Phoenix

Half year 2022 results

Phoenix Group Holdings plc

15 August 2022

H1 2022 review

Andy Briggs
Group Chief Executive Officer

Phoenix

Phoenix has had a fantastic first half

Record results
across cash, resilience and growth in H1 2022

Strategic progress
with strong delivery across all five strategic priorities

Growing organically
with £1.8bn of Open business net inflows and 42 Workplace new scheme wins

Growing inorganically
announced our first ever cash funded acquisition, of Sun Life of Canada UK

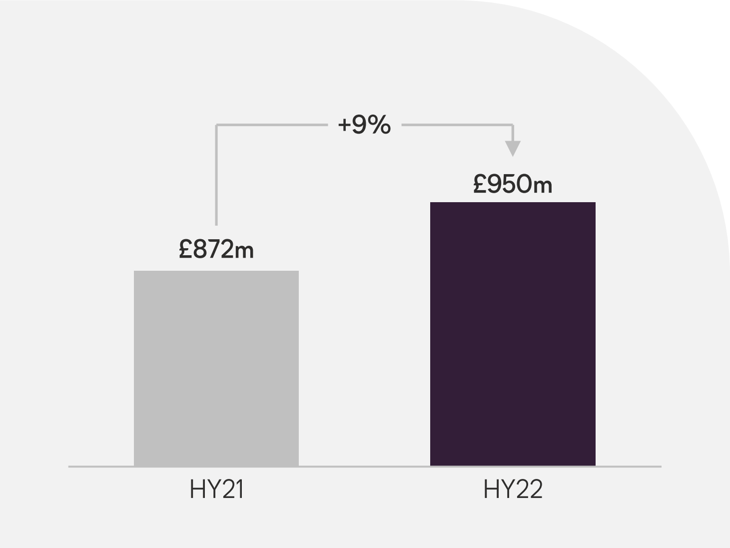
Dividend growth
with a 3% YOY Interim increase and 2.5% inorganic increase proposed at the Final

We delivered record cash, resilience and growth in H1 2022

Cash

£950 million

Cash generation



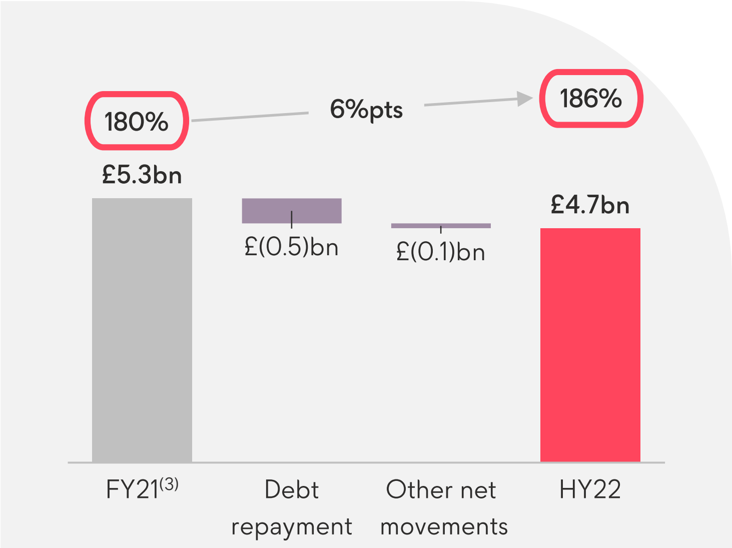
Resilience

£4.7 billion

PGH Solvency II surplus[1]

186%

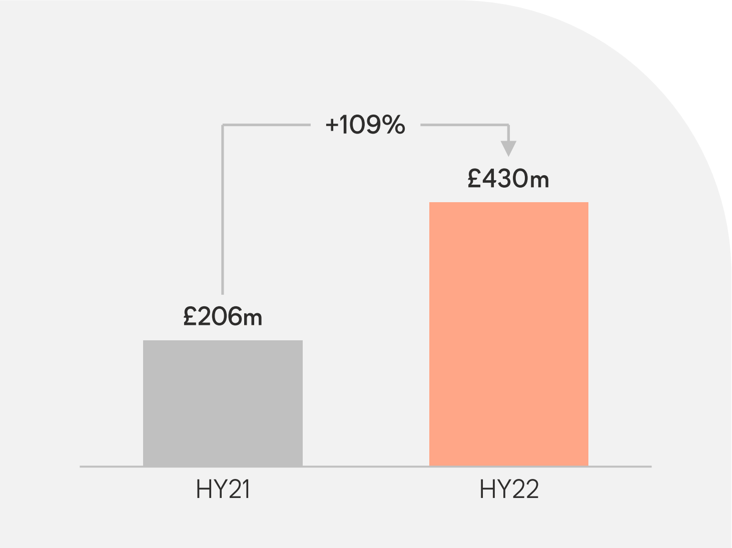
PGH Shareholder Capital Coverage Ratio[1,2]



Growth

£430 million

Incremental new business long-term cash generation



See Appendix 17 for footnotes

Excellent delivery across all of our strategic priorities

Optimise our in-force business
- ✓ £421m of management actions delivered including diversification into US credit
- ✓ Comprehensive hedging limits SII surplus economic variance to £(0.2)bn
- ✓ Approval of partial internal model for European business

Enhance our operating model and culture
- ✓ 400k of Standard Life annuities fully migrated to TCS
- ✓ Realised ReAssure cost synergies of £15m per annum; now exceeded ReAssure synergies target with £1,078m to date
- ✓ Increased proportion of women on PGH Board to 54%(†) (FY21: 33%) and ExCo to 42%(†) (FY21: 17%)

Invest in a sustainable future
- ✓ £485m of sustainable assets originated YTD
- ✓ Active member of TNFD(††) forum; committed to integrating nature into our investment decision making process
- ✓ 60% of key suppliers committed to SBTi / Race to Net Zero

Grow our business to support both new and existing customers
- ✓ Announced our first ever cash funded acquisition
- ✓ £1.6bn of BPA premiums completed
- ✓ £1.9bn YOY increase in fee-based net fund flows

Innovate to provide our customers with better financial futures
- ✓ Launched our Longer Lives Index and guidance gap campaign
- ✓ Commenced migration of £15bn of pension assets and 1.5m customers to Standard Life's flagship sustainable fund
- ✓ Developing a range of innovative retirement income solutions

(†) Includes known hires and subject to regulatory approval
(††) Taskforce on Nature-related Financial Disclosures

Cash funded M&A can drive significant shareholder value

First cash funded acquisition

→ Announced the acquisition of Sun Life of Canada UK, a closed book life insurance company, for £248m consideration

→ Sun Life of Canada UK brings c.£10bn of assets under administration and c.480,000 policies

→ Simplified integration with no customer migrations required due to the majority of their business already being administered by our strategic partner TCS Diligenta

→ New strategic asset management partnership with Sun Life will enable further diversification of liquid and illiquid credit in North America

→ Target completion in Q1 2023, subject to regulatory approval

Disciplined transaction pricing

Meets acquisition criteria

✓ Strategic fit

✓ Value accretive with hurdle rates met

✓ Supports the dividend

✓ Maintains investment grade rating

Expected to demonstrate the clear value creation from smaller cash funded M&A

✓ Expect to generate c.£470m of incremental long-term cash generation, with c.30% to emerge in the first three years

✓ c.£125m of integration synergies targeted from cost and capital efficiencies, net of costs

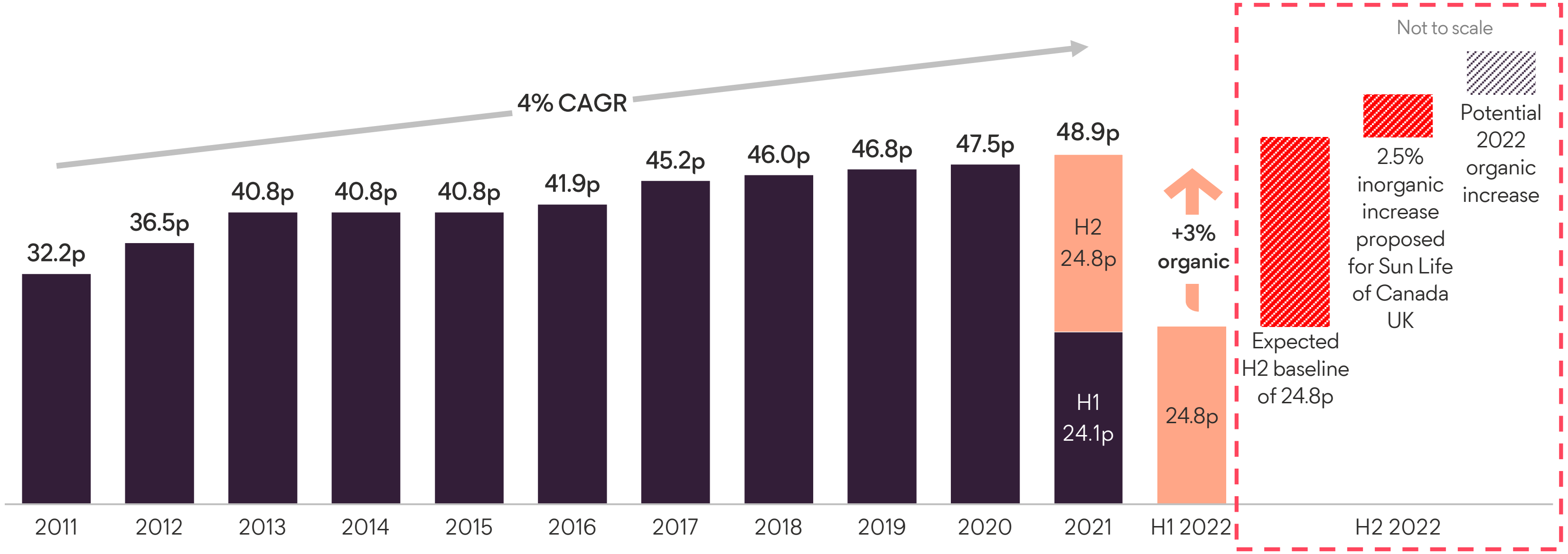
✓ Supports a proposed 2.5% inorganic dividend increase[†], payable from and including the 2022 Final dividend

[†] Subject to completion

See Appendix 17 for footnotes

Our dividend is growing both organically and inorganically

Continuing our strong dividend track record[5]



Key messages

- We have a consistent track record of dividend growth over 10+ years
- This is underpinned by our dependable cash generation, driven by our low sensitivity to the key market risks
- Until 2021 our dividend growth came from M&A, but we are now confident of delivering organic and inorganic growth
- Phoenix is well positioned to pay a dividend that is sustainable and grows over time

See Appendix 17 for footnotes

H1 2022 financial results

Rakesh Thakrar
Group Chief Financial Officer

Phoenix

Strong financial performance in H1 2022

Cash Resilience Growth

Financial performance:

		HY21	HY22	YOY change
Cash	Cash generation	£872m	£950m	+9%
New Business	Incremental new business long-term cash generation	£206m	£430m	+109%
Dividend	Interim dividend per share	24.1p	24.8p	+3%
IFRS	Operating profit before tax	£527m	£507m	-4%

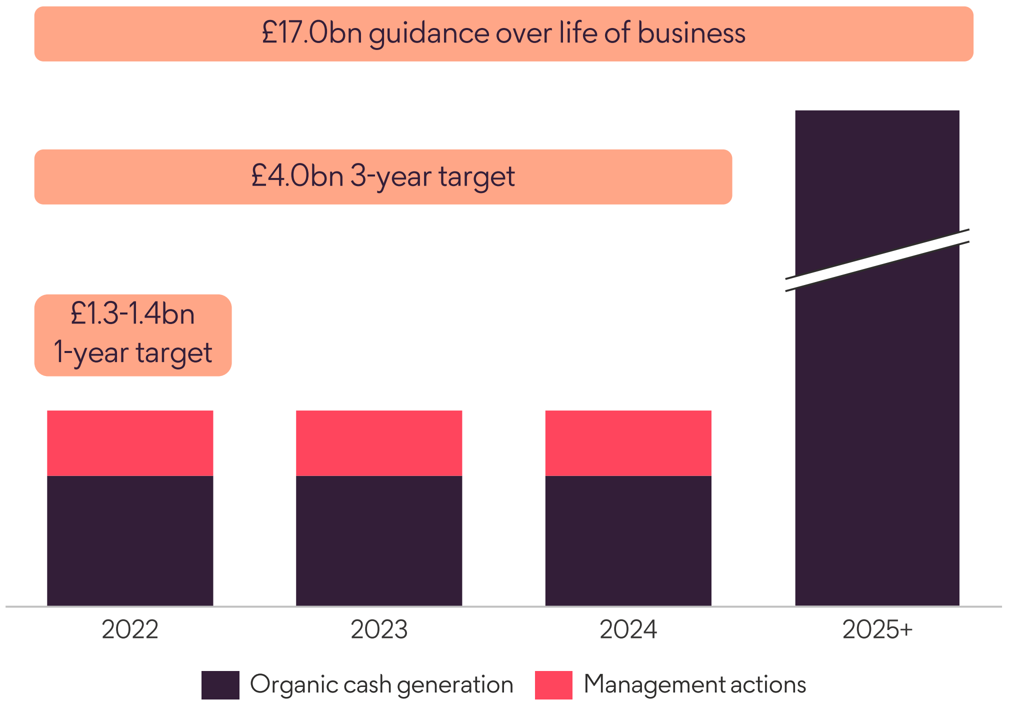
Balance sheet:

		FY21	HY22	6 month change
Solvency II Capital	PGH Solvency II Surplus[1,3]	£5.3bn	£4.7bn	-11%
	PGH Shareholder Capital Coverage Ratio ('SCCR') [1,2,3]	180%	186%	+6%pts
Assets	Assets under administration	£310bn	£269bn	-13%
Leverage	Fitch leverage ratio	28%	27%[6]	-1%pt

See Appendix 17 for footnotes

Strong cash generation in H1; now expect to deliver at top-end of 2022 target range

Clear visibility of in-force business cash generation



Cash generation excludes:
Future new business, Sun Life of Canada UK acquisition & future M&A, and management actions in 2025+

