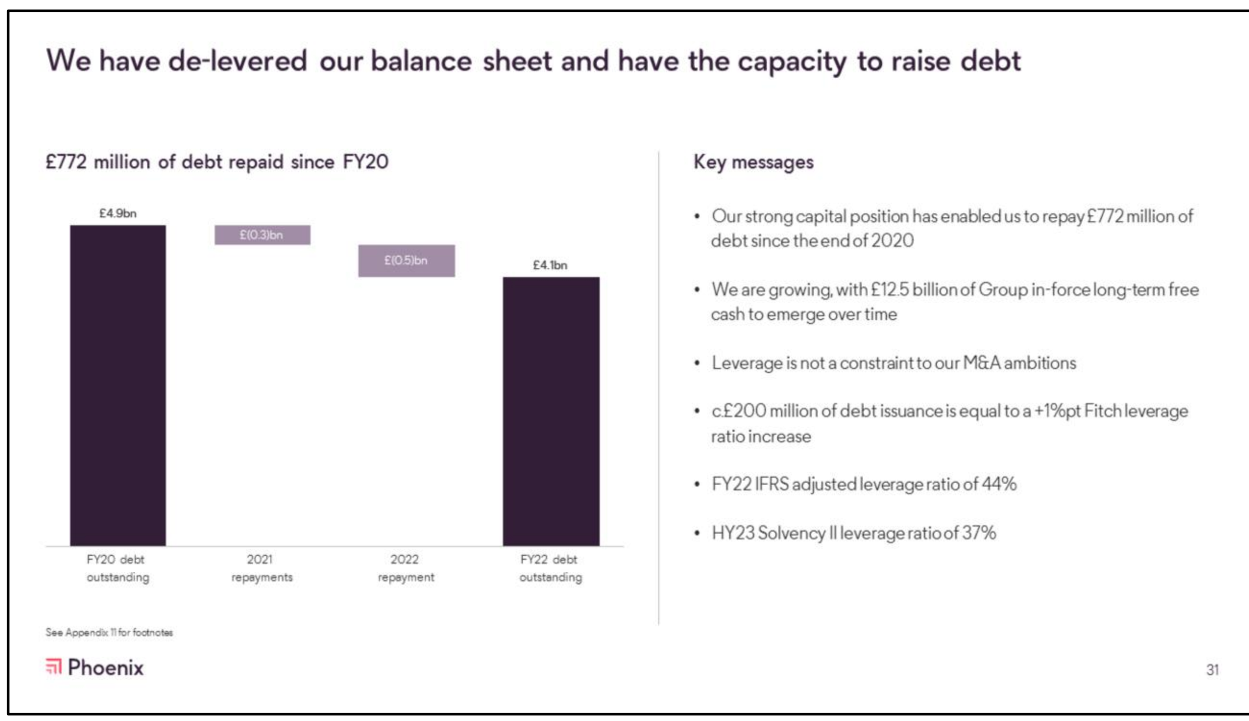
There is a material reduction in the ratio due to the consistent application of the Fitch ratio calculation with others in the industry.

This update to our calculation was made in agreement with Fitch and follows our most recent annual review with them.

As you can see on the slide, we now include the policyholder's share of the With-Profits estate, due to its loss absorbency in a stress. Any burn-through risk is covered by that estate first before it impacts shareholders

This is the same approach used by our peers, and so updating it alongside the other IFRS 17 methodology changes, now brings us on a market consistent basis.

At the end of 2022, we were at the bottom of our target ratio range of 25-30%, which is a key factor for maintaining our investment grade credit rating.



We have also been proactively de-levering our balance sheet over the past few years, with £772 million of debt repaid since the end of 2020.

And importantly we have increased our Group in-force long-term free cash to £12.5 billion, which is after the redemption of all of our outstanding debt and the servicing of interest to maturity.

We do not see leverage as a constraint to future M&A.

To put it in context, £200 million of additional debt is around a 1 percentage point increase in the Fitch leverage ratio, as at the end of 2022.

I remain comfortable with our leverage position and the wider financial flexibility we have available to support our strategy.

So, to conclude.

