Delivering cash, capital and earnings

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Group Chief Financial Officer

The Group has had a positive first year executing against its 3-year strategy and financial framework targets, with our strong operating momentum delivering sustainable cash generation and improved financial flexibility to support our strategic priorities.

I am delighted to have joined Phoenix Group, a company with a strong purpose, clear vision, and compelling growth prospects in its chosen market segments, all of which I passionately connect with.

The Group has made a positive start in executing against its 3-year strategy and financial framework targets, and I look forward to working with Andy, the broader management team, the Board and our colleagues to build the UK's leading retirement savings and income business, while delivering growing returns to our shareholders.

> The Group operates a financial framework that focuses on the delivery of three key financial outcomes for our shareholders: cash, capital and earnings.

Our operating momentum will underpin our financial progress

In 2024 the Group has raised its operating profitability levels, reporting a 22% increase in Operating Cash Generation ('OCG') and a 31% rise in IFRS adjusted operating profit. This higher performance level was supported by sustainable and profitable growth in our Pensions and Savings and Retirement Solutions businesses. We have, therefore, made a positive start in executing against our 3-year financial framework targets and have built good momentum in delivering sustainable cash generation and improved financial flexibility to support our strategic priorities.

These priorities involve attaining leading positions in our chosen market segments of workplace pensions and annuities, through a c.£700 million investment over 2024–26 to enhance our capabilities and simplify our business. Alongside this we aim to reduce our Solvency II leverage ratio to c.30% from the current 36% level, while operating in the top half of our 140–180% Shareholder Capital Coverage Ratio ('SCCR') operating range.

2024 financial summary

Financial performance metrics:		2024	2023	YOY change
Cash	Operating Cash Generation[1]	£1,403m	£1,146m	+22%
	Total cash generation[1]	£1,779m	£2,024m	-12%
Solvency II capital	PGH Solvency II surplus	£3.5bn	£3.9bn	-10%
	PGH Shareholder Capital Coverage Ratio[1]	172%	176%	-4%pts
	Solvency II leverage ratio[1]	36%	36%	–
IFRS	Adjusted operating profit[1]	£825m	£629m[2]	+31%
	(Loss)/Profit after tax attributable to owners	£(1,078)m	£84m[2]	n/a
	Shareholders' equity	£1,213m	£2,742m[2]	-56%
	Contractual Service Margin (gross of tax)	£3,257m	£2,853m	+14%
	Adjusted shareholders' equity[1]	£3,656m	£4,882m[2]	-25%
Assets	Assets under administration[1]	£292bn	£283bn	+3%
Dividend	Final dividend per share	27.35p	26.65p	+2.6%
	Total dividend per share	54.00p	52.65p	+2.6%

1 Denotes metrics that are alternative performance measures ('APMs') – further information can be found on pages 334 to 339.
2 The Group identified material corrections to previously reported results, leading to the restatement of 2023 adjusted operating profit from £617 million reported to £629 million, the 2023 loss after tax from £88 million as reported to a profit of £84 million, the 2023 shareholders' equity from £2,496 million as reported to £2,742 million, and 2023 adjusted shareholders' equity from £4,636 million as reported to £4,882 million. Further information on this restatement can be found in note A3 to the consolidated financial statements.

Upgraded financial targets

Our successful execution in 2024 has led us to upgrade our 2024–26 cumulative total cash generation target from £4.4 billion to £5.1 billion and the 2026 IFRS adjusted operating profit target from £900 million to c.£1.1 billion. Delivery of this higher level of performance will improve our financial flexibility to support the execution of our strategy and underpin our progressive and sustainable dividend policy.

Delivering our financial framework

In 2024 we have delivered total cash generation of £1,779 million, exceeding the £1.4–1.5 billion target for the year, with strong growth in OCG to £1,403 million, up 22% year-on-year. OCG more than covered our recurring cash uses and dividend, totalling £1,107 million in the period.

