Investor Results Presentation 2023.

Pension Insurance Corporation Group Limited

27 March 2024

Agenda

Business highlights

Tracy Blackwell,
Chief Executive Officer

Financial highlights

Dom Veney,
Chief Financial Officer

1.

Business highlights
Tracy Blackwell, CEO

A very strong year

PIC's purpose – to pay the pensions of its current and future policyholders

Prioritise pension security whilst positioning PIC for the growth opportunity; **211% solvency ratio[1,3]**, **£6.0bn EOF[1,3,4]**, £46.8bn financial investments[1], £41.2bn insurance liabilities[1] and £893m AOPBT[2,5]

Continuously improving outcomes for our customers; attained gold standard for accessible and inclusive service[6] - **ISO accreditation** – and received over 97% policyholder satisfaction for the eleventh consecutive year

Creating significant social value through our private investments; in total PIC has invested **£13bn into the UK economy** including £1.6bn in the UK market in core sectors such as transportation, infrastructure and utilities over 2023

Completed £6.9bn of new business in 2023 and a further £1.5bn by the end of February 2024; **industry wide pipeline of £50bn[7]** over the next 12 months – PIC is well placed to participate across the full spectrum of deals

1. At 31 December 2023
2. Over 2023
3. Unaudited.
4. Equity Own Funds.
5. Adjusted Operating Profit Before Tax.
6. ISO accreditation and BSI Kitemark (ISO 22458).
7. PIC estimate, based on market visibility

2023 London Policyholder Event

Successfully delivered another year of continued growth and strong profitability, completing £6.9bn of new business whilst navigating through market volatility

Strategic objectives:

To continue building a secure and sustainable business

Optimise resources

Robust solvency ratio[1] at 211%

2022: 226%[2]

Fitch affirmed PIC plc's 'A+' IFSR[3] rating

To carry on leading as a responsible corporate citizen

Ensure our behaviours reflect our values

Maintained very high policyholder satisfaction rates at 99.3%

2022: 99.6%

Portfolio weighted average carbon intensity at 169 tCO_2e/$m revenue

2022: 175 tCO2e/$m

To keep on driving long-term value growth

Generate attractive returns over the lifetime of the business

Equity own funds[1] of £6.0bn, up £785m

2022: £5.2bn[2]

IFRS AOPBT of £893m, up 133% year-on-year

2022: £383m

PIC is well positioned to fulfil its purpose, which is to pay the pensions its current and future policyholders, as well as to consolidate its position as a leading player in the UK Pension Risk Transfer ("PRT") market.

1. Unaudited.
2. Results are now reported at consolidated Group level. These were previously reported at PIC plc level, our largest entity.
3. Insurer Financial Strength Rating ("IFSR")

Continuously improving outcomes for our customers

Market leader in how we engage with, and the level of customer service we offer to, our policyholders. PIC recently attained gold standard for accessible and inclusive service customer service – an ISO accreditation and BSI Kitemark

Number of policyholders	Pensions paid in year	Policyholder satisfaction
339,900	**£2.1bn**	**99.3%**
2022: 302,200	2022: £1.8bn	2022: 99.6%

To date, PIC has paid £13.6bn in pensions

Policyholder satisfaction has remained above 97% for the last 11 years

Policyholder events

Attendees since 2011
27,000+
2022: 25,000+

Policyholder Service KPIs

Calls answered within 30 seconds	Average speed of answers in 2023
99.1%	**8 seconds**
2022: 99.4%	2022: 7 seconds

Our customer-focussed awards and accreditations

bsi Inclusive Service Financial Services KITEMARK™

Crystal Mark 20282 Clarity approved by Plain English Campaign

ServiceMark with Distinction Accredited from Dec '20 to Dec '23 The Institute of Customer Service

The Institute of Customer Service UK Customer Satisfaction Awards 2023 WINNER

2023 London Policyholder Event

Purposefully investing to back policyholder pension payments creates significant social value

PIC's purposeful investment strategy means we are significant investors in UK social infrastructure, including social and affordable housing, urban regeneration, the UK's universities, and renewable energy. These investments provide stable cash-flows to support the projected pension payments for our policyholders for decades to come.

1

£50m investment, with LSG[1], to develop 125 **affordable and shared ownership houses**

3

Investment in **Brent Cross Town**, North London to develop a **new retirement village**

5

£105m forward funding a Net Zero office to be let to the **GPA[2], in Manchester**

2

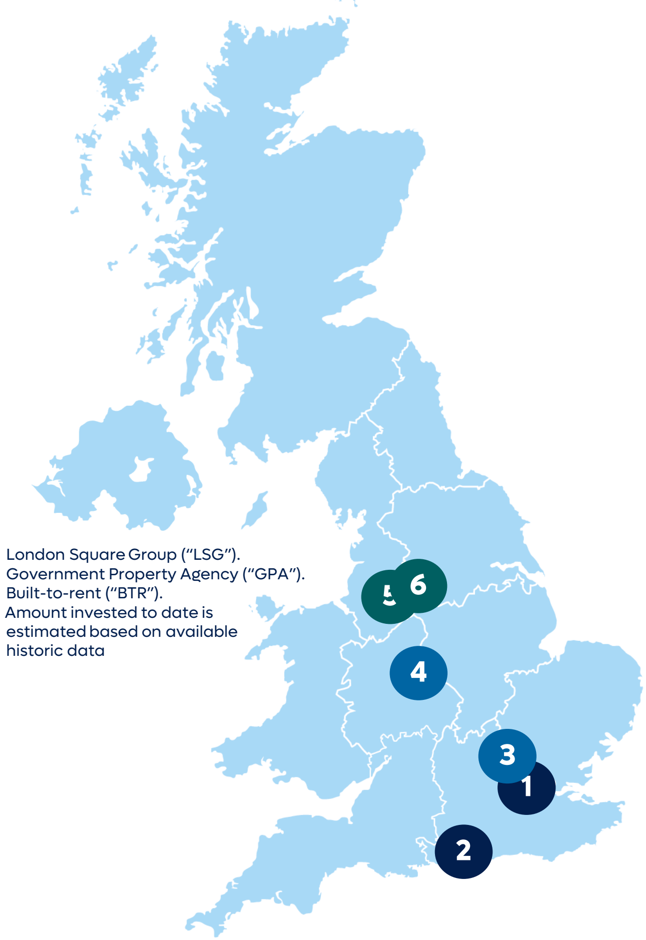
£50m to finance the construction of Havant Water (**UK reservoir**) in **Portsmouth**