Strong cash generation of £950m in H1

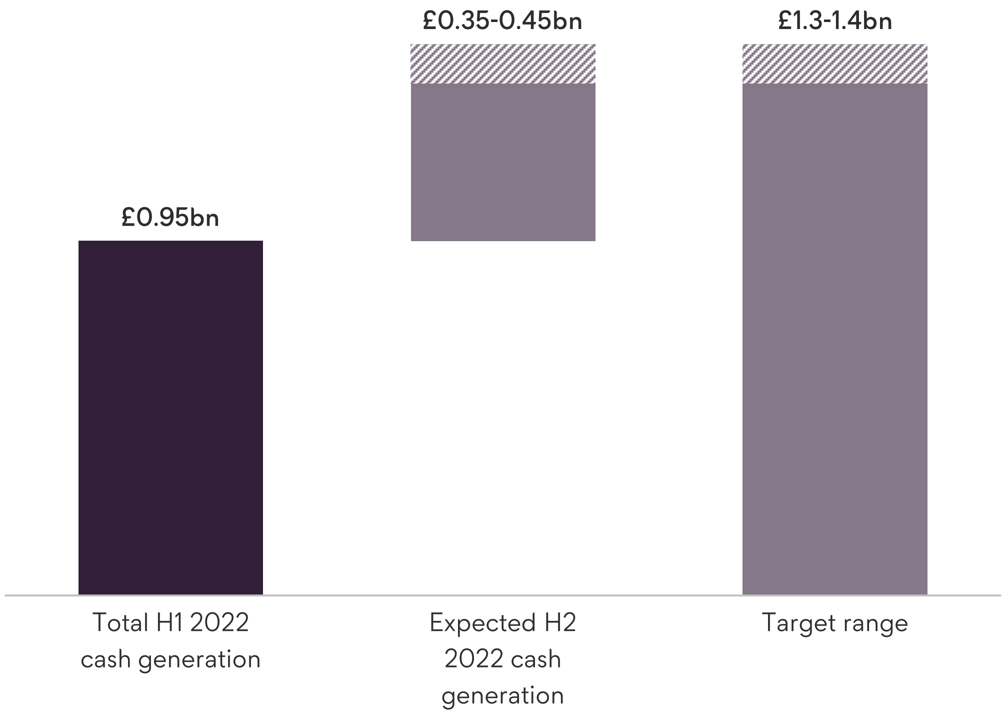


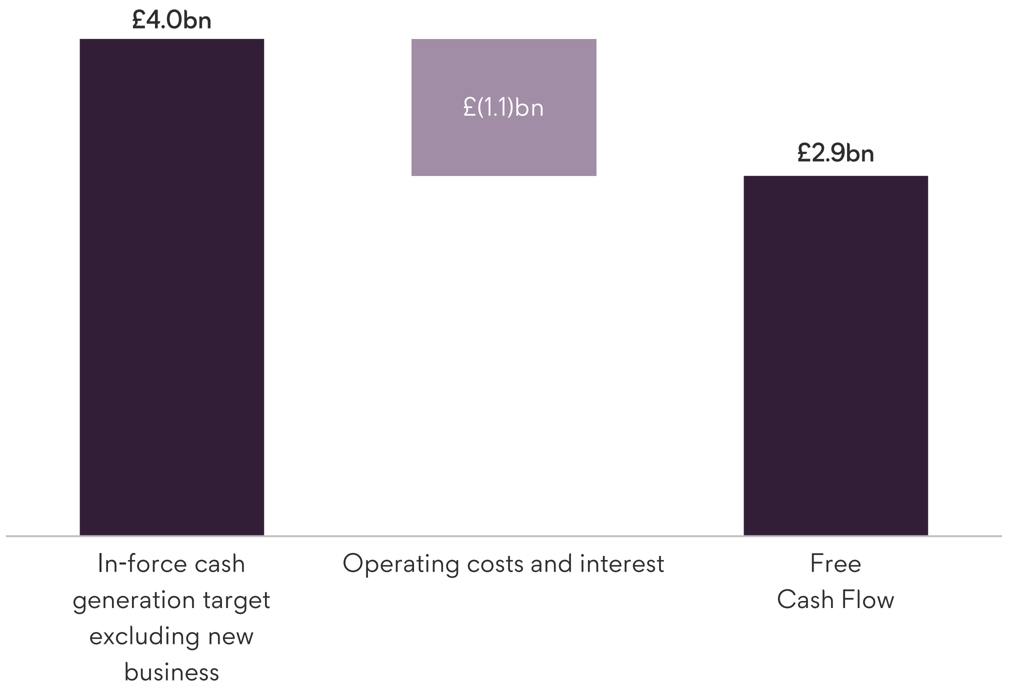
Chart not to scale

✓ Now expect to deliver at top-end of our 2022 target range

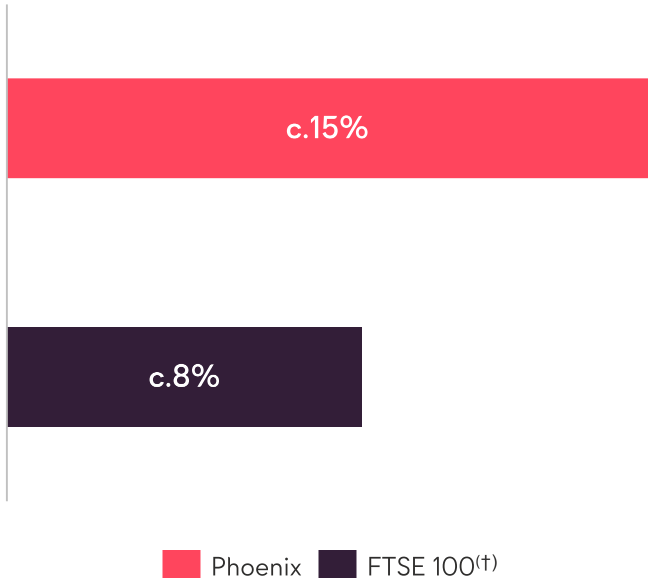
Phoenix offers a superior Free Cash Flow yield

Cash

2022-2024 estimated Free Cash Flow ('FCF')



Phoenix offers a superior 3-year average FCF[7] yield compared to the FTSE 100



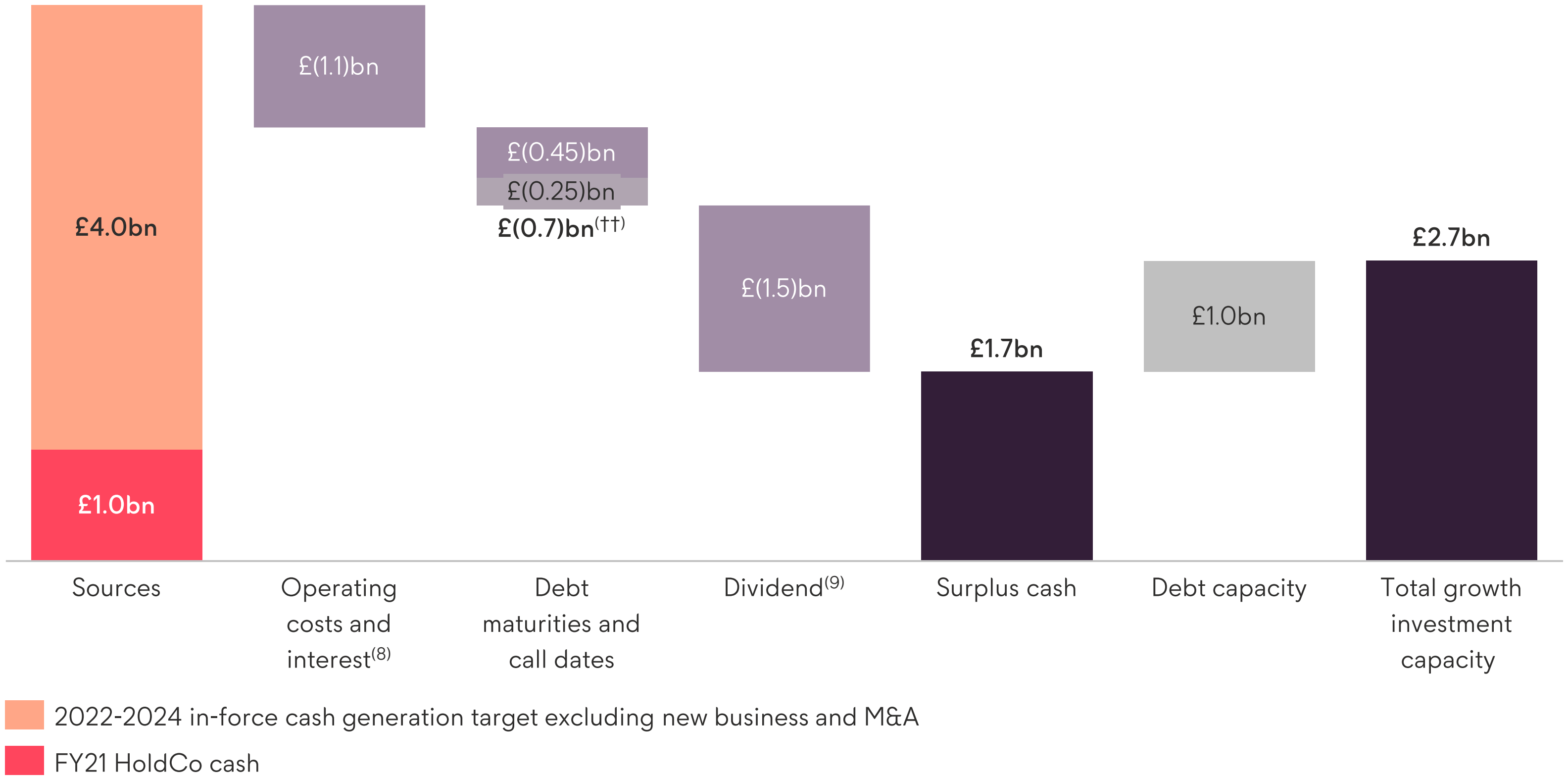
(†) Source: Factset

See Appendix 17 for footnotes

We have significant capacity to invest into growth opportunities

Cash

Illustrative 2022-2024 growth investment capacity[†]



Surplus cash and capital available to invest into growth

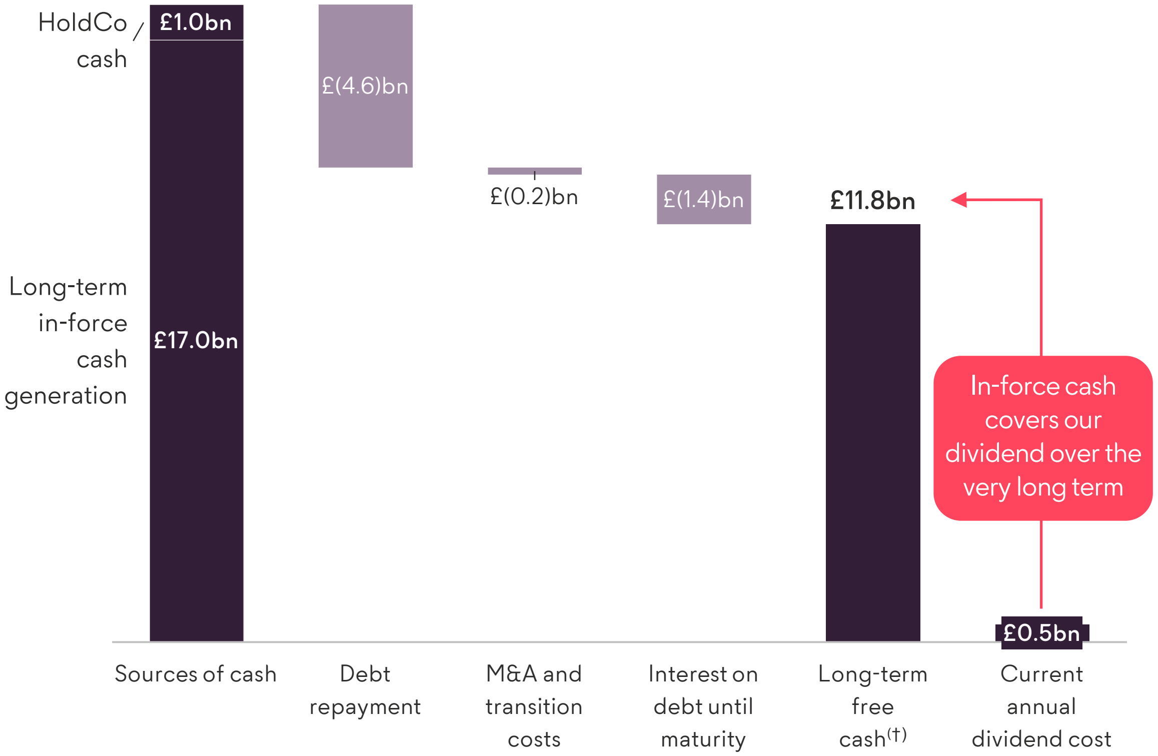
- We will fund the £248m acquisition of Sun Life of Canada UK from existing cash resources
- We expect to fully deploy around £300m of capital into BPA across 2022 as we invest into organic growth
- Significant capacity to invest into future growth opportunities

[†] Illustrative investment capacity as at 31 December 2021
[††] £0.45bn Tier 3 debt repaid in July 2022 and £0.25bn Tier 2 bond call date in 2024
See Appendix 17 for footnotes

The sustainability and resilience of our dividend differentiates Phoenix

Cash

Our dividend can be sustainably funded over the very long term by our in-force cash generation