We have therefore achieved our 2026 OCG target of £1.4 billion ahead of time, driven by a higher contribution from recurring management actions of £537 million, exceeding both our c.£400 million per annum target and the prior year contribution of £313 million. The higher contribution from management actions shows how the faster than planned investment we made to develop our in-house asset management capabilities is bearing fruit. The balance of the increase comes from cost efficiencies and new business which have offset the impact of the natural run-off of our in-force business.

Our resilient capital position with a Solvency II surplus of £3.5 billion has enabled us to repay £250 million of debt and invest £354 million across our strategic priorities to grow, optimise and enhance our business. Our growing recurring capital generation means that our SCCR has remained resilient at 172% and in the top half of our target range of 140–180%.

The improvement in the Group's operating performance is also evident in the 31% rise of our IFRS adjusted operating profit to £825 million, with both of our Pensions and Savings, and Retirement Solutions businesses, reporting profit increases.

The higher IFRS adjusted operating profit from Pensions and Savings reflected higher revenues from a growing asset book and lower operating costs. IFRS adjusted operating profit for Retirement Solutions was supported by strong growth in the Contractual Service Margin ('CSM') and higher investment returns.

We achieved greater capital efficiency in writing new annuities business, with the capital strain in 2024 reducing to c.3% (2023: c.5%), partly reflecting a gilts-heavy pricing portfolio. This, in turn, enabled us to limit the new business premiums decline to just 10%, despite the one-third planned reduction in allocated capital. The £6.1 billion of new annuity premiums in 2024 generated £203 million of new business CSM and a mid-teens Internal Rate of Return ('IRR').

The statutory loss after tax of £1,078 million in the period is primarily due to adverse economic variances of £1,297 million, reflecting the Group's hedging programme, which aims to protect cash and Solvency II capital from volatility in equities and interest rates. This gives rise to accounting volatility, as several of the Solvency II capital components covered by hedging are not recognised on the IFRS balance sheet. We accept the hedge-related volatility in our IFRS results, as protecting cash and Solvency II capital is a key capital framework objective, underpinning the Group's ability to deliver a progressive and sustainable dividend.

Our Solvency II leverage ratio is unchanged at 36%, despite repaying £250 million of debt in June, which drove a 2%pts reduction in the leverage ratio. The impact of this repayment on the leverage ratio has been offset by a decline in Regulatory Own Funds due to a variety of factors, including investment in our business, the adverse economic effect on Own Funds from the rise in interest rates during 2024, and the impact of the With-Profits run-off.

As a result of our improved operating performance, the Board is recommending a 2.6% increase in the 2024 Final dividend to 27.35p per share, taking the Total dividend for the year to 54.00p per share.

Alternative performance measures

With our financial framework designed to deliver cash, capital and earnings, we recognise the need to use a broad range of metrics to measure and report the performance of the Group, some of which are not defined or specified in accordance with Generally Accepted Accounting Principles ('GAAP') or the statutory reporting framework.

We use a range of alternative performance measures ('APMs') to evaluate our business, which are summarised on **pages 334 to 339**

Cash

£1,403m
Operating Cash Generation APM

£1,779m
Total cash generation REM APM

Operating Cash Generation

OCG represents the sustainable level of ongoing cash generation from our underlying business operations that is remitted from our Life Companies to the Group.

In 2024, OCG grew 22% to £1,403 million (2023: £1,146 million). This was partly driven by an increase in surplus emergence to £866 million (2023: £833 million). The growth is supported by new business written and an initial capitalisation benefit from our ongoing cost savings programme, which have offset the natural run-off of our in-force business.

The remaining £537 million was generated through increased recurring management actions (2023: £313 million). The majority of these actions were portfolio optimisation actions, contributing £323 million, with a further £122 million representing the capitalised effect of fee reductions associated with fund simplification actions, and an additional £92 million from capital improvement actions. This level of recurring management actions has exceeded our target of c.£400 million in 2024 and beyond, supported by the investment we have made to accelerate the development of our in-house asset management capabilities. This strong performance gives us confidence this is repeatable going forward.