4

£200m forward funding Birmingham's One Eastside **BTR[3] development**

6

PIC's first BTR[3] project, **Manchester New Victoria, reached completion** for its 520 homes and **welcomed its first tenants**



1. London Square Group ("LSG").
2. Government Property Agency ("GPA").
3. Built-to-rent ("BTR").
4. Amount invested to date is estimated based on available historic data

Total UK direct investments[4] to FY 2023

£13.0bn

2022: £11.4bn

Our recent property awards

- **Investment deal of the year: Midlands PROPS –** *One East side, BTR (Birmingham)*
- **Deal of the year: Insider NW Property Awards –** *First Street, Office development (Manchester)*
- **Development of the year: Liverpool city region property awards –** *Millers Quay, BTR[3] (Liverpool)*

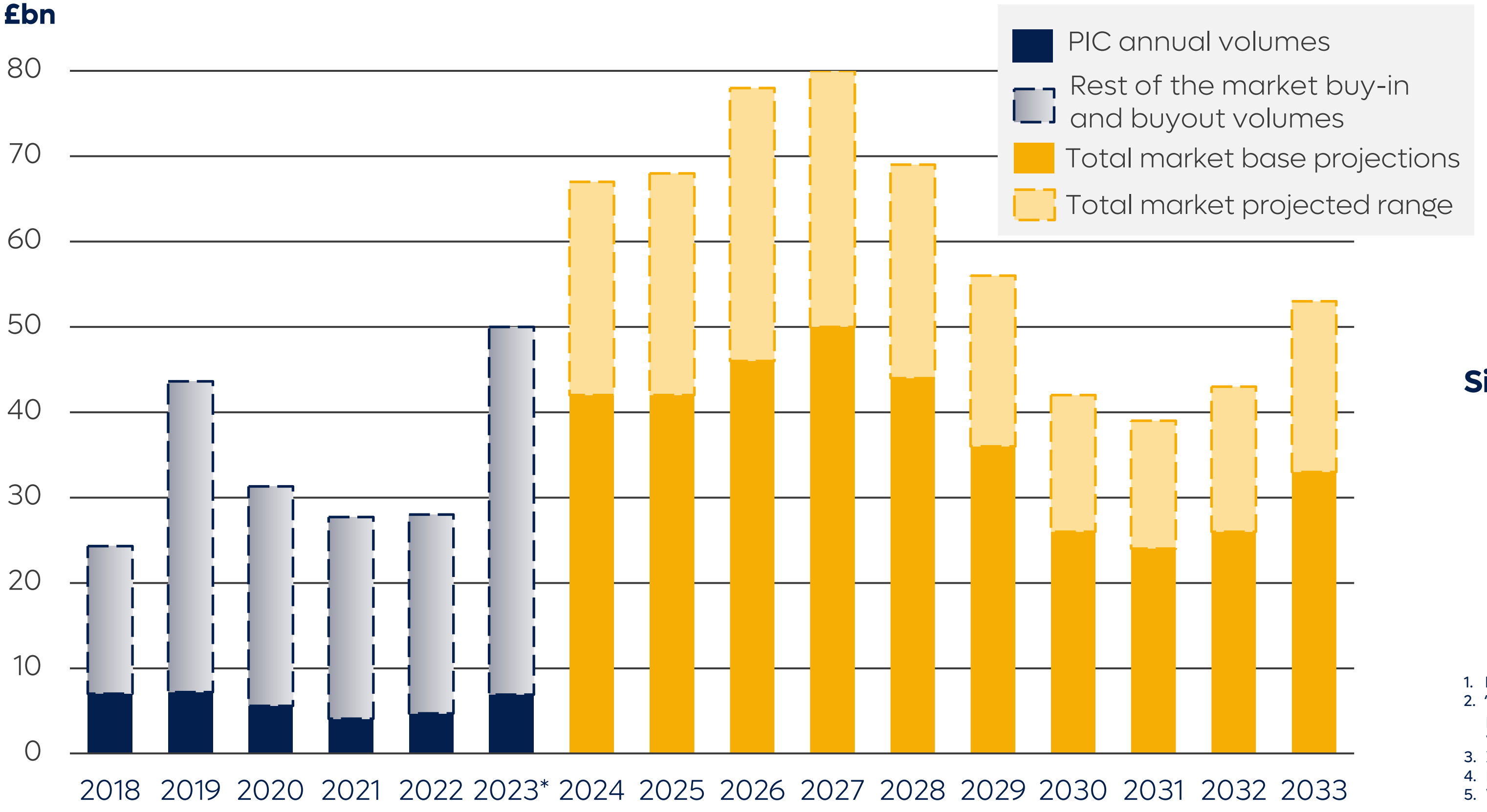
For more information visit **pensioncorporation.com/purposeful-investments**

The PRT market remains a strong growth market; £50bn[1] industry-wide pipeline

Recent increases in interest rates have significantly improved funding levels and an increasing number of schemes have returned to surplus positions. Our strong capital position and our ability to onboard large and complex deals, puts us in a strong position to take advantage of the market opportunity.

UK PRT market projections over the next decade[2]

2024 volumes are expected to be driven by several £1bn+ transactions



Estimated funding ratio on a full buyout basis[3]

Significant UK PRT market opportunity:

- £1.3 trillion of defined benefit liabilities in the UK[4]
- Only around 15% of these liabilities have been insured via bulk annuities to date[5]
- WTW estimate a further £500 billion of bulk annuity transactions over the next five to ten years[6]

1. PIC's estimate, based on market visibility
2. 'Total market base projections' and 'Total market projected range' (LCP report: LCP's predictions for the pension risk transfer market in 2024), 'PIC annual volumes' and 'Rest of the market buy-in and buyout volumes (PIC analysis). *PIC Estimate
3. XPS Pensions Group. XPS DB:UK Tracker | XPS Pensions Group (xpsgroup.com)
4. PPF Purple Book 2023.
5. WTW estimate based on 'bulk annuity volumes to January 2024, utilising WTW led transactions, announcements in the pensions news and insurer reports'.
6. The dynamics of a busy bulk annuity market – De-risking report 2024 - WTW (wtwco.com)

Evolution of PIC's sustainability journey

On-track to being carbon neutral by 2025 across our operational emissions (scope 1 and 2).