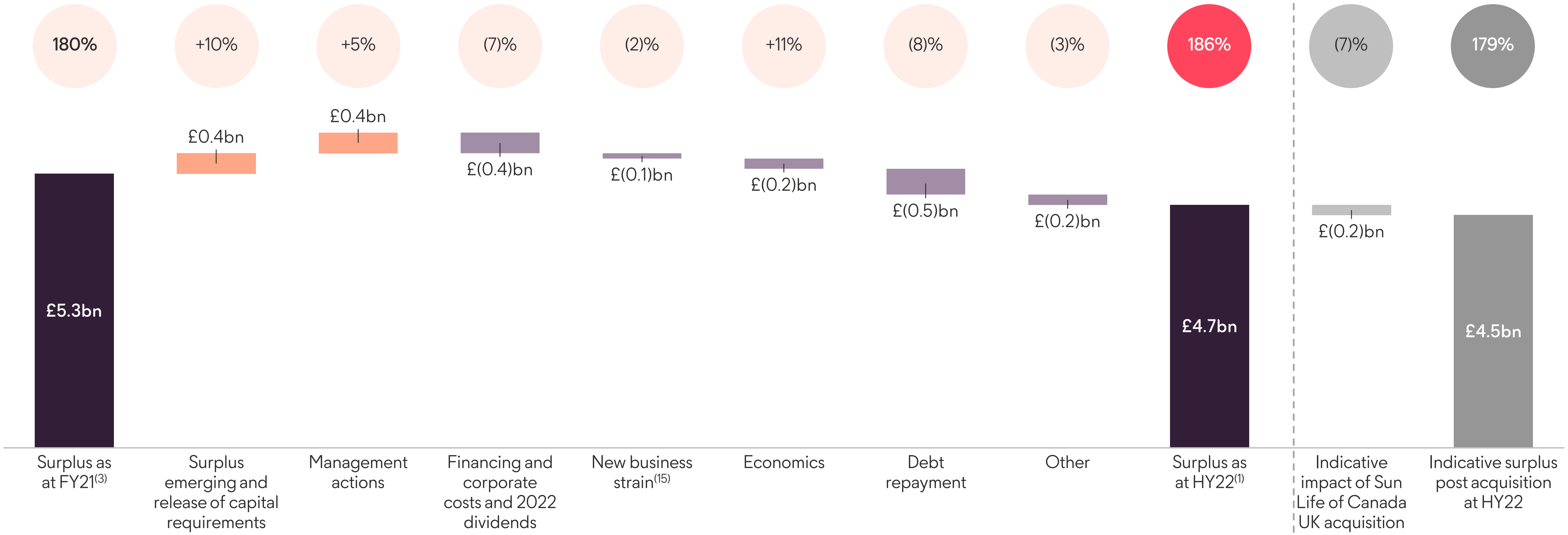
Our long-term free cash is resilient to any market volatility[10]

(†) Long-term free cash excludes future debt interest

See Appendix 17 for footnotes

Resilient Solvency II surplus position provides capacity to invest into growth

Resilience



Impact on Own Funds	£11.9bn	£0.2bn	£0.5bn	£(0.4)bn	£(0.1)bn	£(1.2)bn	£(0.5)bn	£(0.2)bn	£10.2bn
Impact on SCR	£6.6bn	£(0.2)bn	£0.1bn	Nil	Nil	£(1.0)bn	Nil	Nil	£5.5bn

See Appendix 17 for footnotes

Our hedging approach results in low Solvency II capital surplus sensitivities to the key market risks

Resilience

		Unrewarded market risks[10]						Demographic risks[10]		Rewarded market risks[10]		
	Base position	**Equities** 20% fall in markets	**Long-term rates** 80bps rise in interest rates[11]	**Long-term rates** 70bps fall in interest rates[11]	**Long-term inflation** 70bps rise[12]	**Currency** 15% reduction[16]	**Currency** 10% increase[16]	**Lapse** 10% increase/ decrease in rates[17]	**Longevity** 6 months increase[18]	**Property**[†] 12% fall in values[19]	**Credit** 135bps spread widening[13]	**Credit**[††] 20% portfolio full letter downgrade[14]
Impact on Solvency II surplus	£4.7bn	No impact	£(0.1)bn	£0.1bn	No impact	£0.1bn	£(0.1)bn	£(0.1)bn	£(0.6)bn	£(0.2)bn	£(0.1)bn	£(0.3)bn
Impact on SCCR (Target range: 140%-180%)	186%	3%	5%	(3)%	0%	0%	1%	(1)%	(11)%	(3)%	1%	(7)%

(†) Property lending includes ERM and Commercial Real Estate
(††) Downgrade sensitivity includes an estimate for realistic management actions
See Appendix 17 for footnotes

Phoenix has no material exposure to inflation

Inflation emerges in two places

Products

- We manage a portfolio of inflation-linked annuities within our prudently sized annuity portfolio
- These are hedged against inflation through the use of index-linked gilts
- We have no direct inflation exposure in our other products
- We therefore have no material exposure to inflation

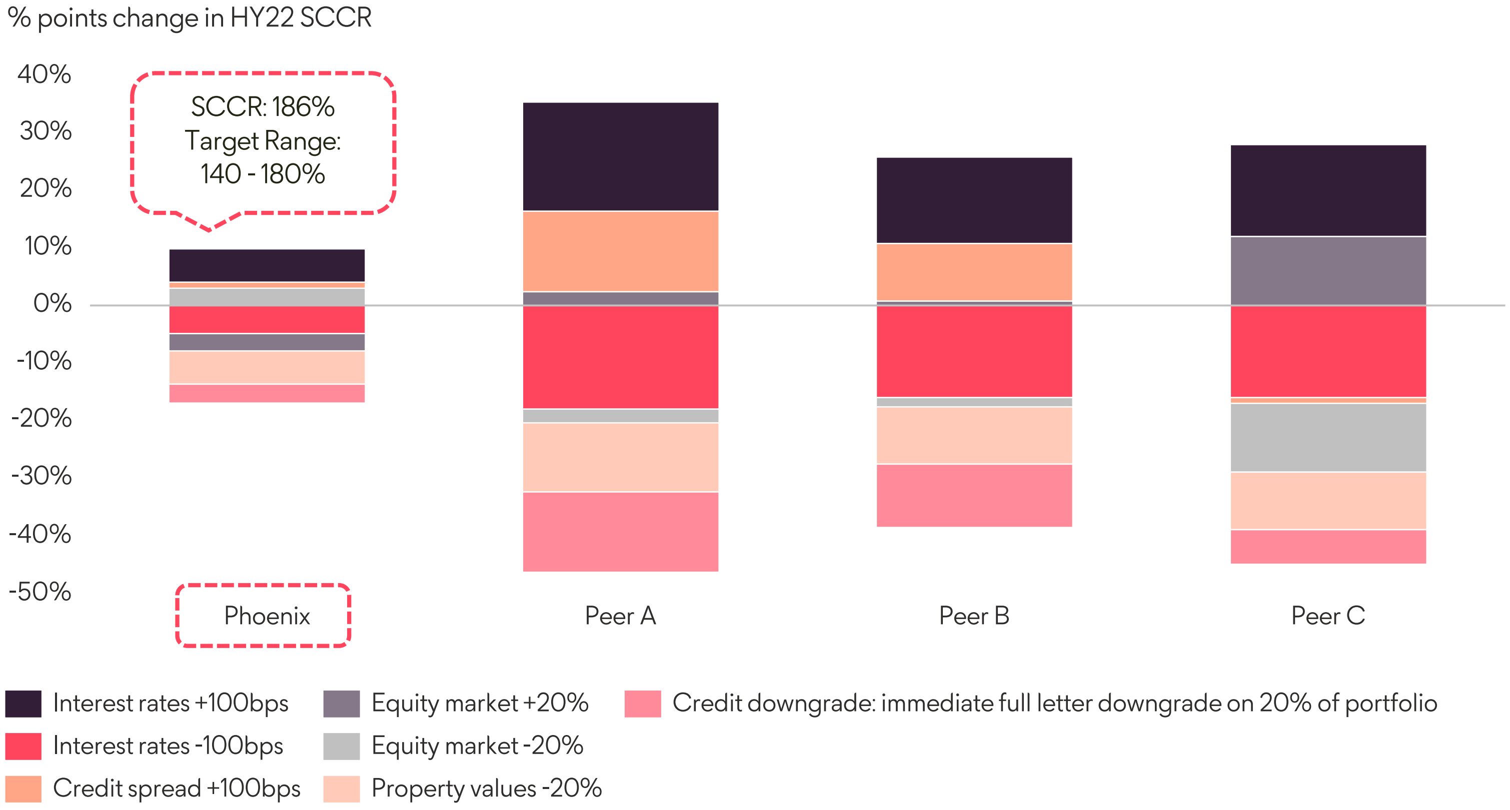
Operating costs

- Our agreements with TCS give us sufficient line of sight on our policy administration cost inflation exposure, enabling us to hedge it
- We also seek to hedge the expected impact on our operating costs
- We therefore have no material exposure to cost inflation

Our resilient capital position differentiates us to our UK peers

Resilience

H1 2022 Phoenix Shareholder Capital Coverage Ratio (SCCR) sensitivities relative to UK life peers[20]



See Appendix 17 for footnotes

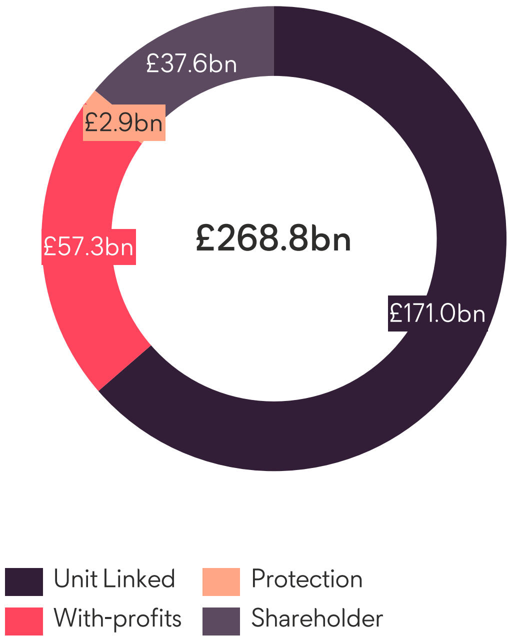
Key messages

- Our comprehensive hedging approach makes us far more resilient to the major market risks than our UK peers
- Resilience in volatile markets remains a key differentiator for Phoenix, which is especially important during periods of economic uncertainty
- Our low market risk sensitivity enables us to operate with a conservative 140%-180% target range

We manage c.£270 billion of assets on behalf of our customers and retain a high quality shareholder credit portfolio

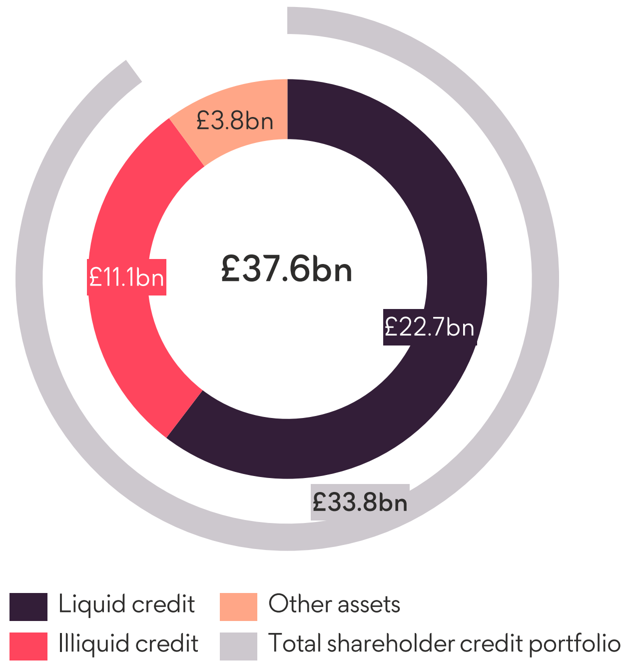
Resilience

Assets under administration



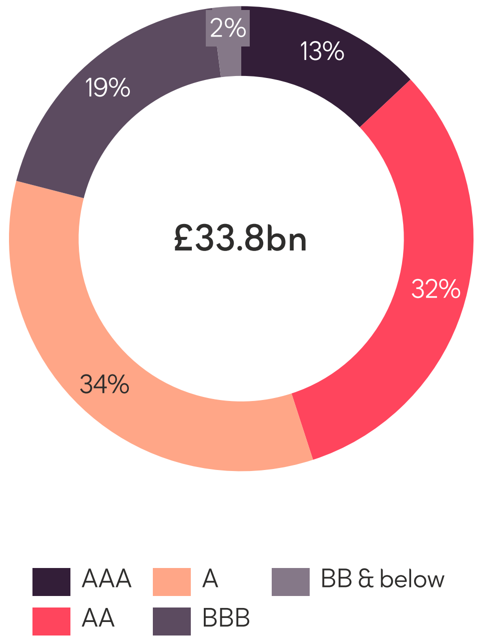
- Impacted by c.£38bn of adverse market movements, but the fees we earn are hedged against market risks, leading to predictable cash generation
- We seek to manage our credit risk by operating a prudent annuities exposure at c.13% of our balance sheet

Shareholder asset portfolio



- Well diversified and actively managed portfolio
- 100% of cash flows paid on both liquid and illiquid credit
- 32% of our annuity portfolio is currently backed by illiquids, with a target of 40% over time