Given the importance of this cash measure in tracking the Group's progress, in 2025 we intend to provide additional analysis of the drivers of OCG by business segment. In 2024, c.£850 million of OCG was from Retirement Solutions and c.£350 million was from Pensions and Savings. The remaining c.£200 million of OCG was from Europe, With-Profits and Other.

Importantly, OCG of £1,403 million more than covered recurring uses of cash in the period of £1,107 million, which includes dividends, operating costs, debt interest payments and annuities new business capital.

Phoenix Group holding companies' sources and uses of cash

£m	2024	2023
Cash and cash equivalents at 1 January	**1,012**	**503**
Operating Cash Generation	1,403	1,146
Non-operating cash generation	376	878
Total cash generation[1]	**1,779**	**2,024**
Recurring uses of cash:		
Operating expenses	(132)	(113)
Debt interest	(236)	(229)
Shareholder dividend	(533)	(520)
Support of annuities activity	(206)	(288)
Total recurring uses of cash	**(1,107)**	**(1,150)**
Non-recurring uses of cash:		
Non-operating cash outflows	(314)	(111)
Debt repayments	(643)	(350)
Debt issuance	390	346
Cost of Sun Life of Canada UK acquisition	–	(250)
Total non-recurring uses of cash	**(567)**	**(365)**
Closing cash and cash equivalents at 31 December	**1,117**	**1,012**

1 Total cash generation includes £156 million received by the holding companies in respect of tax losses surrendered (2023: £219 million).

The surplus operating cash generated of £296 million was principally deployed to retire debt in June 2024, delivering an overall net debt reduction of £253 million.

In delivering £1.4 billion of OCG in 2024, we achieved our 2026 OCG target ahead of time and we now expect it to grow at a mid-single digit percentage rate going forward.

Total cash generation

Total cash generation represents the total cash remitted from the operating entities to the Group, comprising OCG, non-recurring management actions and the release of free surplus above capital requirements in the Life Companies.

In addition to the OCG generated this year, we also delivered £376 million (2023: £878 million) of non-operating cash generation, comprising non-recurring management actions and the release of some of our Life Company Free Surplus. This in turn covered non-operating cash outflows of £314 million.

Total cash generated during the period was therefore £1,779 million (2023: £2,024 million) and exceeded the Group's 2024 target range of £1.4–1.5 billion.

Having significantly outperformed our 2024 target, and with OCG now expected to grow at a mid-single digit percentage annually from the £1.4 billion delivered in 2024, we have upgraded our existing 3-year total cash generation target across 2024–26 from £4.4 billion to £5.1 billion.

At £5.1 billion our total cash generation will exceed both the 2024–26 expected recurring uses of c.£3.3 billion and our planned investment of c.£0.7 billion, and deliver an expected excess cash level of £1.1 billion. In line with our capital allocation framework, this excess cash creates further financial flexibility and enables us to commit to further deleveraging as required to deliver the c.30% SII leverage ratio target by end-2026, with c.£250 million of debt repaid in 2024.

Recurring uses of cash

Operating expenses increased to £132 million (2023: £113 million) primarily due to incorporating the annual running costs of producing the IFRS 17 results. Debt interest increased to £236 million (2023: £229 million) due to the impact of refinancing activity in 2023 and 2024 at higher interest rates.

The £533 million shareholder dividend reflects the 2.5% increase paid with the 2023 Final dividend and 2024 Interim dividend.

We have also invested £206 million of capital into our annuities business to support the writing of £6.1 billion of new business annuity premiums in the year.

Non-recurring uses of cash

Non-operating net cash outflows of £314 million (2023: £111 million) primarily relate to £354 million of planned investment across our strategic priorities to grow, optimise and enhance our business. This was partially offset by positive net collateral cash receipts and hedge close-outs.