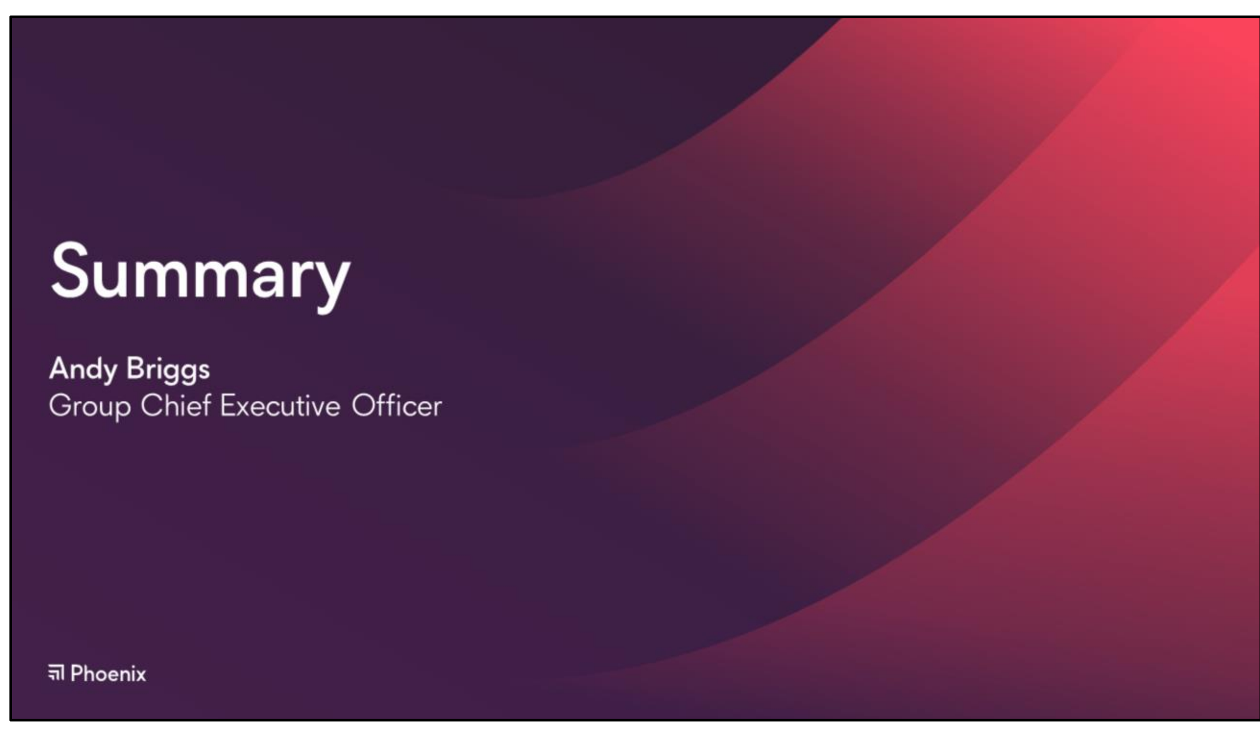
We are executing on our strategy and delivering on our financial framework, of cash, resilience and growth.

We have delivered a strong first half financial performance across our core reporting metrics.

And we have clear targets for this year and beyond.

All of which support us in delivering on our dividend policy, which is to “pay a dividend that is sustainable and grows over time”.

With that, I will now hand you back to Andy for the summary.


Summary
Andy Briggs
Group Chief Executive Officer
Phoenix

We are successfully executing on our single strategic focus – helping customers journey to and through retirement

We are the UK's largest long-term savings and retirement business

We are a focused player in a large and structurally growing market

We are delivering strong organic growth by leveraging our competitive advantages

We are confident of further M&A emerging over time and have the financial flexibility to fund it

Delivering on our strategy supports a dividend that is sustainable and grows over time

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Thanks Rakesh

In summary.

Phoenix is successfully executing on its single, strategic focus – helping customers journey to, and through retirement.

We do this by leveraging our position as the UK's largest long-term savings and retirement business. Offering a full range of products and services, to support customers through all stages of their savings lifecycle.

This market is our sole focus. It's huge. It's structurally growing. And this growth is being accelerated by the current economic environment.

This is enabling us to deliver strong organic growth, as we leverage our three competitive advantages, of capital efficiency, customer access, and cost efficiency.

And we are also confident of executing further, value-accretive, M&A over time. With the financial capacity to fund transactions, as and when they emerge.

Delivering on our strategy drives our dividend.

We offer an extremely attractive yield today. Which is sustainably funded, by the resilient cash from our current in-force business, over the very long term. And will grow over time, both organically, and through M&A.

And with that, we will move to questions.

As a reminder, the purpose of this Q&A session is to cover our strategy and the results that we have just presented.

We will be hosting an IFRS 17 transition session for the analysts following this, so please save any detailed technical accounting questions for that.

Given our agenda today, we have a stricter time limit than usual, with around 40 minutes remaining. So I will have to limit you to two questions each please, and if we have time we will come back round.

For anyone watching on the webinar, please use the Q&A facility, and we will come to your questions, after we've answered those in the room.

If you can raise your hand if you have a question, and we will direct one of our roaming microphones to you. Please can you start by introducing yourself, and the institution you represent.