2019

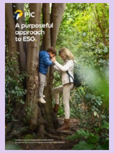
Signatory to the UN PRI

Reduced exposure to carbon intensive industries (including Oil industries)

2020

Joined ABI Climate Change Working Group

Published first **ESG Report**



2021

Joined NetZero Asset Owners Alliance and **committed to be Net Zero by 2050 across all emissions**

Committed to become **carbon neutral by 2025** across our operational emissions

Published first **TCFD Report**

2022

Built ESG tool kit for private markets due diligence

Established Net Zero working group, published our Sustainability Policy and Stewardship Policy

Board approved Sustainability Strategy rolled-out across the business

2023

Accepted as a signatory to the **UK Stewardship Code**

Published transition plan alongside Climate (previously 'TCFD') Reporting

Founding member of **Sustainability Reporting Standards** for Social Housing

Partnership **with carbon removal** company CUR8[1]

2024

Founding **signatory of the Sustainability Principles Charter** for the BPA[2] process

Total sustainable assets[3]

£11.4bn

2022: £10.3bn

Weighted average carbon intensity

169 tons CO_2e/\$m revenue

2022: 175 tons CO_2e/\$m revenue

Industry initiatives
Investment portfolio
Reporting and impact
Sustainability governance and policies

Further information can be found in PICC's 2023 Sustainability Report

1. To offset 2022 and 2023 Ait Travel emissions though a diversified portfolio of carbon removal projects.
2. Bulk Purchase Annuity ("BPA").
3. Sustainable assets are assets assessed as having a positive impact on stakeholders. Market value at 31 December 2023

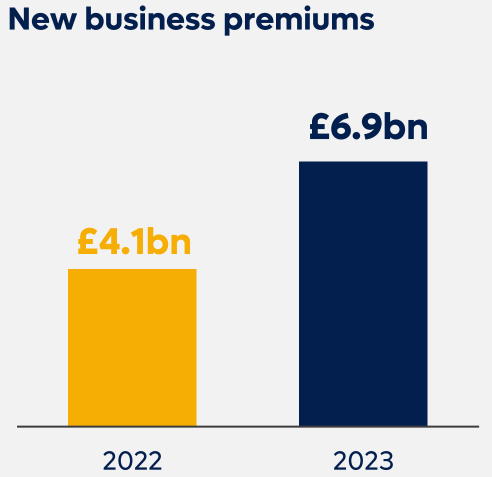
2

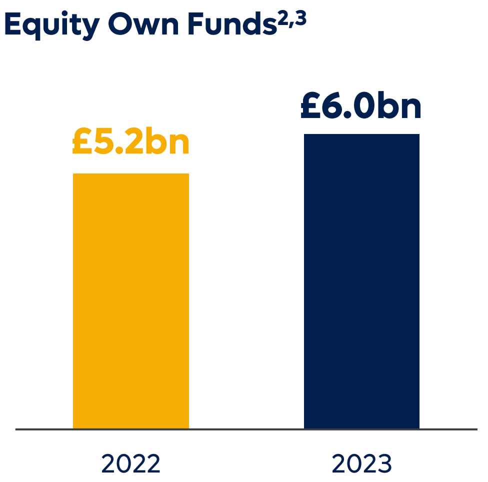
Financial highlights

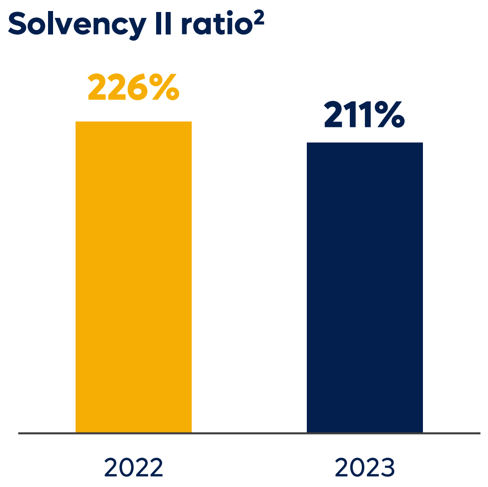
Dom Veney, CFO

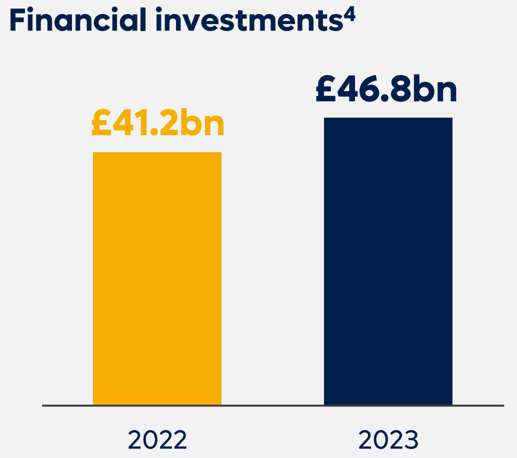
Summary of 2023 financial results

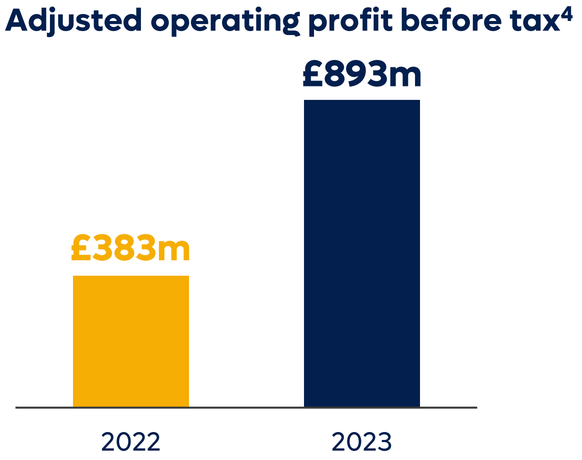
Continued to deliver against our strategy, whilst growing the business and delivering strong profits. Declared a final dividend of 11.0 pence per ordinary share for the year ended 2023[1].