Net debt repayment of £253 million (2023: £4 million net repayment) represent the £250 million Tier 2 note redemption in support of the Group's deleveraging programme and the refinancing of US$500 million of Restricted Tier 1 notes, both of which completed in June.

Capital

£3.5bn
Solvency II surplus (estimated)

172%
Group Shareholder Capital Coverage Ratio (estimated) APM

36%
Solvency II leverage ratio APM

Solvency II economic sensitivity analysis[1]

	Surplus (£bn)	SCCR (%)
Solvency II base	**3.5**	**172**
Equities: 20% fall in markets	–	5
Long-term rates: 100bps rise in interest rates	0.1	7
Long-term rates: 100bps fall in interest rates	(0.1)	(5)
Long-term inflation: 50bps rise in inflation	–	(1)
Property: 12% fall in values	(0.2)	(4)
Credit spreads: 127bps widening with no allowance for downgrades	(0.1)	(1)
Credit downgrade: immediate full letter downgrade on 20% of portfolio[2]	(0.3)	(8)
Lapse: 10% increase/decrease in rates	(0.1)	(2)
Longevity: 6 months increase	(0.4)	(8)

1 Illustrative impacts assume changing one assumption on 1 January 2025, while keeping others unchanged, and that there is no market recovery. They should not be used to predict the impact of future events as this will not fully capture the impact of economic or business changes. Given recent volatile markets, we caution against extrapolating results as exposures are not all linear.
2 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.

Group Solvency II capital position

Our Solvency II ('SII') capital position remains resilient, with an estimated surplus of £3.5 billion (2023: £3.9 billion) and is stated after the accrual for the 2024 Final dividend. Excluding the planned £250 million debt repayment in the first half of the year, the Group's surplus was marginally lower year-on-year due to planned investment. Our SCCR reduced 4%pts to 172% (2023: 176%) but has remained resilient and within the top half of our target operating range of 140–180%.

Recurring capital generation

In 2024, recurring SII capital generation pre-dividend totalled £0.7 billion, with £0.2 billion generated post-dividend which increased the SCCR by 5%pts.

In-force business surplus emergence and release of capital requirements contributed £0.8 billion to the SII surplus and 19%pts to the SCCR. We also delivered recurring management actions of £0.5 billion, increasing the SCCR by 13%pts, which were mostly Own Funds accretive reflecting portfolio optimisation actions in the period.

Operating costs, dividends and debt interest totalled £0.9 billion, reducing the SCCR by 19%pts. New business strain of £0.2 billion reduced the SCCR by 8%pts.

Non-recurring capital utilisation

Non-recurring capital utilisation, excluding the debt repayment of £250 million, reduced the SII surplus by £0.3 billion and the SCCR by 4%pts. £0.2 billion of surplus generated through other management actions partially offset £0.3 billion of investment spend and other, which reflects our planned non-recurring investment to grow, optimise and enhance our business over 2024–26.

We continue to be well hedged on an economic basis under SII, and we therefore only experienced a £0.1 billion adverse economics variance in the year, primarily related to rising yields. Additionally, we recognised £0.1 billion of temporary surplus strain on annuity new business (a £0.2 billion Own Funds strain) due to the impact of holding a gilts-heavy portfolio on new business completed late in 2024 and reflecting internal model improvements in pricing assumptions which are expected to be approved in 2025 and the strain unwound.

The size of the adverse non-recurring uses will gradually decline over the 2024–26 period as we complete our planned investment to grow, optimise and enhance our business.

Life Company Free Surplus

Life Company Free Surplus represents the SII surplus of the Life Companies that is in excess of their Board-approved capital management policies. As at 31 December 2024, the Life Company Free Surplus was £1.9 billion (2023: £2.2 billion), with the £0.3 billion reduction broadly reflecting the change in the Group's SII surplus and a small release of free surplus.

