Delivering progress against our 3-year strategy

Andy Briggs
Group Chief Executive Officer

2024 highlights

- Excellent customer focused proposition development to leverage our scale customer base
- Strong build-out of our in-house Asset Management capabilities
- Good start to our cost reduction programme by progressing our migrations and simplifying our business
- Operating Cash Generation of £1.4bn, achieving our 2026 target two years early
- Attractive shareholder returns supported by our progressive and sustainable ordinary dividend policy
- £0.3bn excess cash generated this year which is available to deploy in line with our capital allocation framework

Phoenix Group is the UK's largest long-term savings and retirement business, managing £292 billion of assets for c.12 million customers. Our purpose of 'helping people secure a life of possibilities' is embedded in everything that we do as we help customers journey to and through retirement.

> Growth in our Operating Cash Generation was underpinned by the positive trading momentum in both our Pensions and Savings and our Retirement Solutions businesses.

We proudly serve people with our products at all stages of their life savings cycle from 18 to 80+. Our business mix is balanced across the long-term savings and retirement market, which can be largely categorised as Pensions and Savings and Retirement Solutions.

Around two-thirds of our business by assets is Pensions and Savings, which principally consists of capital-light fee-based products and c.14% of our business by assets is Retirement Solutions, our capital-utilising business.

See **pages 22 to 25** Introducing our divisions for more detail

In March 2024 we outlined a 3-year strategy for 2024–26, which will support us in delivering our vision of being the UK's leading retirement savings and income business; a sustainable and growing business, which delivers growing cash, capital and earnings, and which can support a progressive and sustainable dividend.

Progress against our 3-year strategy underpins upgraded targets

I am pleased with the progress we have made in the first year into our 3-year strategic journey. There is clearly more to do, but we are ahead of schedule from both a strategic and financial performance perspective and I am encouraged by the significant opportunities we have ahead of us.

Phoenix has always managed its business for cash and capital. As part of our evolved financial framework we introduced Operating Cash Generation ('OCG') in March 2024 as the metric which we feel best demonstrates the long-term underlying value generation from our business. We are a highly cash generative business reflected in the 22% growth in OCG in 2024 to £1,403 million (2023: £1,146 million), enabling us to achieve our 2026 target two years early. This growth was driven by a strong performance in both Pensions and Savings and Retirement Solutions, the benefits of our cost savings programme and another strong year of delivering recurring management actions. At this level, not only does OCG more than cover our recurring uses and a growing dividend, but it delivers around £300 million of excess cash each year, providing us with additional optionality to deploy capital into the highest returning opportunity, including further deleveraging, investment into growth, M&A and share buybacks.

1 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.

We are executing on our 3-year strategy to become the UK's leading retirement savings and income business, meeting more of our customers' retirement needs, delivering on our financial targets and creating value for our stakeholders.

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Total cash generation of £1,779 million (2023: £2,024 million) exceeded the top-end of our £1.4–1.5 billion target range. The year-on-year decline was due to the prior year benefiting from a c.£400 million impact from a Part VII transfer.

Our Solvency balance sheet remains resilient with our Shareholder Capital Coverage Ratio ('SCCR') of 172% (2023: 176%) in the top-half of our 140–180% operating range.

The Group's IFRS adjusted operating profit grew 31% to £825 million (2023: £629 million[1]) driven by profitable growth in both our Pensions and Savings business and our Retirement Solutions business. Growth in the underlying businesses, particularly Retirement Solutions, is also reflected in the 14% growth (2023: 10%) in the Group Contractual Service Margin ('CSM'). However, we are reporting an IFRS loss after tax of £1,078 million (2023: £84 million profit[1]). This primarily reflects adverse economic variances which are a consequence of our Solvency II hedging approach that protects our cash and capital and therefore our dividend, as well as planned investment spend as we deliver our 3-year strategy. This means our IFRS shareholders' equity has reduced in the period to £1,213 million (2023: £2,742 million).

For 2024 the Board has recommended a 2.6% increase in the Final dividend of 27.35 pence per share, bringing our Total dividend to 54.00 pence per share, extending our strong track record of dividend growth. The progress we have made in the first year of our 3-year strategy means we are achieving our desired outcomes sooner than expected, which in turn has led us to upgrade a number of our financial targets.

Having achieved our 2026 OCG target two years early we have upgraded our 2024–2026 total cash generation target to £5.1 billion, up from £4.4 billion, and we now expect OCG to grow at mid-single digit percentage per annum going forward. In addition we have upgraded our 2026 IFRS adjusted operating profit target from £900 million to c.£1.1 billion, a level of profit which is sufficient to cover our recurring uses and create excess to cover non-recurring uses. The remainder of our 2026 financial targets are reaffirmed.