Appendices
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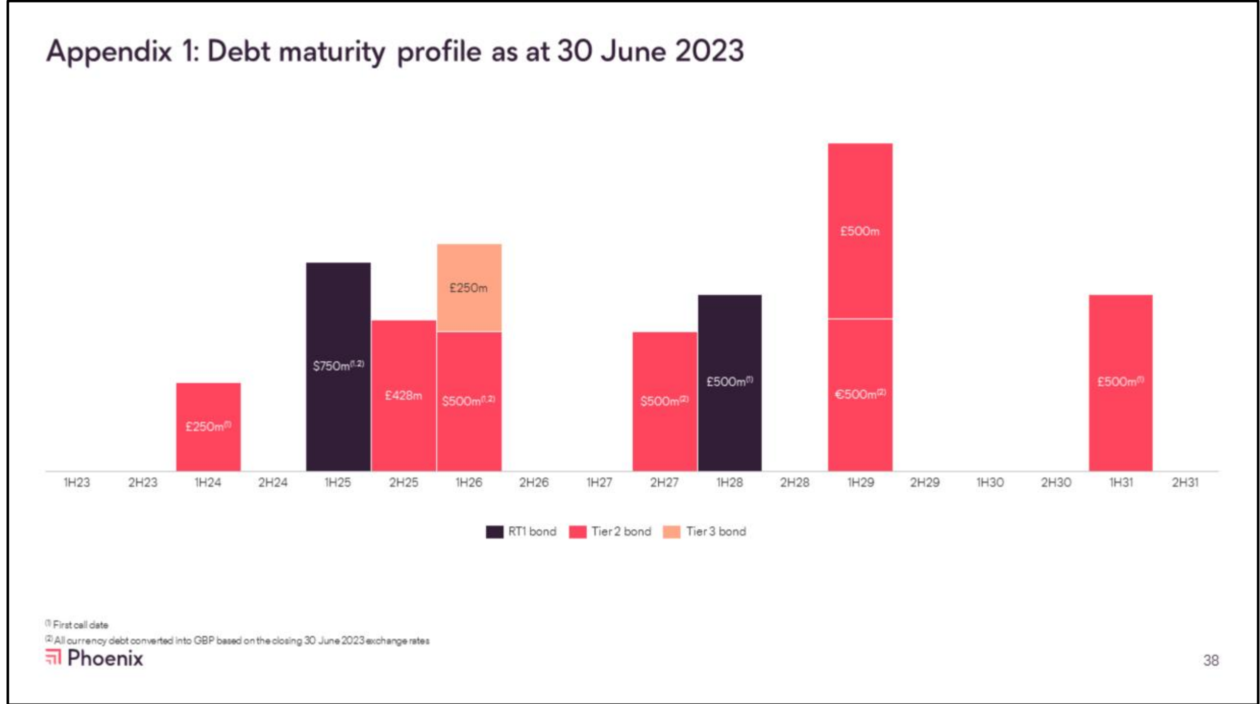
Appendices

1. Debt maturity profile as at 30 June 2023
2. Movement in assets under administration
3. Open new business segments movement in assets under administration
4. Group cash flow analysis
5. Change in Life Company Free Surplus
6. Estimated PGH Solvency II Surplus and coverage ratios
7. PGH Solvency II Shareholder Capital Coverage Ratio sensitivities
8. Diversification of illiquid asset portfolio as at 30 June 2023
9. ESG ratings and collaborations
10. 2023 sustainability targets
11. Footnotes



Appendix 1: Debt maturity profile as at 30 June 2023
£250m(1)
$750m(1,2)
£428m
£250m
$500m(1,2)
$500m(2)
£500m(1)
£500m
€500m(2)
£500m(1)
1H23
2H23
1H24
2H24
1H25
2H25
1H26
2H26
1H27
2H27
1H28
2H28
1H29
2H29
1H30
2H30
1H31
2H31
RT1 bond
Tier 2 bond
Tier 3 bond
(1) First call date
(2) All currency debt converted into GBP based on the closing 30 June 2023 exchange rates
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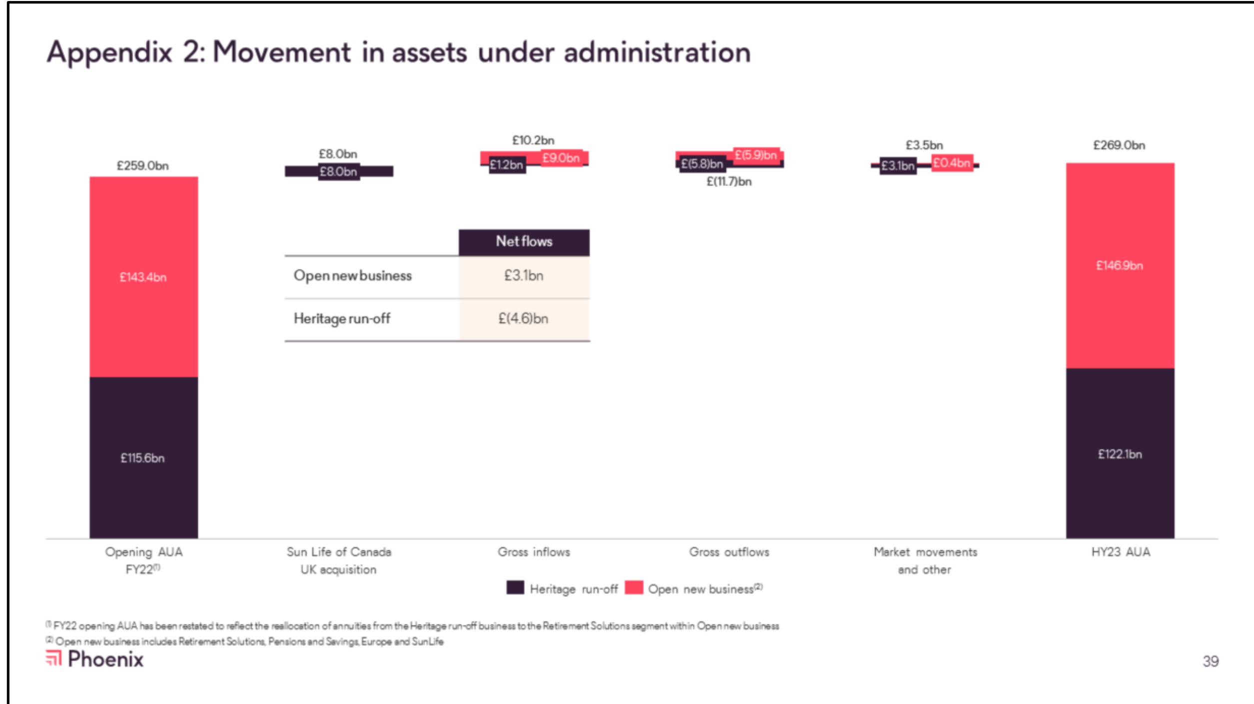