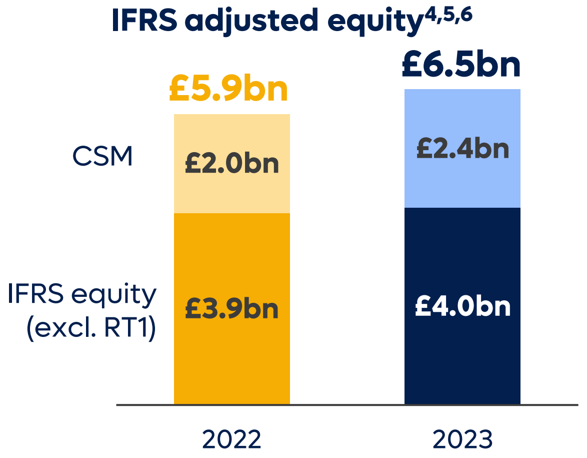










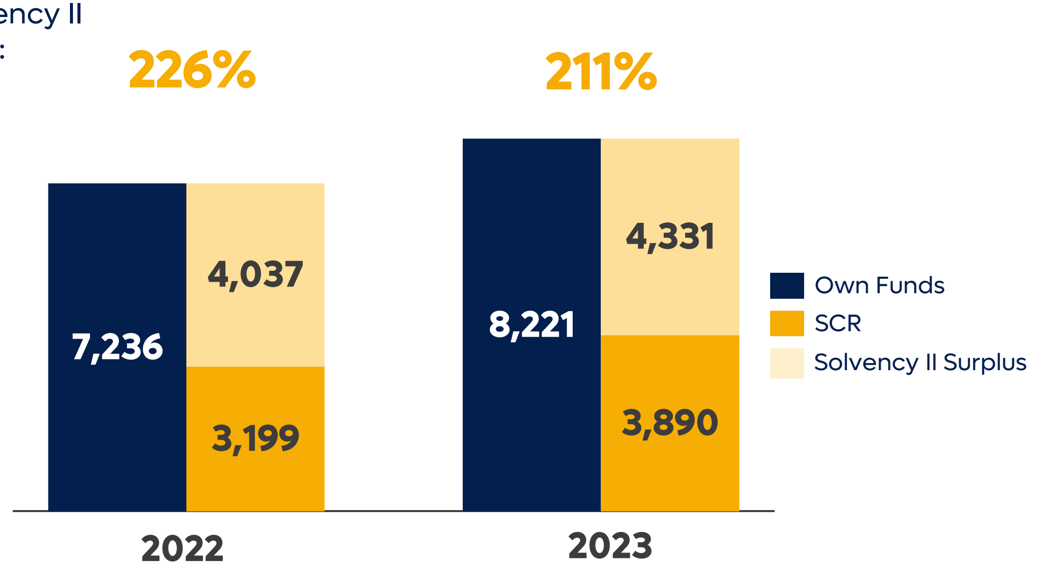


1. The Board approved a dividend of 11.0 pence per ordinary share (2022: 7.50 pence). The dividend will be reflected in the Group's results in 2024. The Group's dividend policy is to retain sufficient capital to invest in future growth opportunities of the UK pension risk transfer market, whilst paying regular dividends to shareholders, based on the current and future projected capital position of the business.
2. Now reported at consolidated Group level. These were previously reported at PIC plc level, our largest entity.
3. Equity Own Funds is a shareholder view of the Group's solvency II own funds after deducting hybrid debt.
4. 2022 comparatives have been restated following the Group's adoption of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments".
5. IFRS equity excluding Restricted Tier 1 ("RT1") debt plus the Contractual Service Margin ("CSM"). CSM is quoted net of reinsurance and tax.
6. Numbers do not sum due to rounding.

Solvency balance sheet remained very strong throughout the year, despite continued market volatility

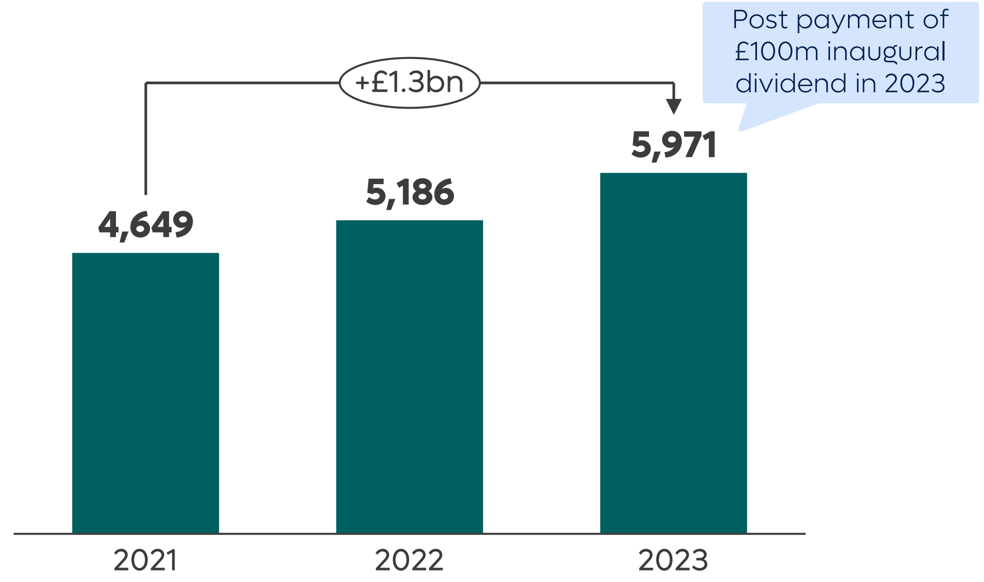
Well-positioned to take advantage of the significant market opportunity over 2024 and beyond

Solvency II Own Funds and Solvency Capital Requirement ("SCR") (£m)[1]



- **Further strengthened our regulatory capital position by issuing £500m Tier 2 subordinated notes**, and repurchasing £300m of outstanding issuances; securing the long-term capital position whilst ensuring financial flexibility to manage the business

Equity Own Funds (£m)[1]



- **New KPI of the Group**, defined as Solvency II own funds less the notional value of RT1 and Tier 2 debt
- **Equity own funds increased to £6.0bn** (2022: £5.2bn) due to the expected own funds emerging from the back book, value generated from new business written and the benefit of risk margin reform, net of TMTP[2] recalculation (£340m net of tax)

1. The results are now reported at consolidated group level. These were previously reported at PIC plc level, our largest entity.
2. Transitional measure on technical provisions ("TMTP").