Please see more detail in our Business review on **pages 36 to 42**

Standard Life
Part of Phoenix Group

Celebrating our 200-year heritage

The Standard Life brand has a deep history and heritage, with roots that can be traced back to 1825. The brand is well known and trusted by advisers and customers and we are very proud to be celebrating our 200-year anniversary this year.

Our Standard Life brand continues to play a pivotal role in achieving our future growth ambitions. We are continuing to invest in the brand, building products and services to help people feel confident about their financial plans in retirement; and ensuring that we are a brand that our customers, clients and advisers can continue to rely on.

We are proud to have been around for 200 years and are looking forward to continuing to help people long into the future.

200 years and counting

Group Chief Executive Officer's report continued

£1,403m↑
2024 Operating Cash Generation
(2023: £1,146m) APM

£1,779m↓
2024 Total cash generation
(2023: £2,024m) REM APM

+2.6%↑
2024 Final dividend increase
(2023: 2.5%)

Building on our strengths to achieve our vision

To achieve our vision this phase of our strategy is about building on the strong foundations we have already developed, leveraging our scale and strong positions in the attractive markets we operate in and completing our full-service customer offering.

To ensure we offer our customers the full range of retirement savings and income solutions, we have successfully launched a number of new propositions in 2024 which supplement our existing portfolio range. These product launches were driven first and foremost by customer needs, who increasingly want to balance having a flexible and guaranteed income as they secure income for retirement. At the same time these products offered us the opportunity to participate in the growing retirement market in a capital-light way. There is a significant opportunity to scale these offerings further through additional distribution channels, as we continue to build up a positive track record of performance.

Alongside a broad product portfolio, we know we need to offer an excellent customer experience to ultimately deliver better outcomes for our customers. To support this we have been investing in a number of digital tools as well as telephony capacity to both increase customers' financial wellness and to create the opportunity to deepen our relationships with them. We have also entered into partnerships with fintechs, including Raindrop and Money Hub, which supplement our engagement.

The ongoing progress we are making in integrating and migrating customer policies following M&A activity and continued investment into our digital infrastructure and systems will enable a seamless digitally-led journey for our customers through their savings life cycle.

We have built Phoenix Asset Management, a highly skilled, scale in-house asset management capability. Our operating model strives for a balance between in-housing and partnering. The in-house team drives all strategic asset allocation decisions and selects best-in-class partners to work with in each asset class. The in-house capabilities we have built enable us to deliver high levels of recurring management actions.

To support us on our 3-year journey we have a clear set of strategic priorities to 1) Grow 2) Optimise and 3) Enhance. Our strategic priorities are informed by – and in support of – our ESG themes of People and Planet which look to address the UK pensions savings gap and manage the risks and opportunities of climate change.

See **pages 52 to 83** for our Sustainability review

A strategy supported by existing large and growing markets with strong market positions

The UK long-term savings and retirement market is already large, with c.£3.2 trillion of total stock[1], but it is also growing fast, with annual flows of c.£220–270 billion[2]. The breadth of our enlarged and increasingly innovative product portfolio in parallel with our existing strong positions in the key workplace, annuity and retail markets means we are able to take advantage of a number of growing market opportunities.

The workplace market continues to see a structural shift away from unbundled trust arrangements to bundled solutions, including Master Trust that we support.

A combination of employers looking to simplify arrangements, seeking best-in-class customer propositions, and evolving regulatory and legislative factors is driving the shift. With a top-3 position in this market already with assets under administration ('AUA') of £66.5 billion we are benefiting from the £70–80 billion of annual market flows, demonstrated by our gross inflows of £9.3 billion in 2024, and will continue to benefit.