Appendix 2: Movement in assets under administration
£259.0bn
£143.4bn
£115.6bn
£8.0bn
£8.0bn
£10.2bn
£1.2bn
£9.0bn
£(5.8)bn
£(5.9)bn
£(11.7)bn
£3.5bn
£3.1bn
£0.4bn
£269.0bn
£146.9bn
£122.1bn
Net flows
Open new business £3.1bn
Heritage run-off £(4.6)bn
Opening AUA FY22(1)
Sun Life of Canada UK acquisition
Gross inflows
Gross outflows
Market movements and other
HY23 AUA
Heritage run-off
Open new business(2)
(1) FY22 opening AUA has been restated to reflect the reallocation of annuities from the Heritage run-off business to the Retirement Solutions segment within Open new business
(2) Open new business includes Retirement Solutions, Pensions and Savings, Europe and SunLife
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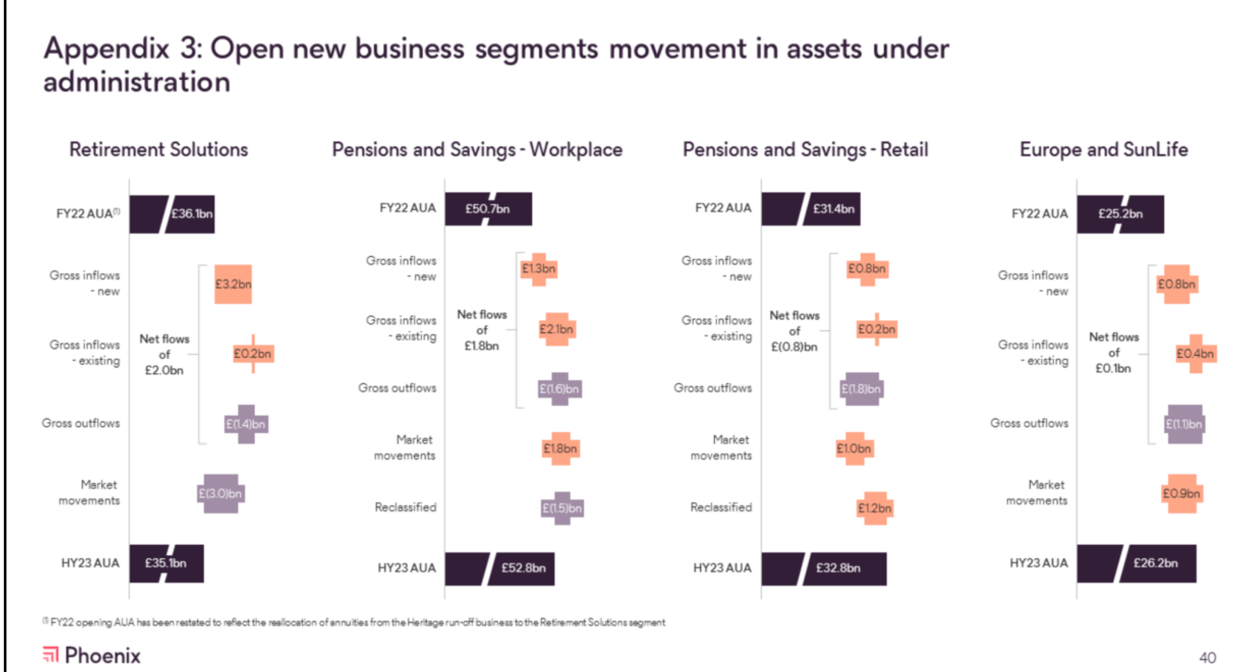