Leverage

As at 31 December 2024, the SII leverage ratio was 36% (2023: 36%), despite the £250 million debt repayment in June which reduced the ratio by 2%pts. The impact on the ratio of this repayment has been offset by a £0.3 billion pre-debt decline in Regulatory Own Funds due to the factors outlined above and a further £0.2 billion decline reflecting the impact of the With-Profit funds run-off.

Over the remainder of the 2024–26 period, the additional excess cash created by our upgraded total cash generation target enables us to commit to further deleveraging as is required to achieve our c.30% SII leverage ratio target by the end of 2026.

The Group's Fitch leverage ratio at end-2024 is estimated at 23% (2023: 23%), favourably below Fitch's stated 25–30% range for an investment grade credit rating.

Movement in Group SII capital during 2024

		Recurring capital generation of +£0.2bn surplus and +5%pts SCCR				Non-recurring capital utilisation of £(0.3)bn surplus and (4)%pts SCCR					
£bn	**2023**	Surplus emergence and release of SCR	Recurring management actions	Operating costs, debt interest and dividend	New business strain	Other management actions	Economics and temporary strain	Investment spend and other	**2024 (pre-debt repayment)**	Debt repayment	**2024**
Own Funds	**8.9**	0.7	0.4	(0.9)	0.1	0.1	(0.3)	(0.3)	**8.7**	(0.3)	**8.4**
SCR	**(5.0)**	0.1	0.1	–	(0.3)	0.1	0.1	0.0	**(4.9)**	–	**(4.9)**
SII surplus	**3.9**	**0.8**	**0.5**	**(0.9)**	**(0.2)**	**0.2**	**(0.2)**	**(0.3)**	**3.8**	**(0.3)**	**3.5**
SCCR[1]	**176%**	**19%**	**13%**	**(19)%**	**(8)%**	**7%**	**(4)%**	**(7)%**	**177%**	**(5)%**	**172%**

1 The Shareholder Capital Coverage Ratio excludes Solvency II Own Funds and Solvency Capital Requirements ('SCR') of unsupported With-Profit funds and unsupported pension schemes.

Earnings

£825m
IFRS adjusted operating profit APM

£3,257m
Contractual Service Margin (gross of tax)

£3,656m
IFRS adjusted shareholders' equity APM

IFRS income statement

£m	2024	2023[1]
Pensions and Savings	316	190
Retirement Solutions	474	378
Europe and Other	96	144[1]
With-Profits	41	10
Corporate Centre	(102)	(93)
Adjusted operating profit	**825**	**629[1]**
Economic variances	(1,297)	377[1]
Amortisation and impairment of intangibles	(270)	(322)
Other non-operating items	(520)	(439)
Finance costs attributable to owners	(204)	(195)
Profit before tax attributable to non-controlling interest	12	28
(Loss)/Profit before tax attributable to owners	**(1,454)**	**78[1]**
Tax credit attributable to owners	376	6[1]
(Loss)/Profit after tax attributable to owners	**(1,078)**	**84[1]**

1 The Group identified material corrections to previously reported results that gave rise to a restatement of comparative information (see note A3 to the consolidated financial statements for further details).

IFRS adjusted operating profit

IFRS adjusted operating profit is an alternative performance measure (see pages 334 to 339).

The Group generated a 31% year-on-year increase in IFRS adjusted operating profit to £825 million (2023: £629[1] million) driven by profit uplifts in both of our two main operating business units.

Our Pensions and Savings business reported 66% growth in IFRS adjusted operating profit to £316 million (2023: £190 million). This reflects the benefit of growing our assets, with average Assets under Administration ('AUA') increasing 11% year-on-year, coupled with delivery of operating cost efficiencies across both administration costs as well as investment management fees driven by ongoing fund simplification. AUA growth is supported by higher gross inflows of £14.4 billion (2023: £12.3 billion), with both Workplace and Retail recording creditable increases, reflecting new capabilities. Gross outflows also rose to £18.1 billion (2023: £15.7 billion) reflecting the run-off profile of our in-force business and higher outflows due to consumer behaviour in response to the UK budget uncertainty in the year. The overall net outflow position was more than offset by £15.8 billion of positive market effects, driving Pensions and Savings AUA 7% higher to £186.5 billion at 31 December 2024. Based on average AUA, the IFRS adjusted operating profit represents an operating profit margin of 17bps in 2024 (2023: 12bps).