Successfully implemented IFRS 17 during the year and comparatives have been restated

Adjusted operating profit before tax ("AOPBT"), £m

	2022[1]	2023
Expected return from operations	264	495
New business and reinsurance profit	329	444
Underlying profit	**593**	**939**
Changes in valuation assumptions	12	194
Experience and other variances	(19)	(18)
Finance costs	(123)	(124)
Project and other costs	(80)	(98)
Adjusted operating profit before tax	**383**	**893**
Movement in CSM[2]	(409)	(585)
Investment related variances	89	(38)
Add back: RT1 coupon	33	33
Profit before tax	**96**	**303**

The new IFRS 17 standard is an accounting change, and it does not change our strategy or business model

PIC

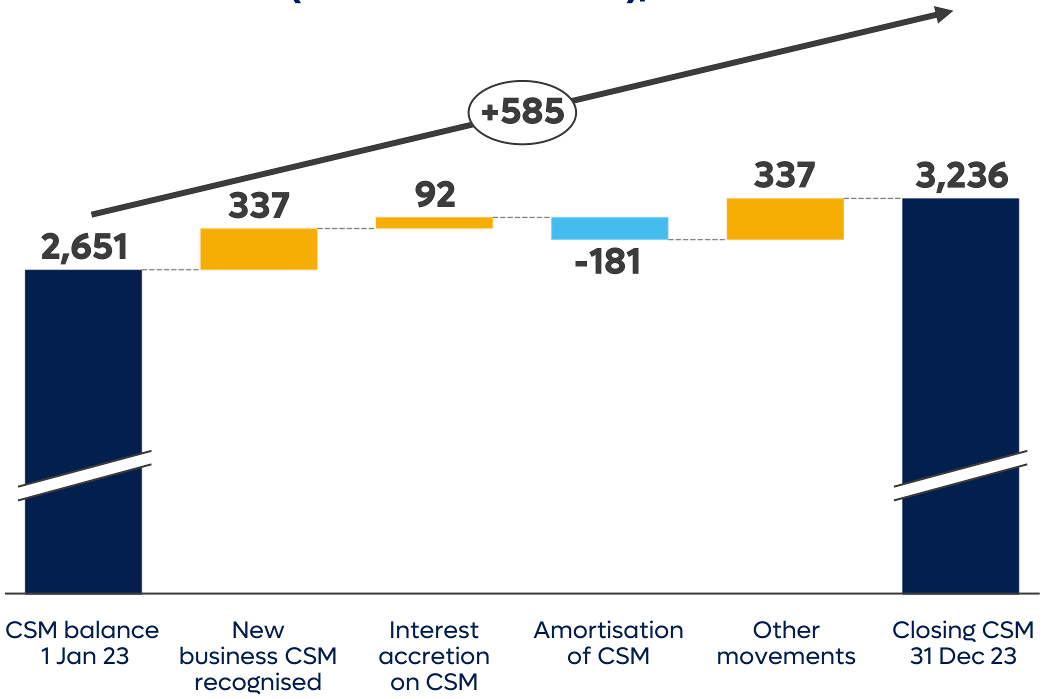
- **IFRS AOPBT increased to £893m**, up 133% YoY, primarily due to:
  - **higher expected return on surplus assets** (due to interest rate movements)
  - **reserve releases** in respect of updates to managements view of non-economic assumptions; and
  - a **greater volume of new business written** in the period compared to the prior period
- **£585m movement in gross of tax CSM[2]**

1. 2022 comparatives have been restated following the Group's adoption of IFRS 17 "Insurance Contracts".
2. CSM is quoted net of reinsurance

The CSM represents a future profit which will be released to the income statement over the life of the contracts

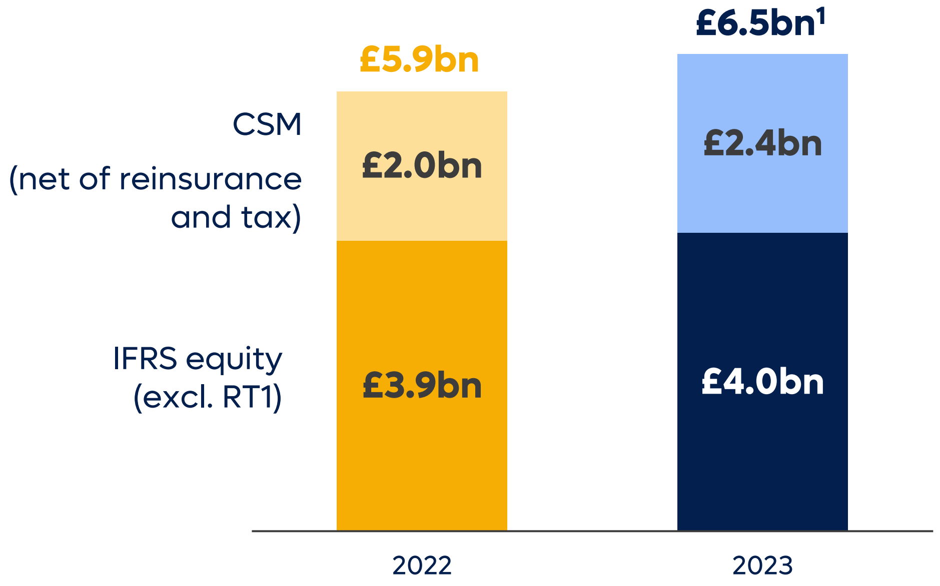
PIC

Movement in CSM (net of reinsurance), £m



- **Gross of tax CSM of £3,236m and Risk Adjustment of £213m** at 31 December 2023 (both net of reinsurance)
- **£337m of new business CSM recognised** in 2023 (2022: £317m) which represents an increase in the store of future value and the growth in the business

IFRS adjusted equity, which is a measure of shareholder value, is the sum of IFRS equity (excluding the RT1 debt) plus the CSM (net of reinsurance and tax)

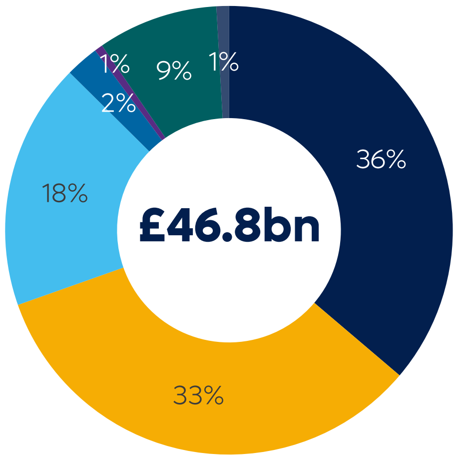


- **IFRS adjusted equity increased to £6.5bn** (2022: £5.9bn) due to significant new business written in the year