Appendix 3: Open new business segments movement in assets under administration
Retirement Solutions
FY22 AUA(1)
£36.1bn
Gross inflows - new
£3.2bn
Gross inflows - existing
£0.2bn
Net flows of £2.0bn
Gross outflows
£(1.4)bn
Market movements
£(3.0)bn
HY23 AUA
£35.1bn
Pensions and Savings - Workplace
FY22 AUA
£50.7bn
Gross inflows - new
£1.3bn
Gross inflows - existing
£2.1bn
Net flows of £1.8bn
Gross outflows
£(1.6)bn
Market movements
£1.8bn
Reclassified
£(1.5)bn
HY23 AUA
£52.8bn
Pensions and Savings - Retail
FY22 AUA
£31.4bn
Gross inflows - new
£0.8bn
Gross inflows - existing
£0.2bn
Net flows of £(0.8)bn
Gross outflows
£(1.8)bn
Market movements
£1.0bn
Reclassified
£1.2bn
HY23 AUA
£32.8bn
Europe and SunLife
FY22 AUA
£25.2bn
Gross inflows - new
£0.8bn
Gross inflows - existing
£0.4bn
Net flows of £0.1bn
Gross outflows
£(1.1)bn
Market movements
£0.9bn
HY23 AUA
£26.2bn
(1) FY22 opening AUA has been restated to reflect the reallocation of annuities from the Heritage run-off business to the Retirement Solutions segment
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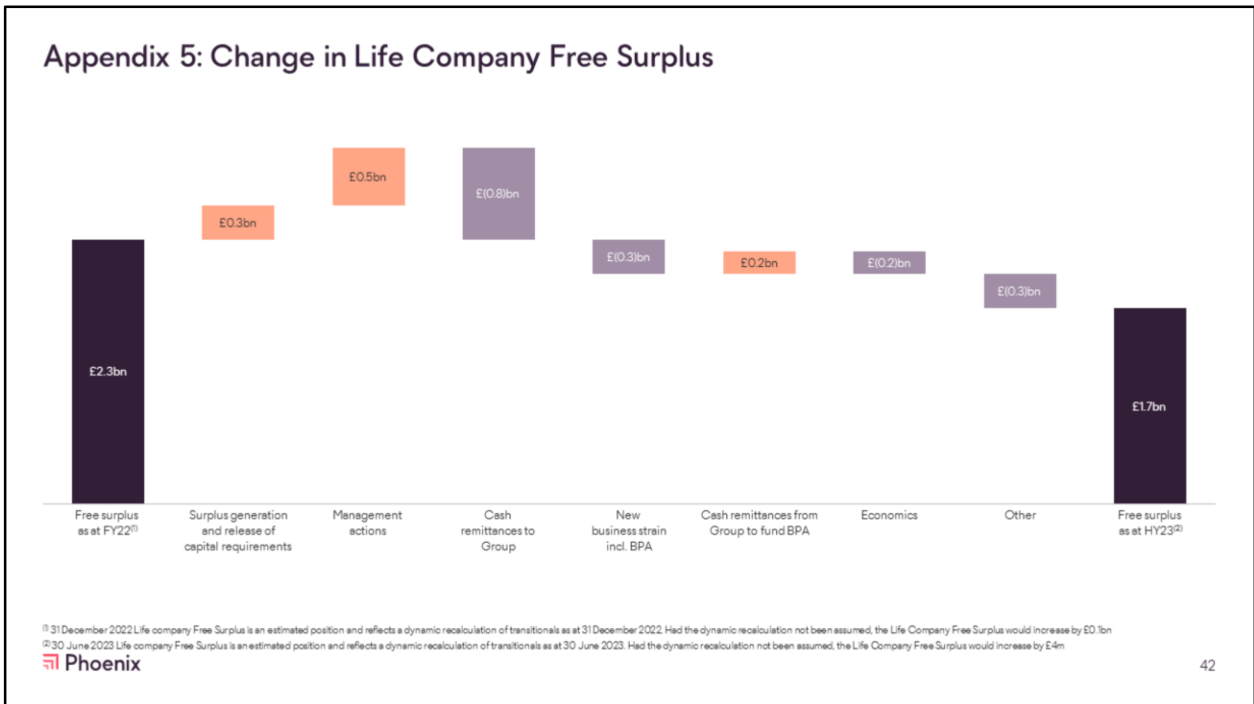
Appendix 4: Group cash flow analysis

	HY23
Cash and cash equivalents at 1 January	£503m
Net cash receipts from operating companies[1,2]	**£898m**
Uses of cash:	
Operating expenses	£(44)m
Pension scheme contributions	£(9)m
Debt interest	£(125)m
Non-operating net cash inflows	£178m
Shareholder dividend	£(260)m
Total uses of cash	£(260)m
Support of BPA activity	£(195)m
Cost of acquisitions	£(250)m
Closing cash and cash equivalents at 30 June[2]	**£696m**