Our Retirement Solutions business delivered IFRS adjusted operating profit of £474 million (2023: £378 million). The 25% year-on-year increase is supported by a 16% increase in the CSM release to £150 million (2023: £129 million) reflecting ongoing growth in our annuities book.

Expected investment margin and portfolio optimisation management actions also rose strongly. AUA in Retirement Solutions benefited by £6.1 billion of gross annuity inflows, a decline from 2023 of £6.7 billion, following our decision to reduce the annual allocation of new capital to this segment by one-third. AUA remained stable at £40.3 billion, as volumes were more than offset by falling asset values as rates rose.

Europe and Other profit decreased to £96 million (2023: £144[1] million), primarily due to prior period one-off experience and assumption updates which did not repeat in 2024. With-Profits operating profit increased to £41 million (2023: £10 million) driven by one-off experience variances in 2024.

The Group's Corporate Centre includes net operating costs of £102 million (2023: £93 million). The increase reflects the £10 million annual impact of incorporating the running costs of producing IFRS 17 results.

Upgrading our 2026 IFRS adjusted operating profit target

Looking forward, in light of our strong IFRS adjusted operating profit momentum, we have upgraded our 2026 IFRS adjusted operating profit target from £900 million to c.£1.1 billion. This will be delivered through a combination of business growth initiatives, efficiency savings in line with our cost savings targets, and ongoing deployment of our asset management capabilities.

IFRS loss after tax attributable to owners

The Group generated an IFRS loss after tax attributable to owners of £1,078 million (2023: profit of £84[1] million). The loss is primarily driven by £1,297 million of adverse hedging related economic variances.

Economic variances

Adverse economic variances of £1,297 million (2023: £377[1] million favourable) reflected the result of the Group's hedging programme, which aims to protect cash and Solvency II capital from volatility in equities and interest rates. This gives rise to accounting volatility, as several of the Solvency II capital components covered by hedging are not recognised on the IFRS balance sheet, with the IFRS market sensitivities shown on pages 234 to 237. We accept the hedge-related volatility in the IFRS result, as protecting cash and Solvency II capital is a key capital framework objective, underpinning the Group's ability to deliver a progressive and sustainable dividend.

In 2024, higher UK interest rates (15-year swap rates up 83bps) and higher equity markets (FTSE: +9.5%, S&P500: +25.0%), produced net negative marks on the hedges, giving rise to the reported losses. In 2023 lower UK interest rates (15-year swap rates down 27bps) and higher equity markets (FTSE: +7.9%, S&P500: +26.3%), along with methodology refinements, produced net positive marks on the hedges, giving rise to the reported gains.

Amortisation and impairment of intangibles

The previously acquired in-force business, relating to IFRS 9 capital-light fee-based business, is being amortised in line with the expected run-off profile of the investment contract profits to which it relates. Amortisation during the period reduced to £270 million (2023: £322 million) reflecting the run-off of this acquired business.

Other non-operating items

Other non-operating losses in the period totalled £520 million (2023: £439 million loss), the majority of which reflects £372 million of planned investment spend across our strategic priorities, with £42 million of other one-off project expenses. The adverse impact from the buy-out of our internal PGL Pension Scheme in the year of £106 million is also included, with a partial £87 million offset in the Group's CSM. Finance costs of £204 million (2023: £195 million) reflect interest borne on the Group's debt instruments and is higher in 2024 due to the refinancing activity in 2023 and 2024.