Total shareholder credit portfolio

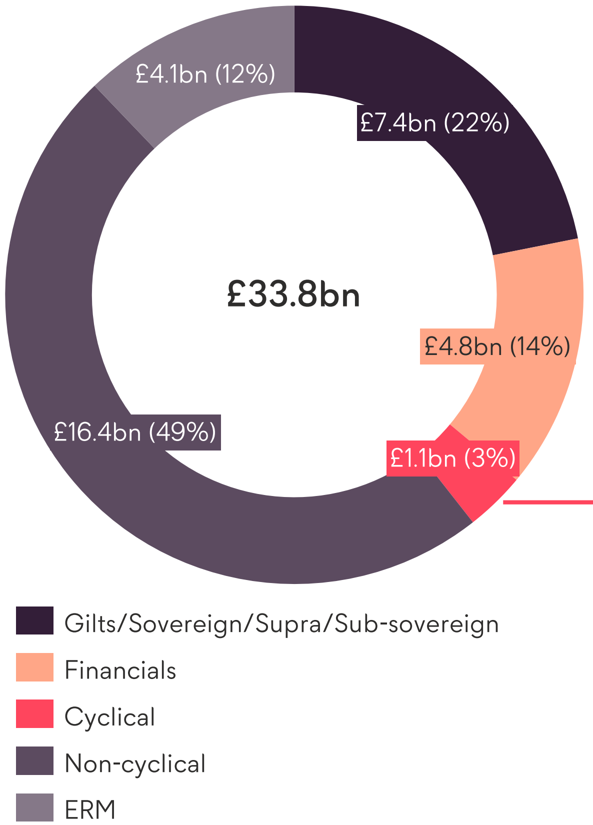


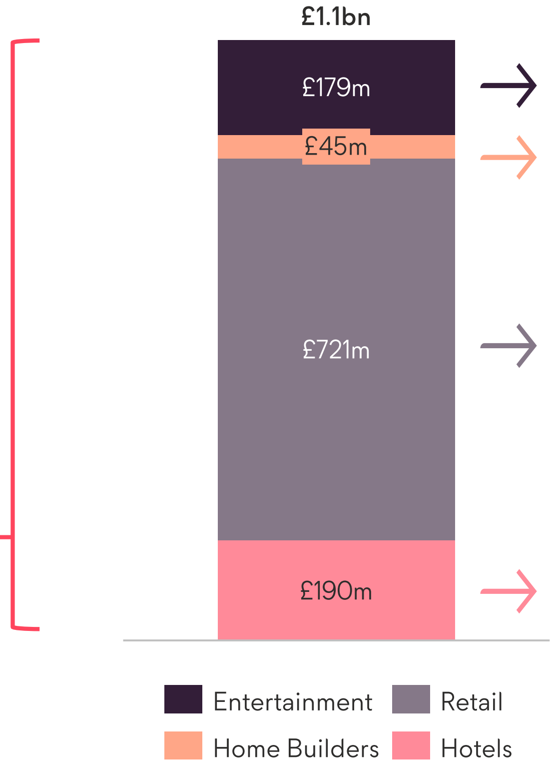
- Credit portfolio is 98% investment grade
- BBB exposure at 19%
- No defaults in the year and limited downgrades

Our shareholder credit portfolio has limited exposure to cyclical sectors

Resilience

Proactively manage portfolio to limit cyclical exposures; c.£1bn credit default reserve



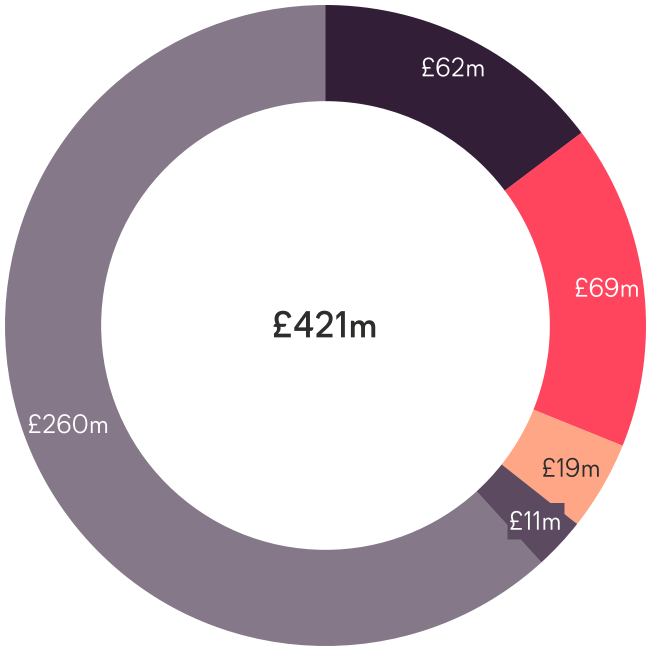


- Strong recovery for theme parks & resorts (c.35%). Closely monitor sector outlook for potential downgrades
- Small UK exposure where housing demand has been resilient in 2022
- Exposure to market leading retail companies with significant market share and diversified product mixes and strong pricing power
- Investment grade exposures which have experienced good recovery post-COVID-19. Conservative credit underwriting limits downside risk

Average credit rating of A- across cyclical sectors

£421 million of management actions in H1 demonstrates our ongoing delivery capability

H1 2022 Solvency II management actions



Illiquid asset origination
Sourcing assets to deliver closer matching of cash flows in our annuity book; H1 sustainable asset origination includes £170m into affordable housing, £167m into positive environmental impact projects, and £75m into healthcare & education

Liquid credit optimisation
Deployment of assets into US liquid credit to take advantage of relative spread widening

Asset risk management
Range of actions, including proactive credit risk management

Approval of partial internal model in Standard Life International
Benefit from move to partial internal model

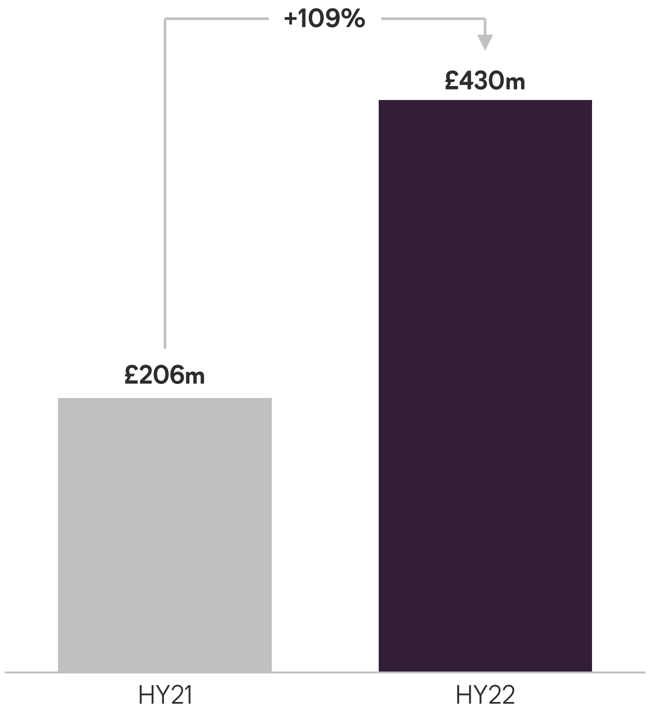
Balance sheet efficiencies
Range of actions to improve the operational efficiency and risk management of Solvency balance sheet

Creating value

Incremental new business long-term cash generation of £430 million in H1 puts us on track to grow organically again this year

Growth

Incremental new business LTCG



Net flows	£(1.1)bn	£1.8bn

Retirement Solutions: £282m (+253% YOY)

- Year-on-year increase in LTCG reflects a more buoyant H1 market compared to 2021 and confirms that we are an established player in the market under the Standard Life brand (HY21: £80m)

Fee-based businesses: £148m (+17% YOY)

Workplace: £112m

- 60% increase in LTCG year-on-year reflects the momentum in our business and increased flows from existing schemes due to annual salary increases (HY21: £70m)

Customer Savings & Investments: £12m

- Decrease in LTCG primarily due to increased expenses for additional services (HY21: £18m)

Europe: £13m

- Small decrease in LTCG due to lower margins arising from changing sales and investment mix in the international bond market (HY21: £16m)

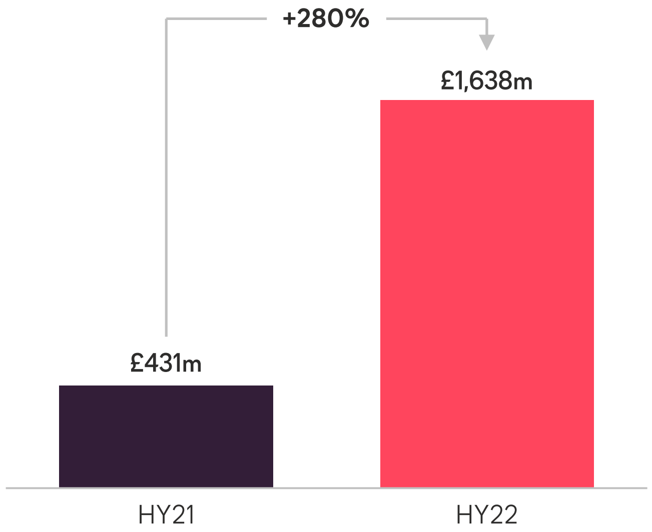
SunLife: £11m

- 50% decrease in LTCG year-on-year reflects impact of cost of living crisis on SunLife customer base leading to lower sales (HY21: £22m)

Our well established BPA business delivered a further £1.6 billion of premiums in H1 2022

Growth

Premiums



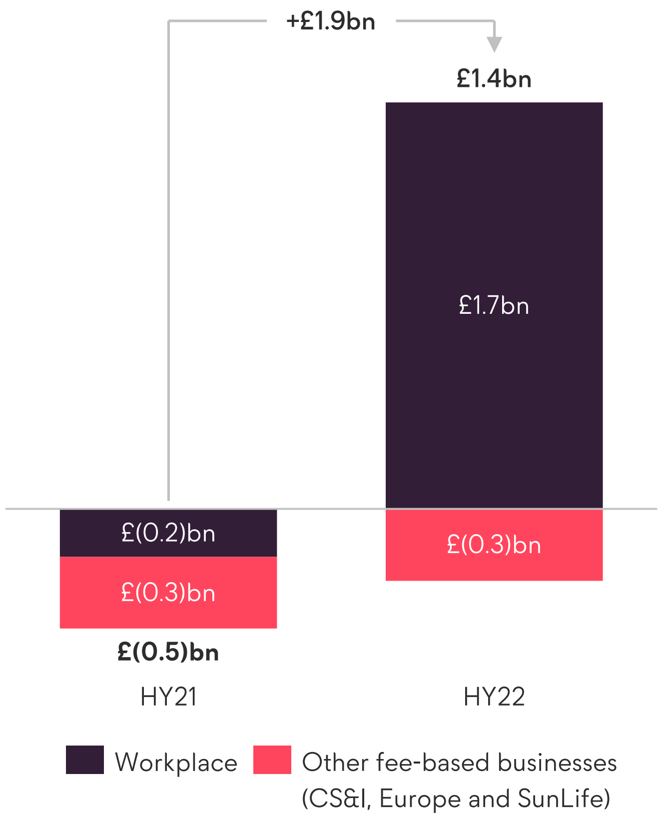
Deal economics	FY21	HY22
Capital strain incl. CMP	6.5%	6.2%
Capital strain pre CMP	3.9%	3.8%
Cash multiple	2.6x	2.8x
Payback	8.6 years	6.9 years

Key messages

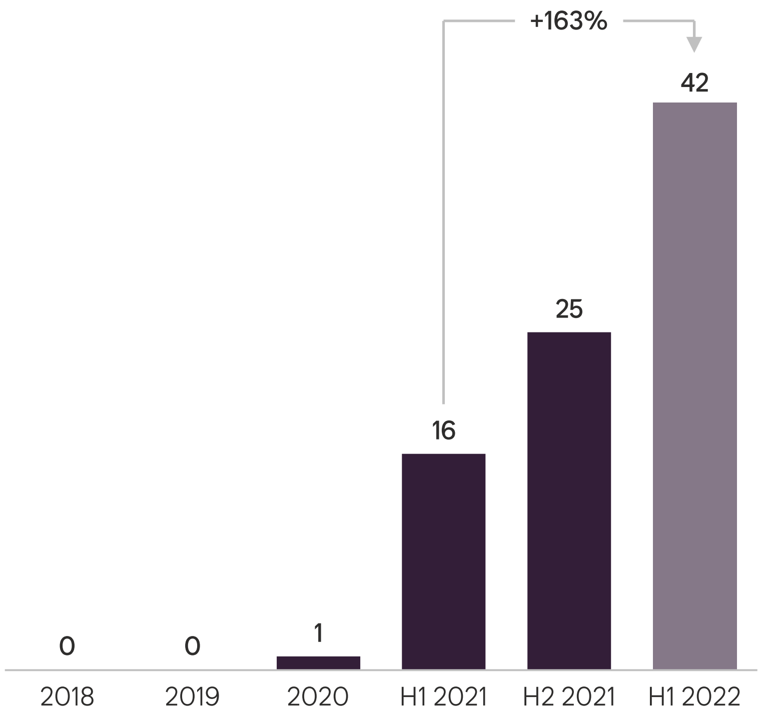
- We expect a total £30-40bn BPA market in 2022 and we are quoting on a strong H2 pipeline
- Completed 6 external transactions in H1 covering £1.6bn of liabilities
- We have already completed 2 transactions in H2 covering £1.1bn of liabilities and are exclusive on a further £0.5bn transaction due to complete in Q3
- We also expect to complete the buy-in of the remaining c.£600m of our Pearl Pension Scheme liabilities in H2
- Continue to target the investment of around £300m of total capital into BPA during 2022 including the Pearl Scheme, with £102m of capital invested in H1
- We will maintain our pricing discipline by prioritising "value over volume" and expect to see broadly similar deal economics in H2

Investment in our organic growth strategy is delivering clear momentum in our fee-based Workplace business

Fee-based business net flows



Continued positive momentum in Workplace new scheme wins



Workplace: £1.7bn of net inflows

- The investment made into our Workplace proposition and the Standard Life brand is delivering strong momentum:
  - ✓ Positive net inflows of £1.7bn in H122, versus net outflows of £0.2bn at H121
- New schemes won in 2022 will continue to boost future flows following scheme transitions (typically 12 month time lag)
- Supporting customers through our money wellness engagement initiatives provides resilience amid difficult macro backdrop

Our IFRS operating profit remained strong at £507 million

Cash Resilience Growth

	HY21	HY22
Heritage	£375m	£280m
Open	£178m	£287m
Service company	£2m	£(26)m
Group costs	£(28)m	£(34)m
Operating profit before tax	**£527m**	**£507m**
Investment return variances and economic assumption changes	£(824)m	£(1,076)m
Amortisation and impairment of intangibles	£(299)m	£(258)m
Other non-operating items	£28m	£(280)m
Finance costs	£(111)m	£(103)m
Profit before tax attributable to non-controlling interest	£51m	£31m
(Loss) before tax attributable to owners	**£(628)m**	**£(1,179)m**
Tax (charge)/credit attributable to owners	£(39)m	£303m
(Loss) after tax attributable to owners	**£(667)m**	**£(876)m**