Key messages

- Strong ongoing cash generation of £898m in the period funds our ongoing uses of cash
- Non-operating net cash inflows of £178m (HY 2022: £165m net cash outflow) include:
  - £266m of collateral cash and hedge close outs.
  - £(71)m of integration costs
  - £(13)m of costs in relation to IFRS 17
  - £(4)m of net other items
- Paid £250m of consideration to complete cash-funded acquisition of Sun Life of Canada UK

[1] Total cash receipts include £139 million received by the holding companies in respect of tax losses surrendered
[2] Shown on pro forma basis to include £450 million remitted from the life companies in July


Appendix 5: Change in Life Company Free Surplus
£2.3bn
£0.3bn
£0.5bn
£(0.8)bn
£(0.3)bn
£0.2bn
£(0.2)bn
£(0.3)bn
£1.7bn
Free surplus as at FY22[1]
Surplus generation and release of capital requirements
Management actions
Cash remittances to Group
New business strain incl. BPA
Cash remittances from Group to fund BPA
Economics
Other
Free surplus as at HY23[2]
[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] 30 June 2023 Life company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals as at 30 June 2023. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would increase by £4m
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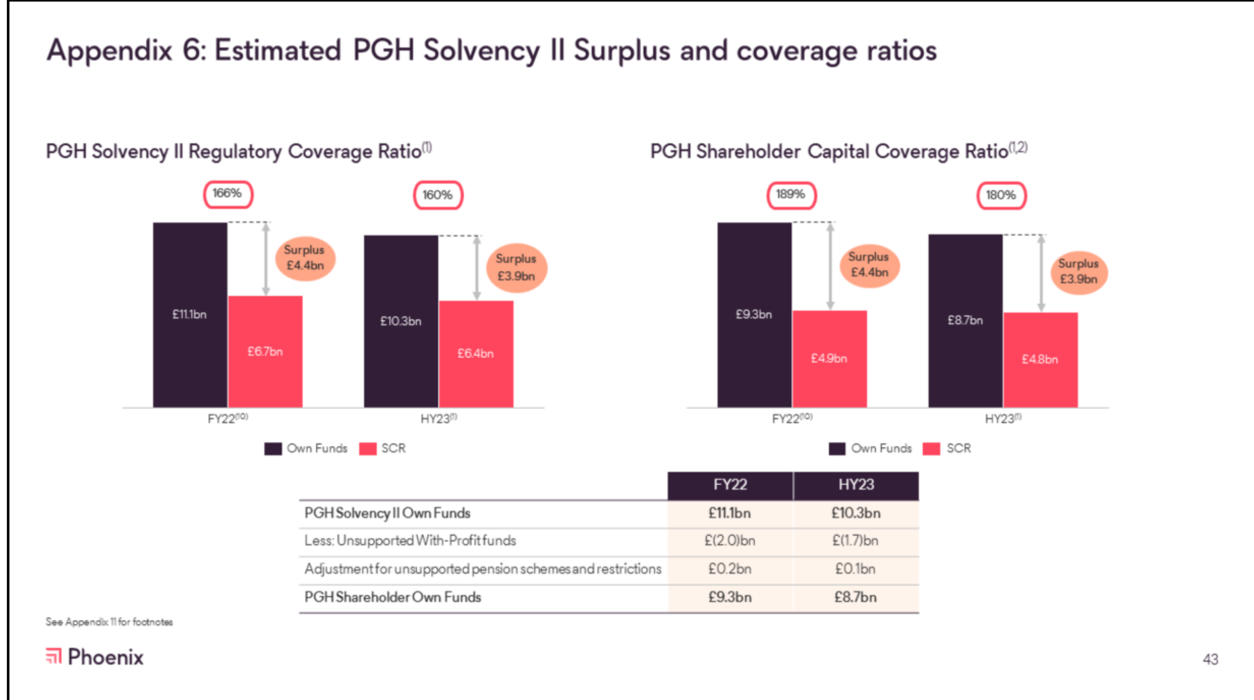
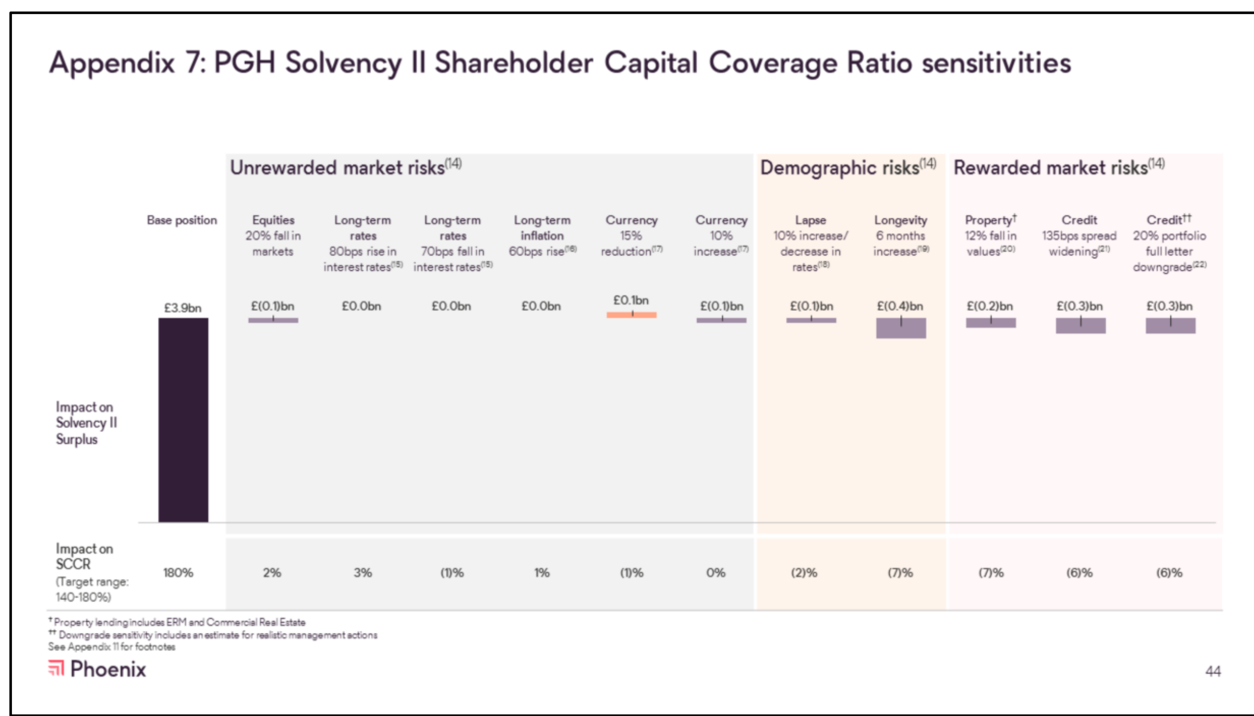