Run-rate cost savings

The Group is targeting £250 million of annual run-rate cost savings, net of inflation, by the end of 2026, as we enhance our business and move to a more efficient Group-wide operating model. In 2024, the Group's cost savings programme delivered £63 million of run-rate savings, with in-year savings of £28 million, the majority of which came from Pensions and Savings. Looking forward, around two-thirds of the remaining run-rate savings are expected to emerge in 2026 from the completion of several key migration and transformation initiatives. These cost savings will primarily benefit the Pension and Savings business segment, with the remaining segments also benefiting from lower shared function allocations.

IFRS shareholders' equity and adjusted shareholders' equity

£m	2024	2023
Adjusted operating profit	**825**	**629[1]**
Recurring uses:		
Dividend	(533)	(520)
Debt interest	(204)	(195)
Amortisation of intangibles	(270)	(322)
Adjusted operating profit before tax, less recurring uses	**(182)**	**(408)**
Non-recurring uses and tax:		
Non-operating items	(520)	(439)
Economic variances	(1,297)	377[1]
Tax and other items recognised in equity	470	(94)
Movement in shareholders' equity	**(1,529)**	**(564)**
Opening shareholders' equity	**2,742[1]**	**3,211**
Movement in shareholders' equity	(1,529)	(564)
Opening adjustments	–	95
Closing shareholders' equity	**1,213**	**2,742[1]**
CSM (net of tax)	2,443	2,140
Adjusted shareholders' equity	**3,656**	**4,882[1]**

1 The Group identified material corrections to previously reported results that gave rise to a restatement of comparative information (see note A3 to the consolidated financial statements for further details).

Shareholders' equity and adjusted shareholders' equity

In 2024, we have made significant progress in raising the level of pre-tax adjusted operating profitability to cover a greater proportion of our recurring uses.

However, non-operating items remain high at present, and, as previously signposted, are primarily driven by the impact of our planned 3-year non-recurring investment spend on migrations and transformation programmes.

The significant economic variances in 2024 reflect the outcome of our hedging programme, which is designed to protect our cash and Solvency II capital, and supports our progressive and sustainable dividend policy. The Board continues to prioritise stable SII surplus capital and predictable dividends, and accepts the hedge-related volatility in the IFRS result.

The resulting IFRS loss after tax in the period drove shareholders' equity lower at the end of 2024 to £1,213 million (2023: £2,742[1] million).

Adjusted shareholders' equity comprises IFRS shareholders' equity and the CSM (net of tax), and stood at £3,656 million at 31 December 2024 (2023: £4,882[1] million).

In 2026, the higher level of targeted IFRS adjusted operating profitability of c.£1.1 billion is expected to be sufficient to fully cover our recurring uses and create excess to fund non-recurring uses.

Contractual Service Margin

The Group's CSM (gross of tax) rose by 14% to £3,257 million at 31 December 2024, (2023: £2,853 million) and represents a sizeable stock of value that will unwind into IFRS adjusted operating profit in future years.

The increase in the period was driven by a £248 million contribution from new business (2023: £348 million), principally from annuities written in Retirement Solutions, with a further £212 million contribution from assumption changes, experience and economics (2023: £58 million). In addition, there was a one-off £87 million increase related to the internal PGL Pension Scheme buy-out, and a £71 million one-off benefit relating to modelling refinements and adjustments.

The 2024 CSM release into the income statement of 8% was in line with the prior year, contributing £281 million to pre-tax adjusted operating profit (2023: £241 million). With new business and assumption changes, experience and economics exceeding amortisation, the net of tax value of the CSM increased to £2,443 million at 31 December 2024 (2023: £2,140 million).