Key messages

- Heritage operating profit decreased due to lower with-profit expected return, and adverse experience and assumption changes
- Open business operating profit increased due to stronger new business profit from BPAs and positive methodology changes
- Service company and Group costs reflect enlarged Group with new capabilities to support growth
- Adverse investment return variances primarily driven by accounting losses due to higher yields and widening of credit spreads
- Other non-operating items include one-off costs relating to the re-phased Standard Life platform migration, as well as IFRS 17 costs and investment in growth
- Tax credit due to reduction in deferred tax liability following adverse market movements in H1

Phoenix will continue to deliver on its financial framework

Cash Resilience Growth

	Strong H1 2022 progress against targets	2022 targets
Cash	✓ Strong cash generation of £950m in H1 2022 ✓ Interim dividend declared of 24.8p (3% increase YOY)	• Deliver top-end of £1.3bn-£1.4bn cash generation target range for 2022 • 2.5% inorganic dividend proposed for the acquisition of Sun Life of Canada UK
Resilience	✓ £4.7bn SII surplus and 186% Shareholder Capital Coverage Ratio ✓ 27% Fitch leverage ratio	• Maintain SII SCCR within 140%-180% target range • Manage Fitch leverage ratio within 25%-30% target range
Growth	✓ Incremental new business long-term cash generation of £430m (109% increase YOY) ✓ Announced our first ever cash funded acquisition	• Confident of delivering organic growth, with incremental new business long-term cash generation >£800m • Complete Sun Life of Canada UK acquisition in Q1 2023

Phoenix Group's dividend policy

The Board intends to pay a dividend that is sustainable and grows over time

Outlook

Andy Briggs
Group Chief Executive Officer

We are embracing our role in society

Our purpose:

Helping people secure a life of possibilities

Customers

Customer obsessed, focused on the outcomes that matter to our c.13m customers

Colleagues

The best talent, with differentiated capability, diverse and highly engaged

Wider society

We are focused on delivering better outcomes for all of our stakeholders, with sustainability considerations fully embedded into all of our business activities

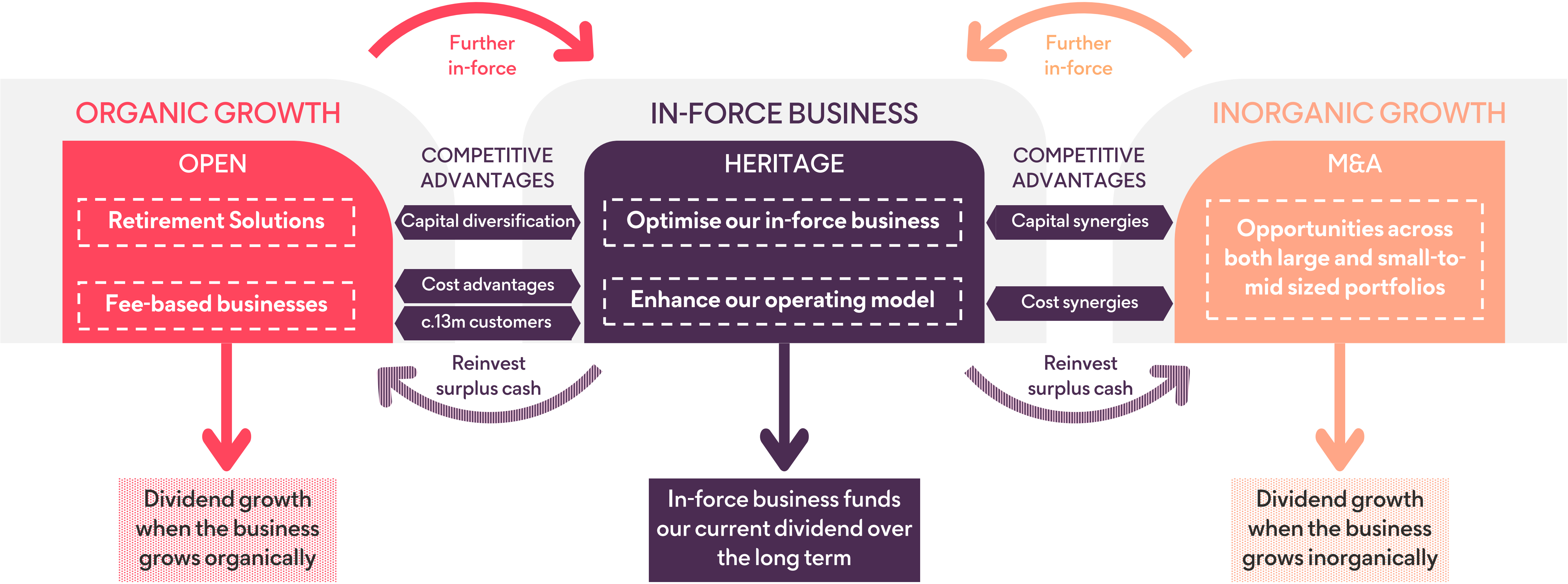
Investors

Allocate resources to the most attractive opportunities, where we have competitive strengths, with clear performance hurdles

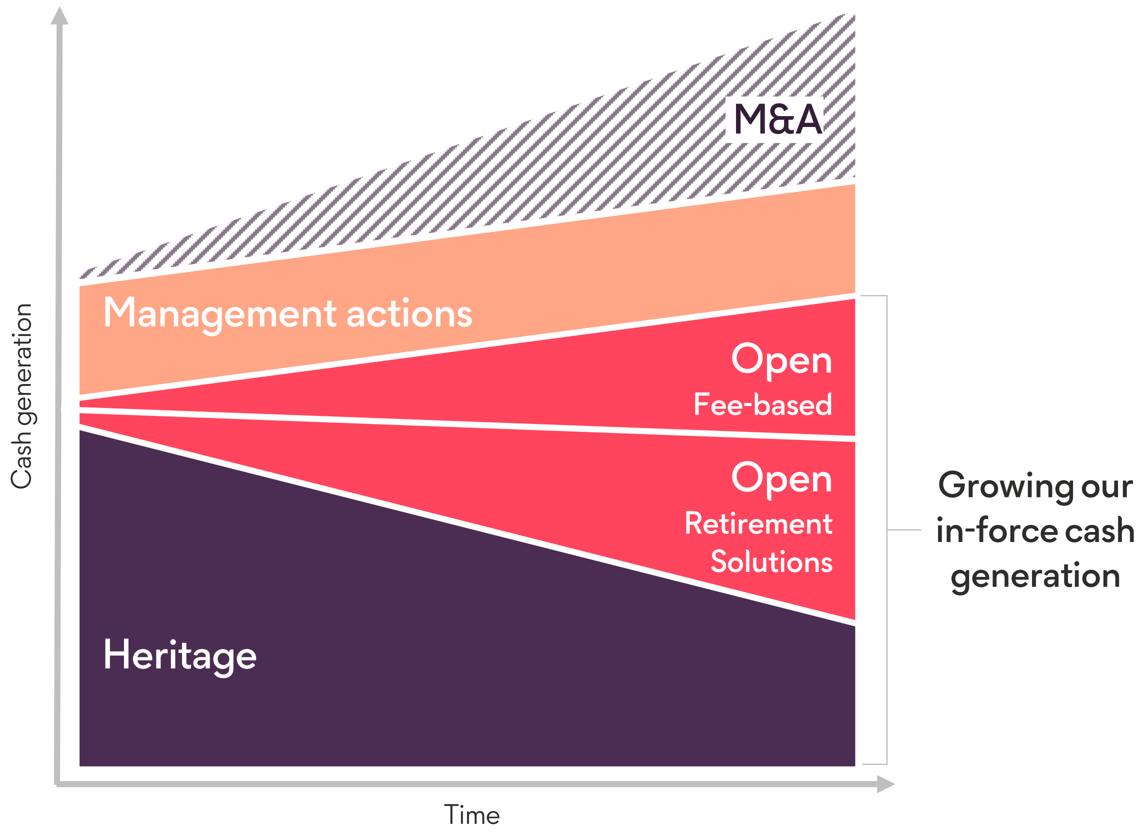
We are leveraging strong market growth trends

Customer income source	Market trend	Flow	H2 2022 outlook	Economic outlook impact
Legacy pension and saving products (Unit linked & with-profits)	Insurers are disposing of their Heritage portfolios via M&A →	**c.£480bn market** →	**M&A** Complete the acquisition of Sun Life of Canada UK in Q1 2023 and continue to assess M&A opportunities	Accelerates growth
Defined benefit schemes (Annuities)	Corporates are de-risking through Bulk Purchase Annuities (BPA) →	**c.£40bn p.a** →	**Retirement Solutions** Strong H2 market; completed 2 transactions, covering £1.1bn of liabilities, and exclusive on a further £1.1bn in H2	Accelerates growth
Defined contribution schemes (Accumulation and decumulation products)	Auto-enrolment is driving strong Workplace growth →	**c.£40bn p.a** →	**Fee-based - Workplace** Expect further scheme wins and invitations to bid for larger schemes	No material impact expected
	Individuals now need to take responsibility for their own retirement planning →	**c.£40bn p.a** →	**Fee-based - Pensions & Savings** Significant focus on developing innovative retirement income solutions	No material impact expected

We have a simple, clear strategy – the whole is greater than the sum of the parts



We are confident of delivering ongoing organic growth and will balance the mix over time…

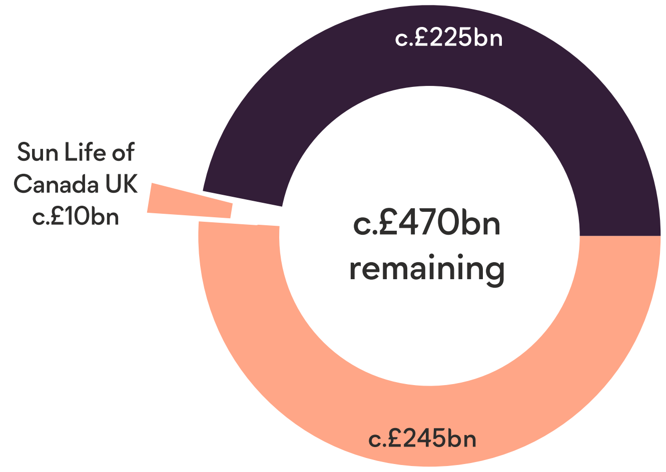


Balancing our future organic growth

- Organic growth is now more than offsetting the Heritage run-off, delivering growth in our in-force cash generation
- Our Open business strategy leverages the key drivers of growth and will balance capital-heavy BPA with capital-light fee-based business over time
- We will do a deep dive on the Open business at our Capital Markets Day on 6 December 2022

...and continue to target further inorganic growth, which remains a key part of our growth strategy

Significant M&A opportunities remain available



Estimated UK Heritage M&A market size

Large acquisitions

- Small number of large portfolios, with consideration of >£1bn

Small-to-mid sized acquisitions

- Larger number of small-to-mid sized portfolios, with estimated consideration of <£1bn
- Can be funded from our own resources

Simplifying our future dividend approach

- The expected value creation from the acquisition of Sun Life of Canada UK supports a proposed 2.5% inorganic dividend increase
- We continue to expect to see further M&A over time
- Now that we are delivering organic and inorganic growth the Board intends to simplify our future dividend communications
- In future years, we will announce any potential annual dividend increase at our full year results, that combines both organic growth and inorganic growth

Phoenix is unique in the insurance sector

Phoenix will continue to deliver:

Cash + **Resilience** + **Growth**

Cash	Resilience	Growth
In-force business covers our dividend over very long term	Uniquely resilient capital position	Growing organically and inorganically

Phoenix is a growing business with a defensive balance sheet, and offers a uniquely reliable dividend that is sustainable and grows over time

Q&A

Phoenix

Investor Relations activity and contacts

25 August	Ex-dividend date for 2022 Interim dividend
26 August	Record date for 2022 Interim dividend
September-October	Half year 2022 results investor roadshow
12 September	Payment date for 2022 Interim dividend
12 September	Barclays Global Financial Services Conference in New York City (in person)
13-16 September	North American investor roadshow (in person)
6 December	Phoenix Group Capital Markets Day

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Appendices

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Appendices

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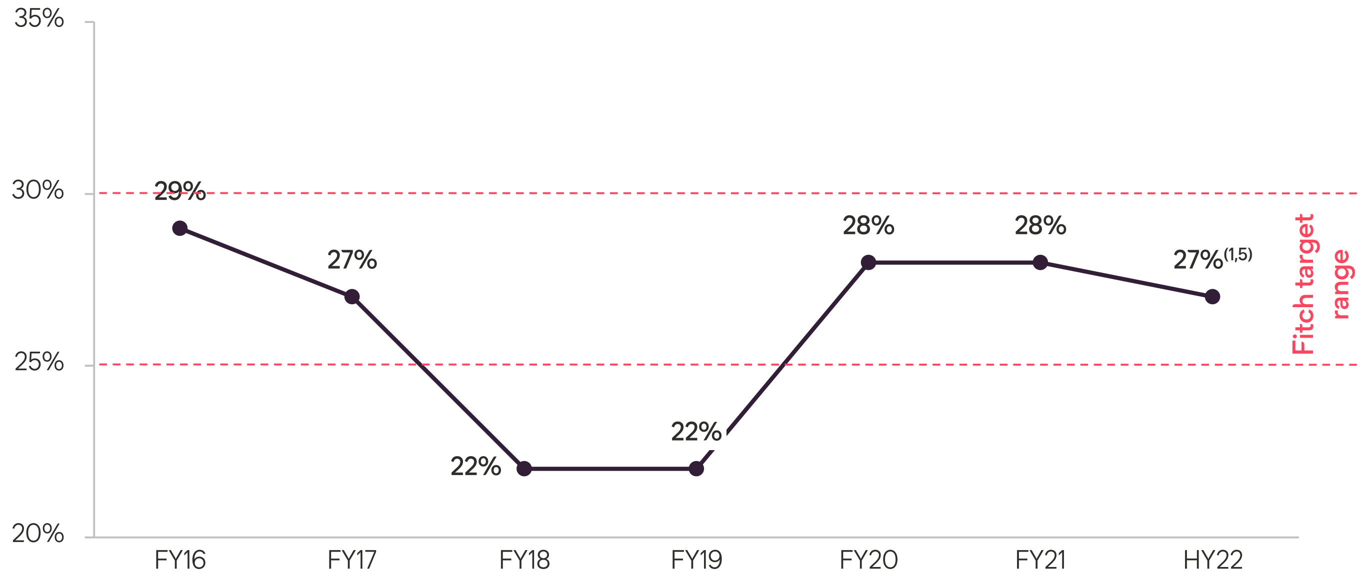
Appendix 1: Leverage ratios