	FY22	HY23
PGH Solvency II Own Funds	£11.1bn	£10.3bn
Less: Unsupported With-Profit funds	£(2.0)bn	£(1.7)bn
Adjustment for unsupported pension schemes and restrictions	£0.2bn	£0.1bn
PGH Shareholder Own Funds	£9.3bn	£8.7bn


Appendix 7: PGH Solvency II Shareholder Capital Coverage Ratio sensitivities
Unrewarded market risks(14)
Demographic risks(14)
Rewarded market risks(14)
Base position
Equities 20% fall in markets
Long-term rates 80bps rise in interest rates(15)
Long-term rates 70bps fall in interest rates(15)
Long-term inflation 60bps 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
£(0.1)bn
£0.0bn
£0.0bn
£0.0bn
£0.1bn
£(0.1)bn
£(0.1)bn
£(0.4)bn
£(0.2)bn
£(0.3)bn
£(0.3)bn
Impact on SCCR (Target range: 140-180%)
180%
2%
3%
(1)%
1%
(1)%
0%
(2)%
(7)%
(7)%
(6)%
(6)%
† Property lending includes ERM and Commercial Real Estate
†† Downgrade sensitivity includes an estimate for realistic management actions
See Appendix 11 for footnotes
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Appendix 8: Diversification of illiquid asset portfolio as at 30 June 2023

Equity Release Mortgages
£4.1bn 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
£1.8bn with A rating

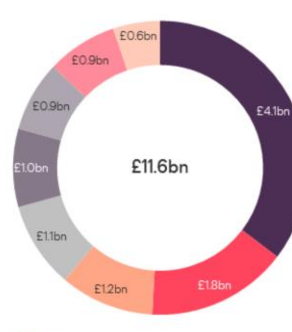
- Diversified portfolio with c.27% of exposure secured on variety of assets
- Loans across 51 different counterparties

Infrastructure – corporate debt
£1.2bn with BBB+ rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- 12% of portfolio backed by UK Government (directly or indirectly)

Housing Associations
£1.1bn with A- rating

- 100% of portfolio is secured on assets
- Average loan size of c.£17m across 26 different counterparties



ERM
Private Corporate Credit
Infratructure - corporate debt
Housing Associations
Commercial Real Estate
Infratructure - project finance debt
Local Authority Loans
Export Credit Agencies & Supranationals

Commercial Real Estate
£1.0bn with BBB rating

- Structured with robust covenant protection, a combination of loan-to-value and interest coverage ratio
- Average LTV for portfolio is 48%

Infrastructure – project finance debt
£0.9bn with BBB+ rating

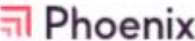
- Secured on cash flows from long-term contracts with highly rated counterparties
- 67% of portfolio backed by UK Government (directly or indirectly)

Local Authority Loans
£0.9bn with A+ rating

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

Export Credit Agencies & Supranationals
£0.6bn with AA rating

- c.49% of portfolio is Government-backed
- Loans across 9 different counterparties