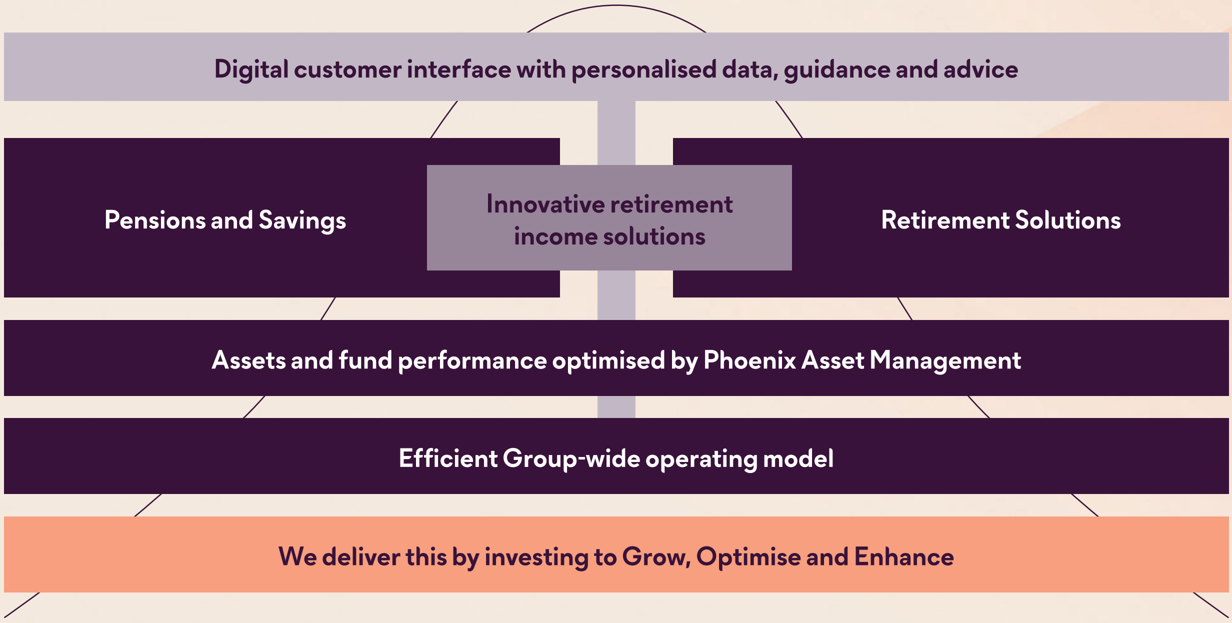
Corporates are continuing to de-risk their Defined benefit ('DB') pension scheme liabilities through Bulk Purchase Annuities ('BPA') transactions in order to focus on their core business. We have built a compelling end-to-end BPA proposition which is competitively priced and supported by bespoke administration. We also re-entered the individual annuity market in 2023 and have already managed to secure a 12% market share, driven by our ability to launch a product that is both competitively priced and delivered via a leading digital customer experience.

Our existing c.12 million customers provide us with a unique opportunity to win market share in the retail market – both via advisers and direct to customers. We have been encouraging customers to consolidate towards and decumulate with us. Our ability to win is further evidenced by our expanding product range now meeting more of our customers' needs in retirement and the opportunity to attract new customers through our product innovation and an omni-channel customer experience.
Our ability to leverage the opportunities that the retail market presents will be further enabled by the work we are doing to build the capabilities to provide customers with the advice and guidance they need. This will enhance our ability to offer timely services to our customers and is very much aligned to our priority, to provide consistently good outcomes for our customers.

See **pages 20 to 25** for more on Our growth drivers and Introducing our divisions

1 Company estimate based on data from Broadridge, PPF Purple Book, and company financial disclosures.
2 Company estimate based on data from Platforum, Fundscape, Broadridge, HMRC, ABI, FCA, LCP and company financial disclosures.

Delivering on our vision to become the UK's leading retirement savings and income business



Demonstrable progress against our strategic priorities

Executing on our strategy supports growth in assets and enhanced margins to grow our Pensions and Savings business. In parallel, disciplined deployment of capital into annuities within Retirement Solutions has enabled us to optimise returns and grow our CSM.

As we continue to optimise our scale in-force business and balance sheet we have further strengthened our asset management capabilities and have repaid historic M&A-related debt as part of our ongoing debt repayment programme.

Enhancing our operating model has enabled us to deliver £63 million of run-rate cost savings in 2024 and make significant progress with the migration and integration of policies.

See **pages 26 to 31** for more detail on our progress against our strategic priorities of Grow, Optimise and Enhance including our non-financial KPIs

Summary and outlook

The economic backdrop and pension 'advice gap' in the UK mean our societal purpose of helping people secure a life of possibilities is even more important.

Our 2024 results reflect strong operating momentum in the business, delivering profitable growth in Pensions and Savings and Retirement Solutions, underpinned by progress against our strategic priorities of Grow, Optimise and Enhance. This enabled us to deliver our 2026 OCG target two years early and upgrade our 2024–26 total cash generation and our 2026 operating profit targets. Our SCCR remains comfortably in the top half of our SCCR operating range and our strong cash generation has enabled us to repay debt whilst also investing in our business.

As we continue to strive to meet the needs of our customers, colleagues and other key stakeholders, this will support us in achieving our vision of becoming the UK's leading retirement savings and income business.

We will continue to invest to deliver this vision, which will enable us to continually grow our business sustainably over time, reflected in the mid-single digit percentage growth per annum in OCG we expect going forward.

This strong OCG growth delivers a secure, growing dividend and with at least c.£300 million per annum excess cash to deploy, this creates further financial flexibility and enables us to focus on further deleveraging.

Thank you

The demonstrable progress Phoenix Group has made in this first year of our 3-year strategy could not have been achieved without our fantastic people. This progress has seen the business continue to change and I would like to thank my colleagues throughout the Group for their continued contribution and dedication as we have navigated these changes in what has been a challenging environment for some.

I look forward to working with Nicolaos and the rest of our team in delivering significant progress in 2025 and beyond.

Andy Briggs
Group Chief Executive Officer