Fitch leverage ratio



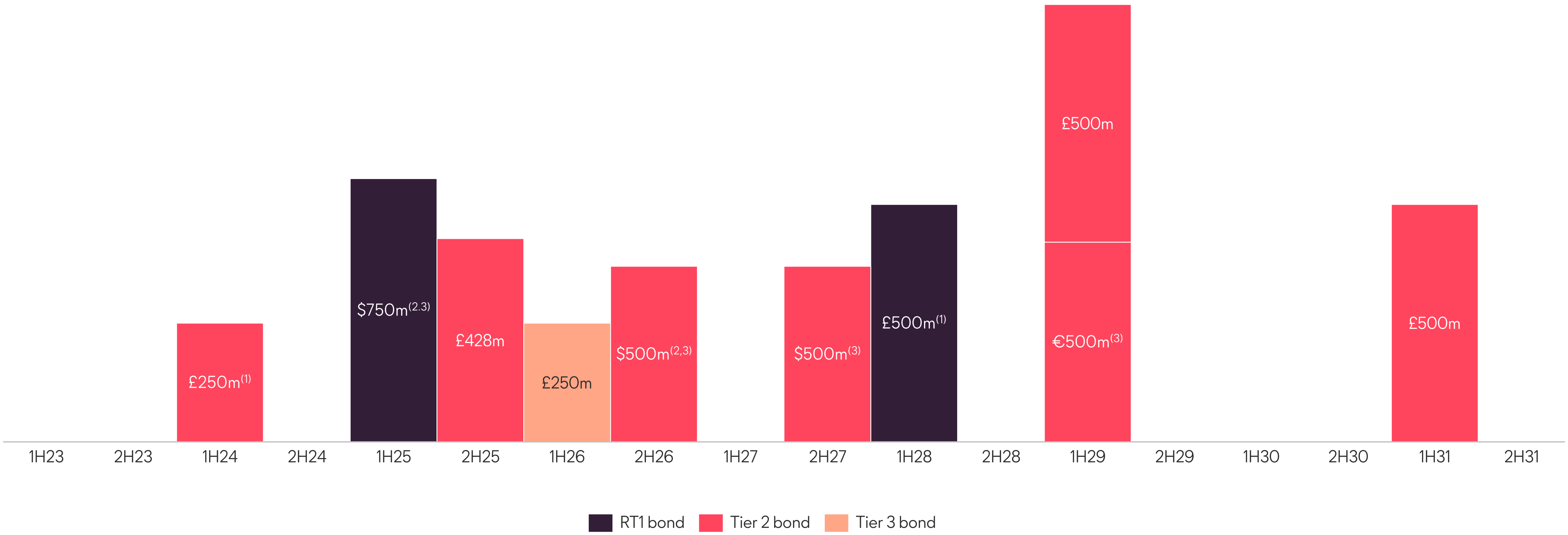
Leverage ratios

	FY21	HY22
Fitch basis[2,5]	28%	27%
IFRS basis[3,5]	44%	44%
SII leverage[4,5]	31%	31%

- IFRS leverage ratio classifies RT1 as debt
- We estimate a funding capacity for inorganic growth as at HY22 of c.£1.3bn (pre funding of Sun Life of Canada UK acquisition)

(1) Phoenix calculated
(2) The Fitch leverage calculation = debt (senior debt + RCF + T2 bonds + T3 bonds) / debt + equity (Shareholder equity + Unallocated surplus + RT1)
(3) IFRS leverage calculation = debt (all debt including RT1) / debt + equity (Shareholder equity only)
(4) SII leverage calculation = debt (all debt including RT1) / SII regulatory Own Funds
(5) HY22 leverage ratio is pro forma for a £450m debt repayment made in July and allowing for currency hedges over foreign currency denominated debt

Appendix 2: Debt maturity profile as at 15 August 2022



(1) First call date

(2) First reset date

(3) All currency debt converted into GBP based on the closing 30 June 2022 exchange rates

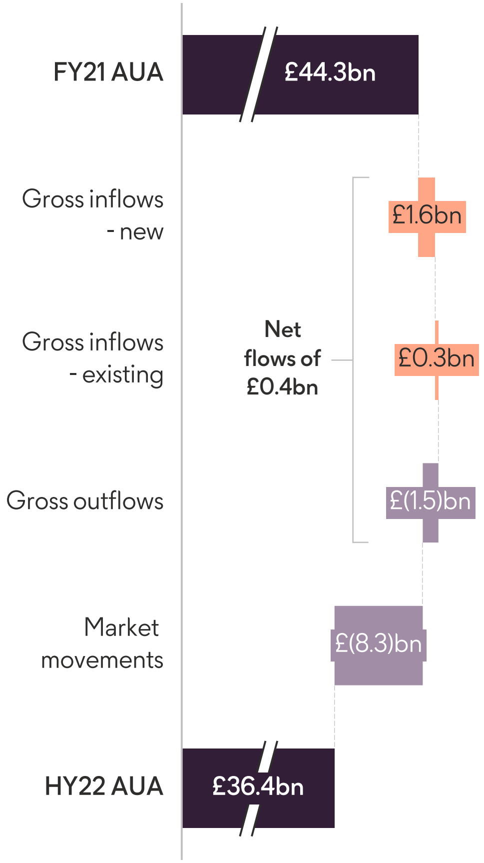
Appendix 3: Movement in assets under administration

	Net flows
Heritage	£(4.9)bn
Open	£1.8bn

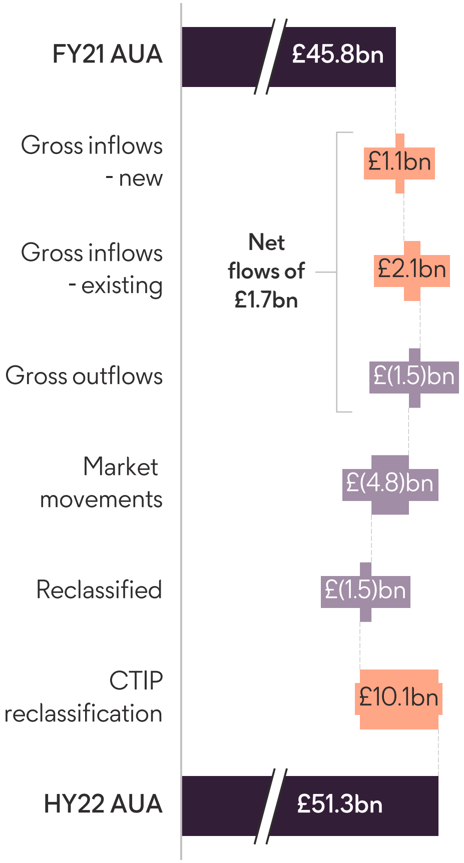
(1) The Corporate Trustee Investment Plan product is open to new business and has therefore been transferred from the Heritage business to the Open business