1. Numbers do not sum due to rounding.

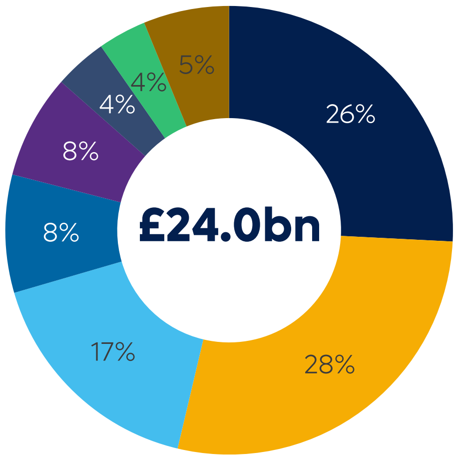
£46.8bn high-quality, diversified asset portfolio

Financial investments



- Debt securities - Gilts and Government Bonds
- Debt securities - Corporate
- Debt securities - Private investments
- Equity Release Mortgages
- Mortgage backed and other asset backed securities
- Participation in investment schemes
- Deposits with credit institutions

Debt securities – Corporate and Private Investments (by industry sector)



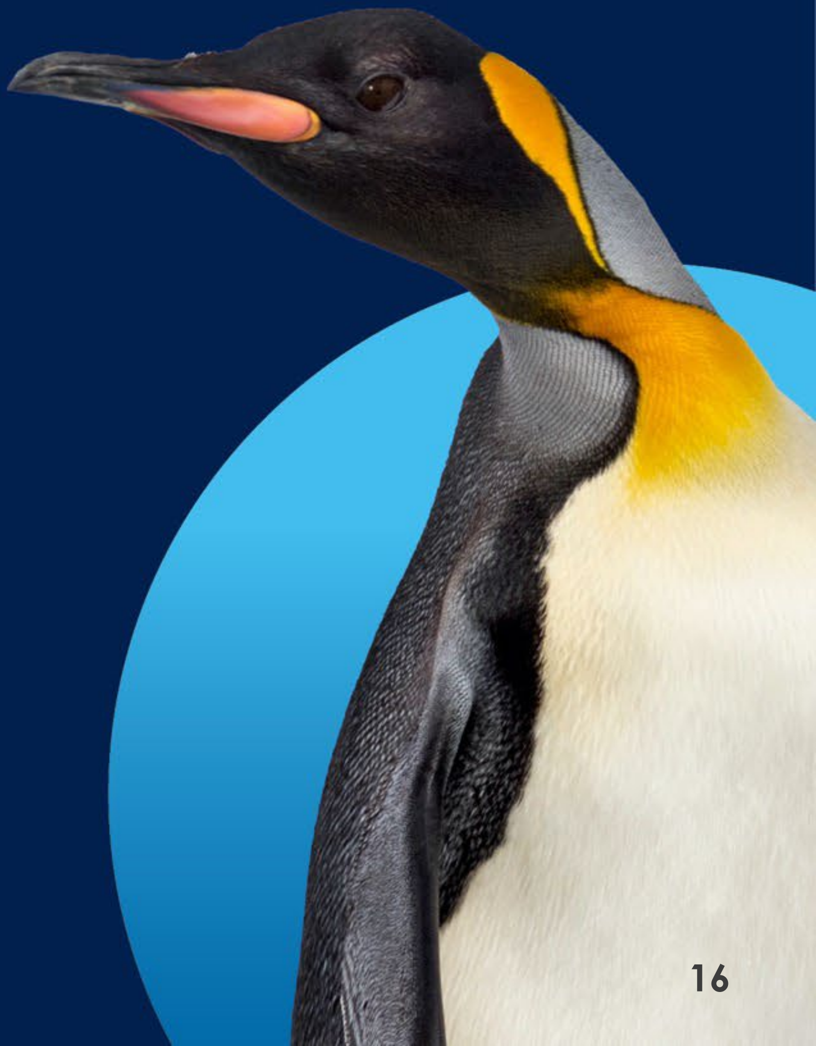
- Financial
- PFI and direct investment loans (unlisted)
- Utilities
- Consumer, non-cyclical
- Communications
- Consumer, cyclical
- Industrial
- Other[1]

- **Prudent investment strategy** that prioritises long-term security
- **No defaults** for the eleventh consecutive year
- **High-quality corporate and private debt securities** (3% AAA, 15% AA, 39% A, 42% BBB and 1% BB or below)
- **Geographically diverse portfolio[2]** (49.7% UK, 26.0% US, 17.6% Europe (ex. UK) and 6.7% RoW)
- **Originated £1.8bn of high-quality privately sourced investments** in 2023

1. Other includes Technology, Energy, Basic Materials, Diversified and Government. Percentage of total Debt Securities – corporate and private investments portfolio.
2. Debt securities – corporate and private investments

3

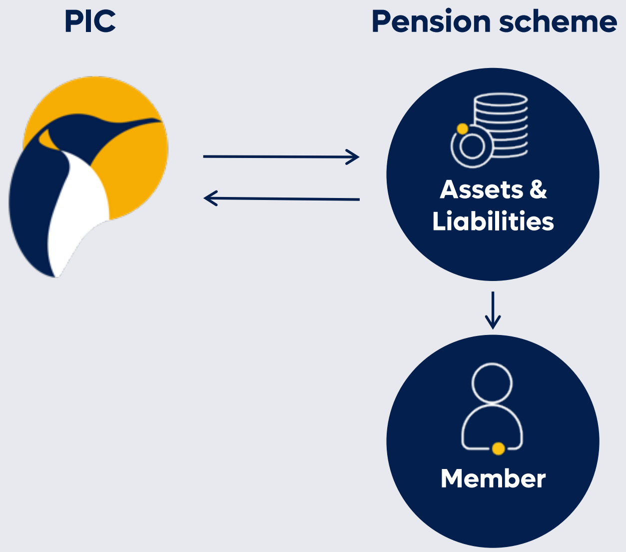
Appendix



Appendix A: Description of a pension risk transfer buy-in and buyout

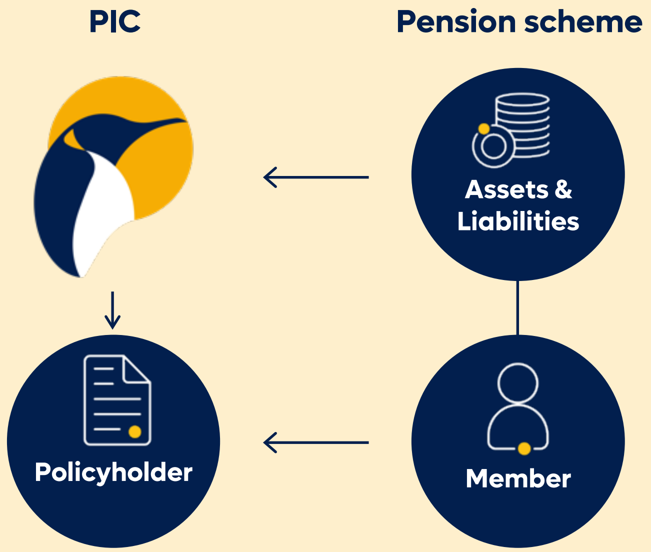
What is a pension insurance buy-in?