Appendix 9: ESG ratings and collaborations

Strong ESG ratings

Ratings agency	FY22	HY23	Change
MSCI	A	AA	↑
Sustainalytics	19.8 / low risk	19.9 / low risk	↓
CDP	A-	A-	↔
Dow Jones Sustainability Index	84th percentile	84th percentile	↔
Tortoise Responsibility100 Index	12th	12th	↔
ISS ESG corporate rating	C-	C prime	↑

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
Make My Money Matter
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
United Nations Global Compact

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Appendix 10: 2023 sustainability targets

ESG Theme: Planet

By transitioning our business to net zero and nature positive, we aim to deliver better outcomes for our customers and stakeholders and play our part in tackling the climate and nature emergency

Key 2023 targets

Achieved to date:

✓ Published our comprehensive Net Zero Transition Plan

✓ Certified as a signatory to the UK Stewardship Code

On track:

- 50-70% of illiquid asset origination in the shareholder portfolio to be sustainable and transition assets
- Implement decarbonisation for shareholder liquid credit portfolio c.£13 billion to meet our carbon reduction targets
- Maintain 75-85% intensity reduction vs 2019 baseline in operational carbon emissions[1]
- 90% of key suppliers commit to SBTi or Race to Zero targets
- Develop our nature strategy

ESG Theme: People

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

Key 2023 targets

Achieved to date:

✓ Launched an awareness campaign reaching 4 million people on longer lives and under saving for retirement

On track:

- Launched access for Standard Life customers to an integrated financial wellness hub, Money Mindset, with an intention to reach 1.5 million customers
- All customers supported by digital literacy hubs
- Reach 1.5 million customers to raise awareness about the impact of their investments
- 40% of senior leaders to be women
- 13% ethnic minority representation in our workforce

[1] In Scope 1 and 2 emissions from occupied premises per full-time employee intensity

Appendix 11: Footnotes

1. 30 June 2023 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 2023 interim shareholder dividend of £260 million. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would decrease by £4 million and increase 0.2% 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
3. Source: FCA (FCA's key priorities for the financial advice industry, November 2022)
4. Source: Phoenix Insights report (Great Expectations, September 2022)
5. Sources: LCP report (Insurance enters a new phase - a skyrocketing market, October 2022), and Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021)
6. Sources: LCP report (Insurance enters a new phase - a skyrocketing market, October 2022), NMG UK Stock Flow Model, and Broadridge report (Navigator UK Defined Contribution and Retirement Income 2021)
7. Source: Broadridge report (Navigator - UK Defined Contribution and Retirement Income 2021)
8. Source: LCP report (Insurance enters a new phase: a skyrocketing market, October 2022)
9. FY22 restated Fitch leverage ratio is estimated by management on an IFRS 17 basis and reflects the adoption of a market-consistent ratio calculation methodology. Ratio allows for currency hedges over foreign currency denominated debt.
10. 31 December 2022 Solvency II capital position is an estimated position and reflects a dynamic recalculation of transitionals for the Group's Life companies and the foreseeable Final dividend of £260 million. Had the dynamic recalculation not been assumed, the Solvency II Surplus and the Shareholder Capital Coverage Ratio would increase by £0.1 billion and 2% respectively
11. New business strain primarily reflects capital invested into BPA
12. 2021 restated to include the Corporate Trustee Investment Plan product which was transferred to the Workplace business in 2022

Appendix 11: Footnotes cont.

13. Restated comparative to reflect adoption of IFRS 17
14. Scenario assumes stress occurs on 1 July 2023 and that there is no market recovery. As part of the Group's internal risk management processes, the Own Funds and regulatory SCR are regularly tested against a number of financial scenarios. The table provides illustrative impacts of changing one assumption while keeping others unchanged and reflects the business mix at the balance sheet date. Extreme markets movements outside of these sensitivities may not be 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. Stress reflects a structural change in long term inflation with an increase of 60bps across the curve
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. 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 the annuity portfolio is rebalanced back towards its original credit rating profile and makes allowance for losses from the spread widening which would be associated with downgrades

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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, initiatives related to the financial crisis, the COVID-19 pandemic, climate change and the effect of the UK's version of the "Solvency II" regulations on the Group's capital maintenance requirements; the impact of changing inflation rates (including high inflation) and/or deflation; the medium and long-term political, legal, social and economic effects of the COVID-19 pandemic and the UK's exit from the European Union; the direct and indirect consequences of the European and global macroeconomic conditions of the Russia-Ukraine War and related or other geopolitical conflicts; 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, 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, ambitions, outlook, guidance and expectations set out in the forward-looking statements and other financial and/or statistical data within this presentation. The Group undertakes no obligation to update any of the forward-looking statements or data contained within this presentation or any other forward-looking statements or data it may make or publish. Nothing in this presentation constitutes, nor should it be construed as, a profit forecast or estimate.