Appendix 4: Open business segments movement in assets under administration

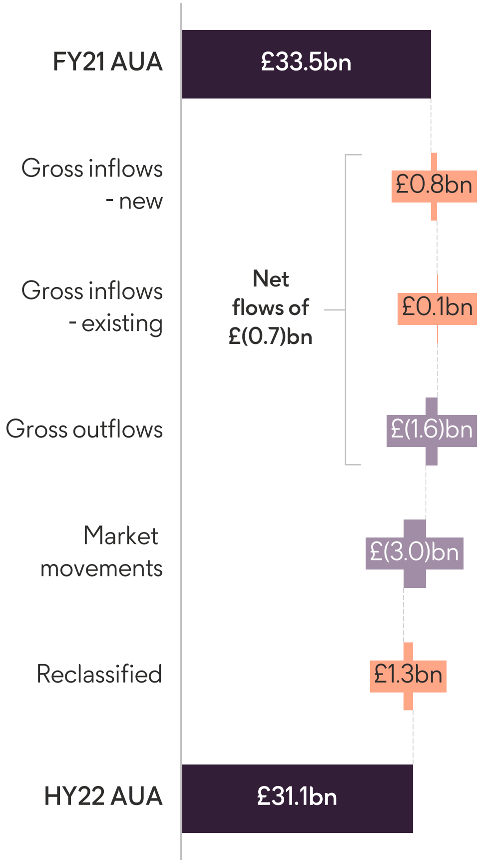
Retirement Solutions



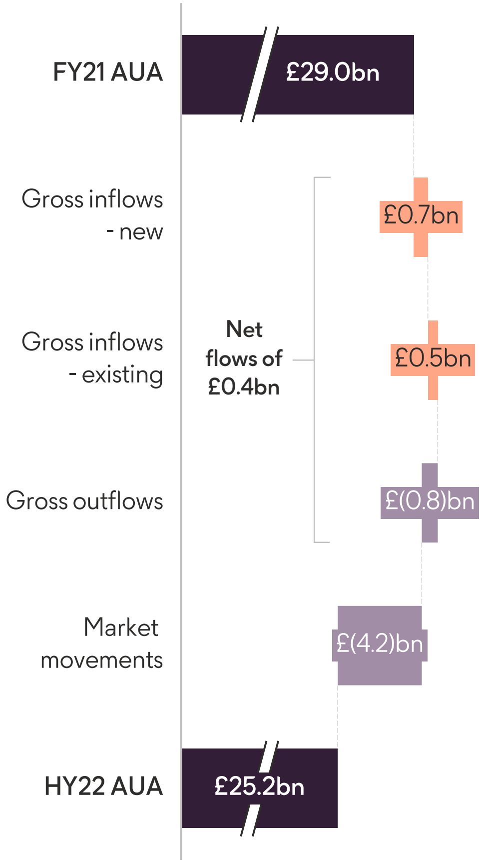
Workplace



CS&I

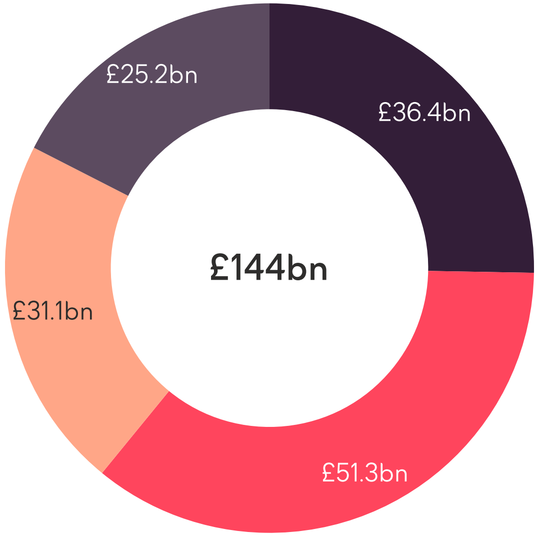


Europe

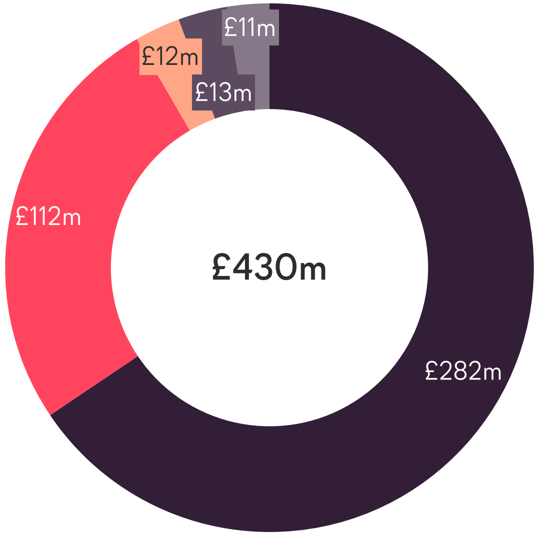


Appendix 5: Breakdown of Open business segments as at 30 June 2022

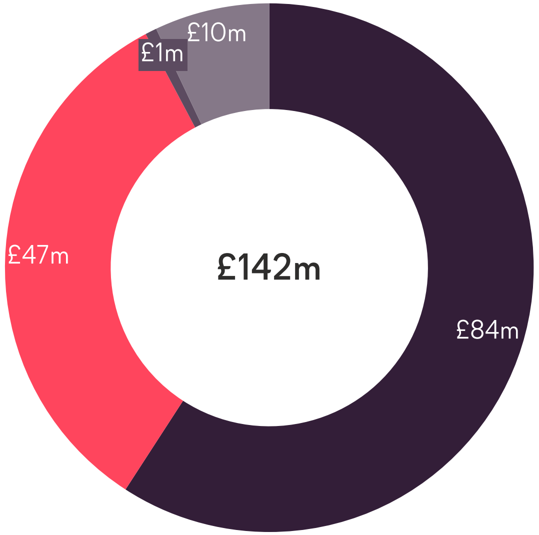
Assets under administration



New business LTCG

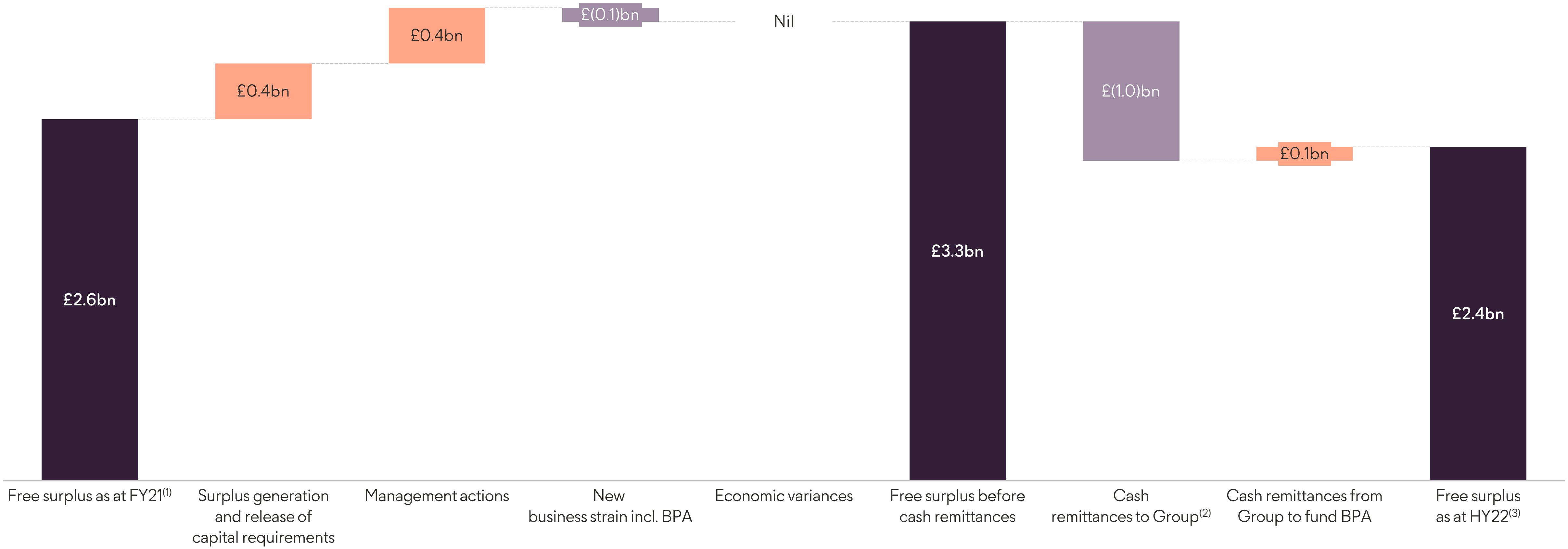


New business contribution



Retirement Solutions Workplace CS&I Europe SunLife

Appendix 6: Change in Life Company Free Surplus



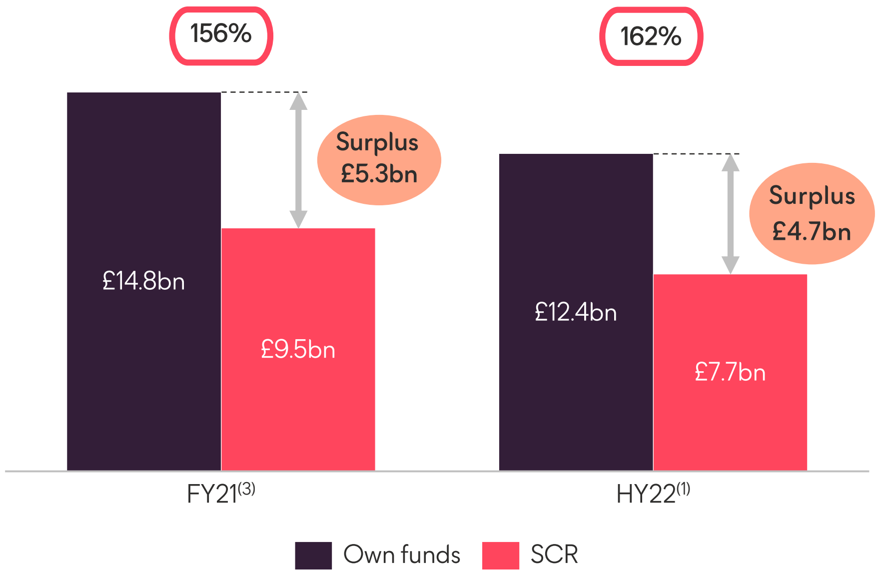
(1) 31 December 2021 Life Company Free Surplus is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2021

(2) Cash remitted excludes tax relief payments to Group

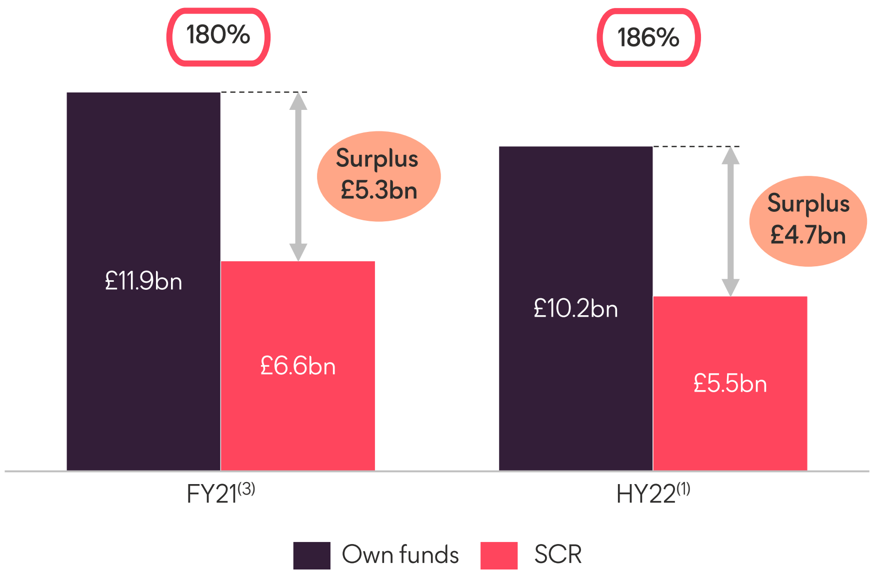
(3) 30 June 2022 Life company Free Surplus is an estimated position and reflects a dynamic recalculation of transitionals as at 30 June 2022. Had the dynamic recalculation not been assumed, the Life Company Free Surplus would increase by £0.4bn

Appendix 7: Estimated PGH Solvency II surplus and coverage ratios

PGH SII coverage ratio[1]



PGH Shareholder Capital Coverage Ratio[1,2]

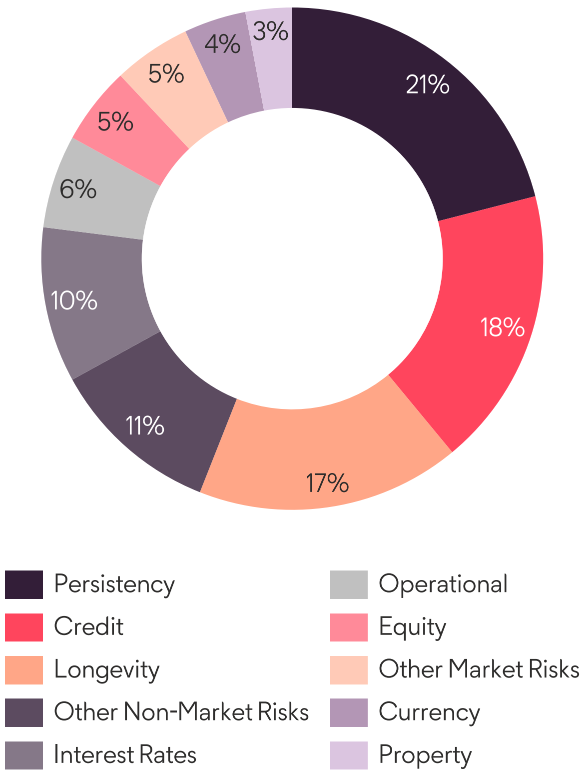


	FY21	HY22
PGH Solvency II Own Funds	£14.8bn	£12.4bn
Less: Unsupported with-profit funds	£(3.0)bn	£(2.2)bn
Adjustment for unsupported pension schemes and restrictions	£0.1bn	Nil
PGH Shareholder Own Funds	£11.9bn	£10.2bn

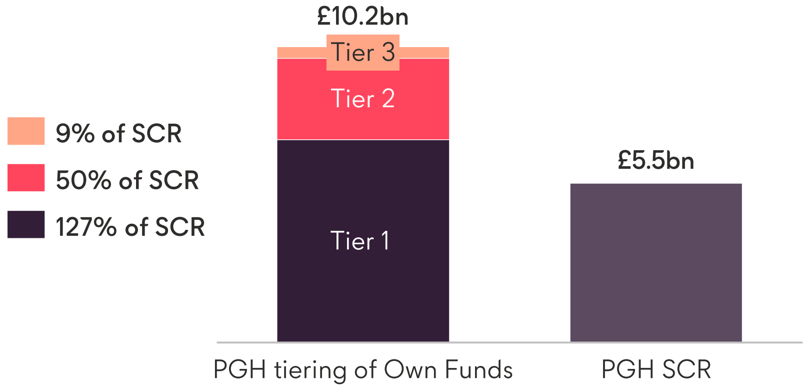
See Appendix 17 for footnotes

Appendix 8: Additional Solvency II disclosures

Estimated HY22 SCR by risk type[1]



HY22 PGH Own Funds by capital tier[2]



Share of SII Own Funds by capital tier

	£bn	%
Tier 1[3]	£7.0bn	68%
Tier 2	£2.8bn	27%
Tier 3	£0.4bn	5%
Total	**£10.2bn**	**100%**

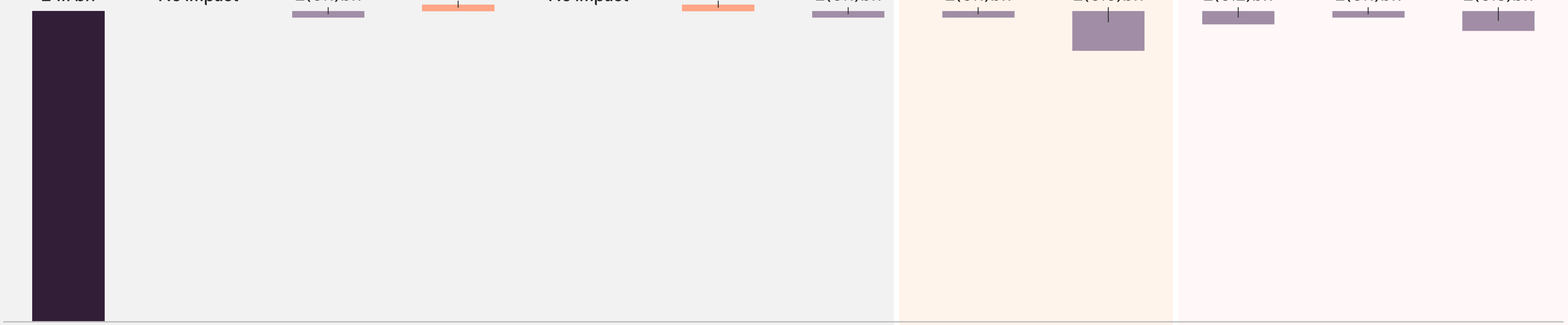
[1] Split of SCR pre diversification benefits and on a Shareholder Capital basis

[2] The Solvency II capital position is an estimated position and reflects is an estimated position and reflects a dynamic recalculation of transitionals as at 30 June 2022 and recognition of the foreseeable Interim 2022 shareholder dividend of £248m

[3] Tier 1 includes £1.1bn of Restricted Tier 1 capital at fair value

Appendix 9: PGH Solvency II Regulatory Capital Coverage Ratio sensitivities

	Unrewarded market risks[10]							Demographic risks[10]		Rewarded market risks[10]		
	Base position	**Equities** 20% fall in markets	**Long-term rates** 80bps rise in interest rates[10]	**Long-term rates** 70bps fall in interest rates[10]	**Long-term inflation** 70bps rise[11]	**Currency** 15% reduction[15]	**Currency** 10% increase[15]	**Lapse** 10% increase/ decrease in rates[16]	**Longevity** 6 months increase[17]	**Property**[†] 12% fall in values[18]	**Credit** 135bps spread widening[12]	**Credit**[††] 20% portfolio full letter downgrade[13]
Impact on Solvency II surplus	£4.7bn	No impact	£(0.1)bn	£0.1bn	No impact	£0.1bn	£(0.1)bn	£(0.1)bn	£(0.6)bn	£(0.2)bn	£(0.1)bn	£(0.3)bn
Impact on RCR	162%	1%	3%	(3)%	0%	0%	0%	(1)%	(8)%	(3)%	Nil	(5)%



[†] Property lending includes ERM and Commercial Real Estate
[††] Downgrade sensitivity includes an estimate for realistic management actions
See Appendix 17 for footnotes

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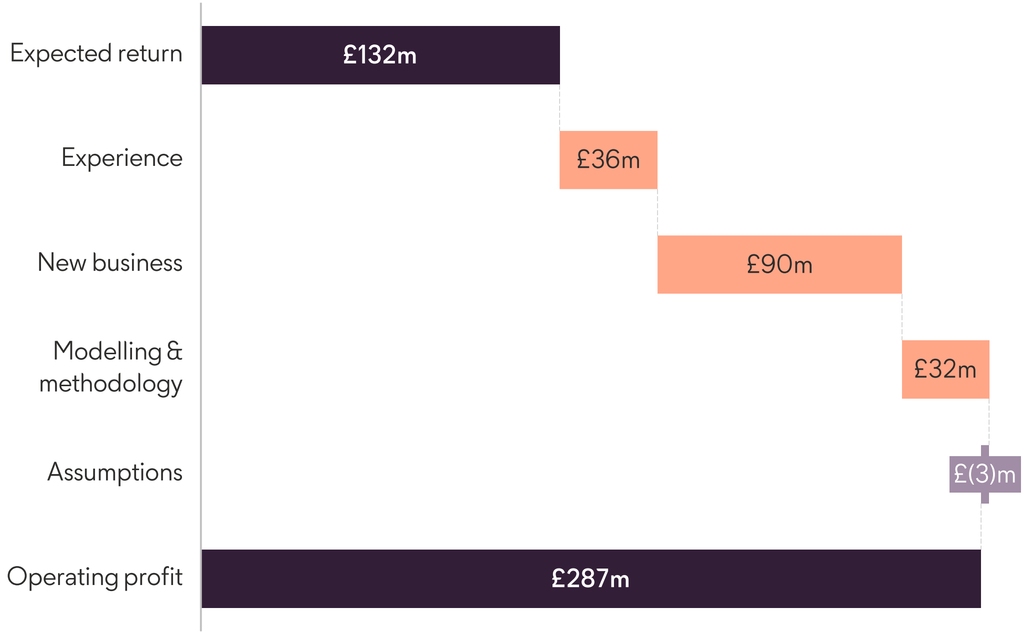
Appendix 10: H1 2022 operating profit drivers