Movement in Group CSM during 2024, including segmental split

£m	Opening CSM (gross)	New business	Interest accretion	Assumption changes, experience and economics	Other, incl. one-off adjustments	Closing CSM, pre-release (gross)	CSM release	Closing CSM (gross)	Tax	Closing CSM (net)
Retirement Solutions	**2,145**	203	57	26	25	**2,456**	(150)	**2,306**	(576)	**1,730**
Pensions and Savings	**201**	–	–	99	(4)	**296**	(33)	**263**	(66)	**197**
Europe and Other	**65**	45	4	5	121	**240**	(44)	**196**	(49)	**147**
With-Profits	**442**	–	6	82	16	**546**	(54)	**492**	(123)	**369**
2024 Total Group CSM	**2,853**	**248**	**67**	**212**	**158**	**3,538**	**(281)**	**3,257**	**(814)**	**2,443**
2023 Total Group CSM[1]	**2,583**	**348**	**51**	**58**	**54**	**3,094**	**(241)**	**2,853**	**(713)**	**2,140**

1 2023 restated to reflect corrections to errors and a change to accounting policy (see note A3 to the consolidated financial statements for further details).

Dividend

54.00p

2024 Total dividend per share

+2.6%

2024 Final dividend increase

+4%

14-year Total dividend CAGR

In March 2024, the Board outlined a 3-year strategy for 2024–26, which will support the creation of a business which delivers sustainable and growing cash, capital and earnings. The Board also adopted a progressive and sustainable ordinary dividend policy, reflecting its confidence in the Group's strategy.

In operating this dividend policy the Board will announce any potential annual dividend increase alongside the Group's Full Year results and expects the Interim dividend to be in line with the previous year's Final dividend. The Board continues to prioritise the sustainability of our dividend over the long term. Future dividends and annual increases will be subject to the discretion of the Board, following assessment of longer-term affordability.

In operating the policy and assessing longer-term affordability the Board considers the quantum and trajectory of the Group's Operating Cash Generation, SII surplus, Shareholder Capital Coverage Ratio and the distributable reserves at the Group's holding company.

At 31 December 2024, distributable reserves at Phoenix Group Holdings plc, the Group's holding company that pays dividends to shareholders, stood at £5,571 million (2023: £4,632 million), supported by sizeable distributions from its main operating subsidiaries which continue to report under UK GAAP and carry significant distributable reserves. In 2024 the Group's main operating subsidiaries generated strong UK GAAP net profits after covering hedging, which supported the cash remittances to Group.

In the consolidated IFRS financial statements, the Group is targeting a positive pre-hedge post-dividend IFRS net profit contribution to the IFRS shareholders' equity. The Group accepts the hedge-related volatility that impacts IFRS shareholders' equity, which is a known consequence of our Solvency II hedging strategy that is designed to protect our cash, capital and dividend.

In this overall context and consistent with previous guidance, the Board considers that the Group's consolidated IFRS shareholders' equity is not a constraint to the payment of our dividends.

As a result of our improved operating performance in 2024 and our ongoing confidence in the Group's strategy, the Board is recommending a 2.6% increase in the 2024 Final dividend to 27.35p per share, taking the 2024 Total dividend to 54.00p per share.

Outlook

Phoenix Group's financial targets

Cash
- Mid-single digit percentage growth p.a. in Operating Cash Generation
- Total cash generation 3-year target of £5.1 billion across 2024–26

Capital
- Operate within our 140–180% Shareholder Capital Coverage Ratio operating range
- SII leverage ratio of c.30% by the end of 2026

Earnings
- c.£1.1 billion of IFRS adjusted operating profit in 2026
- £250 million of annual run-rate cost savings by the end of 2026

In March 2024 we reiterated our ambition to become the UK's leading retirement savings and income business and set 3-year targets under our financial framework of cash, capital and earnings.

The Group has made a positive start in delivering against both its 3-year strategy and financial framework targets, with good operating momentum in 2024 enabling us to upgrade two of our financial targets and reaffirm the rest for 2026.

Thank you

Our clear strategic progress and strong operating financial performance are testament to the hard work of our dedicated colleagues. I would therefore like to thank them for their contributions in 2024, and for their warm welcome in my first few months as Group CFO.

Nicolaos Nicandrou
Group Chief Financial Officer