Heritage

Open

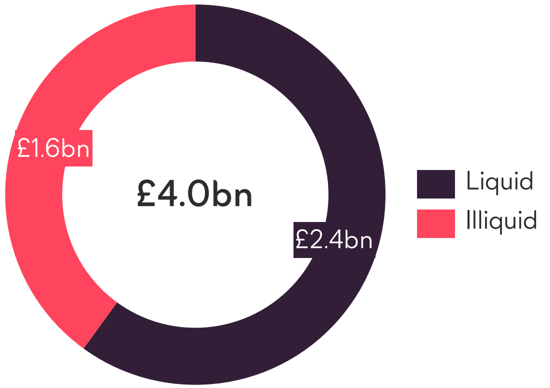


Operating earnings per share[1]	33.9p

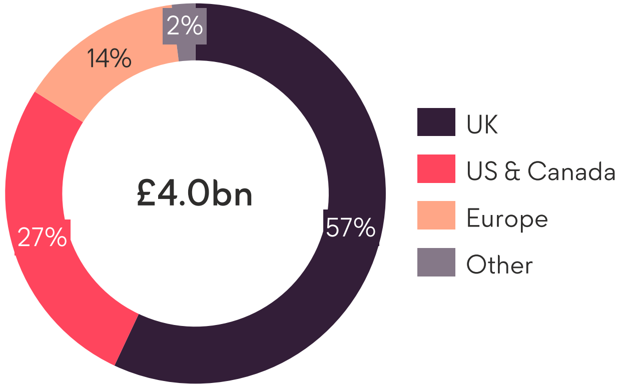
[1] Operating earnings per share is calculated using operating profit less financing costs, after tax divided by the weighted average number of ordinary shares in issue during the period

Appendix 11: Asset origination as at 30 June 2022

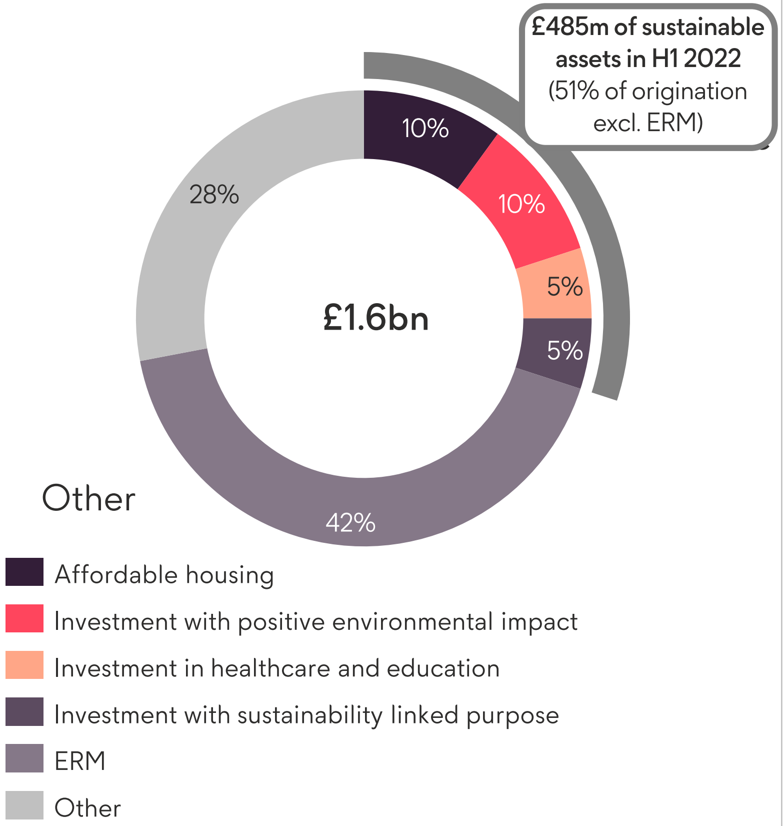
2022 asset origination by type



2022 asset origination by geography



2022 illiquid assets by type



H1 2022 average credit rating of AA-

Key messages

- Utilised liquid credit spread widening to originate more liquid credit at strong yields in the first half and preserve illiquid capacity for when spreads improve
- Selective investments in the illiquid market enabled us to achieve a strong c.60bps illiquidity premium in H1 2022
- Actively seeking to diversify credit portfolio with US & Canadian credit, with c.£1bn of origination in H1
- Continue to invest in a range of sustainable assets, accounting for >50% of our illiquid origination excl. ERM in H1

Appendix 12: Diversification of illiquid asset portfolio as at 30 June 2022

Equity Release Mortgages
£4.1bn with AA rating

- Broad regional spread with average LTV of 31%
- Secured on property assets with average time to redemption 11 years

Private Corporate Credit
£1.6bn with A- rating

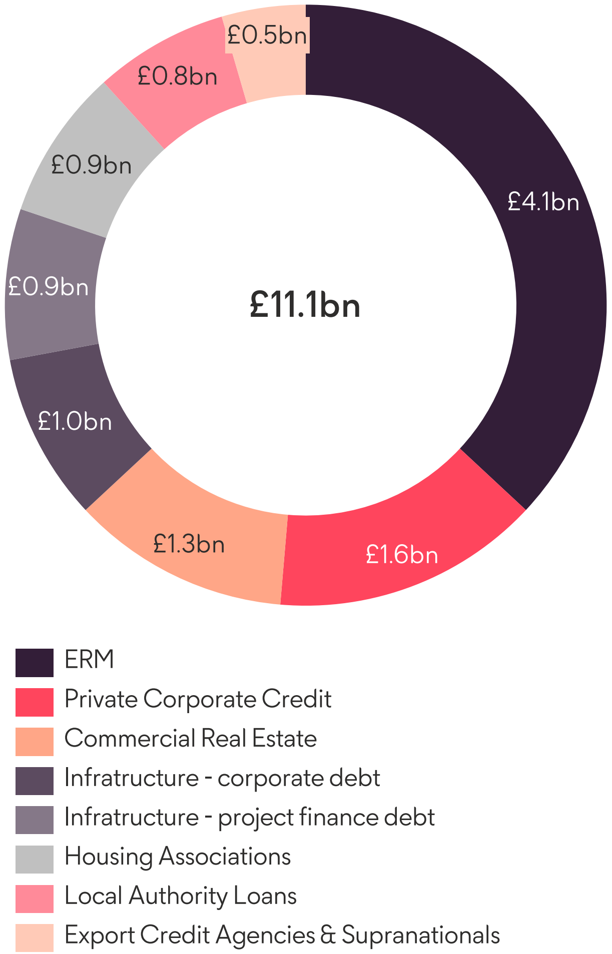
- Diversified portfolio with c.35% of exposure secured on variety of assets
- Loans across 53 different counterparties

Commercial Real Estate
£1.3bn with BBB rating

- Structured with robust covenant protection, a combination of loan-to-value and interest coverage ratio
- c.95% of portfolio LTV ≤60%

Infrastructure – corporate debt
£1.0bn with BBB rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- c.14% of portfolio backed by UK Government (directly or indirectly)



Infrastructure – project finance debt
£0.9bn with BBB rating

- Secured on cash flows from long-term contracts with highly rated counterparties
- c.63% of portfolio backed by UK Government (directly or indirectly)

Housing Associations
£0.9bn with A rating

- 100% of portfolio is secured on assets
- Average loan size of £16m across 26 different counterparties

Local Authority Loans
£0.8bn with A+ rating

- Unsecured but with implicit Government support
- Loans across 36 different counterparties

Export Credit Agencies & Supranationals
£0.5bn with AA rating

- 100% of portfolio is Government-backed
- Loans across 7 different counterparties

Appendix 13: Credit quality by sector for shareholder debt portfolio

Average credit rating by sector (HY22 vs FY21)

Sector	HY22	HY22	AA	A	BBB	Δ vs FY21
ERM	£4.1bn	12%	HY22, FY21			↔
Consumer, cyclical	£1.2bn	4%			HY22, FY21	↔
Industrials	£1.2bn	4%		HY22	FY21	↑
Real Estate	£4.0bn	12%		HY22, FY21		↔
Consumer, non-cyclical	£2.1bn	6%		HY22, FY21		↔
Tech and Telecoms	£1.9bn	5%		HY22, FY21		↔
Utilities	£2.3bn	7%			HY22, FY21	↔
Insurance	£0.8bn	2%		HY22, FY21		↔
Oil and gas	£0.6bn	2%		HY22, FY21		↔
Infrastructure	£1.9bn	6%			HY22, FY21	↔
Gilts/Sovereign/Supra/Sub-sovereign	£8.4bn	25%	HY22, FY21			↔
Banks	£4.0bn	12%		HY22, FY21		↔
Financial Services	£0.8bn	2%		HY22, FY21		↔
Other	£0.5bn	1%		HY22, FY21		↔
Total	**£33.8bn**	**100%**				

● HY22 ● FY21

Appendix 14: Integration synergies

	ReAssure			
	In H1 2022	Cumulative	Revised target	% of revised target
Capital synergies (net of costs)	£5m	£693m	£600m	116%
Cost synergies[21] (per annum)	£15m	£42m	£50m	85%
Integration costs[22] (net of tax)	£11m	£39m	£50m	78%
Total value[23]	**£148m**	**£1,078m**	**£1,050m**	**103%**

See Appendix 17 for footnotes

Appendix 15: ESG ratings and collaborations

ESG ratings

Ratings agency	FY21	HY22	Change
MSCI	A	A	↔
Sustainalytics	20.0 / low risk	19.8 / low risk	↑
CDP	B	B	↔
Dow Jones Sustainability Index	69th percentile	69th percentile	↔
FTSE4Good	76th percentile	75th percentile	↓

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

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

Appendix 16: 2022 sustainability targets

Investing in a sustainable future

Theme	2022 targets
Integrating sustainability considerations into our investment decision making process	Data gathering framework and tracking established for listed equity and credit where we exercise influence and control
Investing responsibly	• Alignment to the UK Stewardship Code in readiness for certification in 2023 • 60%[1] origination of Sustainable Investments (illiquid assets within our shareholder portfolio excl ERM) • £250m invested into Climate Solutions for the policyholder assets
Tracking our decarbonisation goals	Develop and submit for validation emission reduction targets in line with the SBTi financial sector guidance
Engaging to drive system change	Working with partners to increase ambition, transparency and tackle barriers to net zero investment

Engaging people in better financial futures

Theme	2022 targets
Empowering better financial decision making	• Launch financial inclusion strategy, focused on a specific underserved customer group, providing targeted support to empower better financial decisions • 1 million Phoenix Group customers are directly offered the chance to review our Digital Literacy materials and/or initiatives in 2022
Enhancing our fund and product offering	Move £15bn AUM and 1.5m customers invested in the Active Plus and Passive Plus workplace default solutions to our new sustainability strategy
Creating a national conversation	• Launch a programme of public engagement on longer lives • Launch Longer Lives Index
Advocating for change	Launch guidance gap campaign

Building a leading responsible business

Theme	2022 targets
Investing in our people and culture	7.8 out of 10 average colleague engagement score
Reducing the environmental impact of our operations	20% reduction (2022 versus 2021 target) in Scope 1 and 2 emission intensity from occupied premises per full time employee
Building a sustainable supply chain	75% of key suppliers commit to SBTi or Race to Zero
Supporting our communities	40% of colleagues actively involved in supporting community engagement activities (Group-wide)

(1) Subject to regulatory and market conditions

Appendix 17: Footnotes

1. 30 June 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 interim dividend of £248m. Had the dynamic recalculation not been assumed, the Solvency II surplus and the Shareholder Capital Coverage Ratio would increase by £0.4bn and 10% 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. 31 December 2021 Solvency II capital position is an estimated position and reflects a regulator approved recalculation of transitionals as at 31 December 2021
4. Based on shareholder Own Funds on Sun Life of Canada UK's Standard Formula basis as at 31 December 2021, net of adjustment for expected items as at completion
5. Dividends rebased to take into account the bonus element of rights issues
6. Leverage ratio is pro forma for a £450m debt repayment made in July and allowing for currency hedges over foreign currency denominated debt
7. FCF definition: £4.0bn cash generation expected over 2022-2024, less mandatory outgoings over the same period. Net cash divided over three years to provide annualised position
8. £1.1bn of operating costs and interest includes: Group operating expenses of £247m, £47m in relation to the Group's pension schemes; integration costs of £87m net of tax, split £69m on Standard Life integration and £18m on Reassure integration; and £692m interest costs on Group's listed debt and senior debt to be incurred
9. £1.5bn dividend cost based on annual dividend cost of £0.5bn per annum
10. Scenario assumes stress occurs on 1 July 2022 and that there is no market recovery
11. 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
12. Stress reflects a structural change in long-term inflation with an increase of 70bps across the curve

Appendix 17: Footnotes cont.

13. 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
14. 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
15. New business strain comprises BPA £(62)m (pre capital management policy), £(9)m across Workplace and CS&I, Europe £(14)m, with an offsetting £6m in SunLife
16. A 15% weakening/10% strengthening of GBP exchange rates against other currencies
17. Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups
18. Applied to the annuity portfolio
19. Property stress represents an overall average fall in property values of 12%
20. All sensitivities as at 30 June 2022, sourced from company disclosure and scaled for comparability where necessary
21. ReAssure cost synergy targets and delivered are shown net of costs
22. Integration costs incurred to date excludes amounts provided for and reflects actual costs incurred to date
23. Synergy value includes capital synergies plus capitalised cost synergies (over 10 years), plus one-off costs, less integration costs, all of which are net of tax

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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.

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