- The pension scheme purchases a bulk annuity insurance policy to cover its obligations to a subset of the scheme members. The insurance policy is held as an asset of the pension scheme
- A buy-in is a perfectly matching investment for the insured liabilities
- A buy-in removes the pension scheme's longevity, interest rate, inflation and other risks, as these are transferred to PIC
- PIC has no direct relationship with pension scheme members, whose benefits continue to be managed by the trustees



What is a pension insurance buyout?

- A buyout removes pension assets and liabilities from a pension scheme and employer's balance sheet. It is a full settlement of the scheme and employer's obligations to the scheme members
- PIC issues individual annuity insurance policies to the members of the pension scheme as a direct replacement for their claim on the pension scheme
- Typically, the pension scheme is wound up and assets pass across to PIC
- The scheme members become policyholders of PIC



Appendix B: Climate targets and achievements

On-track to being carbon neutral by 2025 across our operational emissions.

Goals:

Carbon neutral as a business by

2025

We have committed to being carbon neutral (scope 1 and 2 emissions) as a business by 2025

Net Zero across all emissions by

2050

We have committed to being Net Zero across all emissions including the investment portfolio by 2050

Targets:

50%

decrease by 2030 from 2019 levels

PIC is committing to decreasing the investment portfolio's average carbon intensity (tons CO_2/\$m revenue) by 50%
by 2030 from 2019 levels

25%

decrease by 2025 from 2019 levels

PIC set an interim target of decreasing the average carbon intensity of investments in publicly-listed corporate credit by 25% from 2019 levels by 2025

Achievements:

Reduced Scope 1 and 2 emissions intensity by

26%

During 2023 PIC reduced its Scope 1 and 2 carbon emissions per Full Time Employee by 26% (2022: 18%)

Weighted Average Carbon Intensity of investment portfolio:

169 **tons CO_2e/\$M revenue**

Representing 75% of investments and this is a 3% decrease compared to 2022 (2022: 175 tons CO_2e/\$M revenue)

Temperature alignment of

1.9°C

for public corporate credit portfolio

75% of reporting corporates on a trajectory of 2°C or below

Industry collaboration:

PRI Principles for Responsible Investment

SUSTAINABLE DEVELOPMENT GOALS

ABI

THE PURPOSE OF FINANCE

UK STEWARDSHIP CODE

FRC

A4S ACCOUNTING FOR SUSTAINABILITY

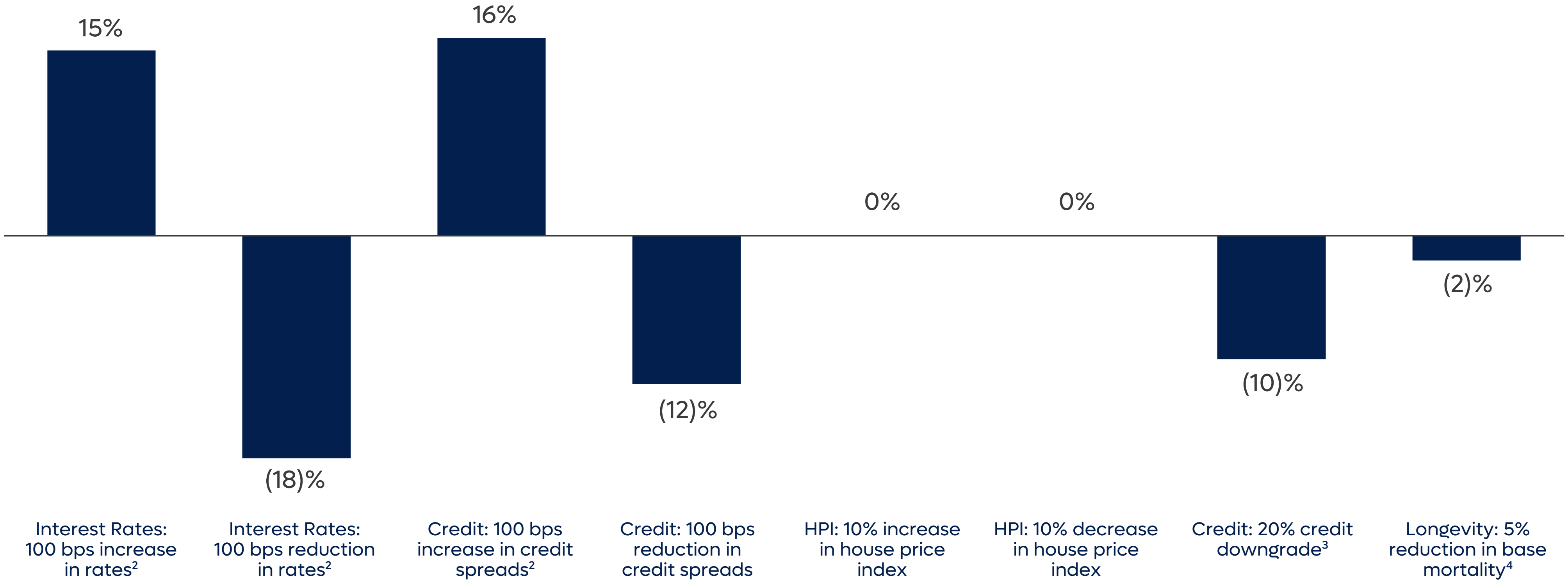
THE NET-ZERO ASSET OWNER ALLIANCE

Further information can be found in PICC's 2023 Climate Report

Appendix C: Key solvency II ratio sensitivities

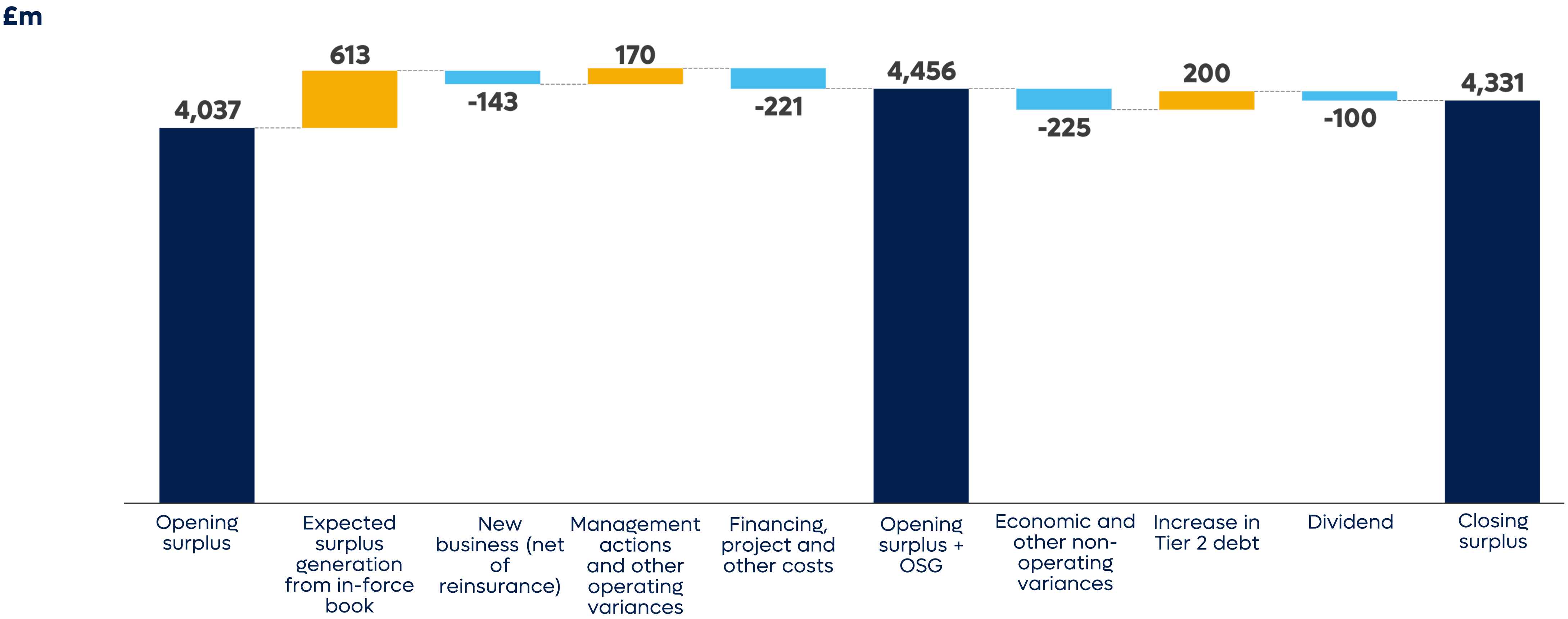
The key sensitivities[1] to which the Group's regulatory solvency balance sheet is exposed and their impact on the solvency ratio are shown below:

Solvency II ratio sensitivities (unaudited) at 31 December 2023:



1. All sensitivities reflect the impact of the transitional measure on technical provisions ("TMTP") being notionally recalculated in the stress positions.
2. For the interest rate and credit spread sensitivities, the nature and size of the impacts the notional recalculation of the TMTP contributes to the asymmetry of the results.
3. Shows an immediate full letter downgrade on 20% of all assets where the capital treatment depends on a credit rating. Downgraded assets are assumed to be immediately traded back to the original credit rating, so the impact is primarily a reduction in own funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.
4. Equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.

Appendix D: Movement in Solvency II surplus over 2023



Operating surplus generated ("OSG") in the period was £419m (2022: £17m[1]). 2023 results include the benefit of risk margin reform (net of TMTP recalculation) which increased own funds by £453m, gross of tax. Further legislative changes in respect of Solvency II are expected in 2024.

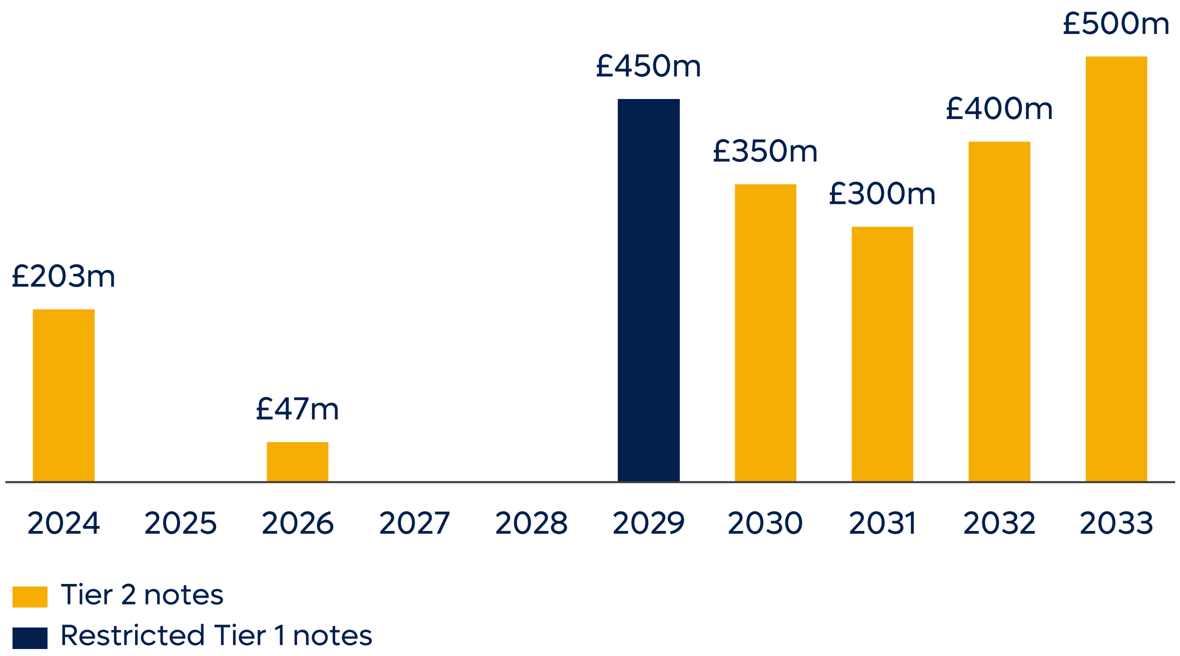
1. The results are now reported at consolidated group level. These were previously reported at PIC plc level, our largest entity.

Appendix E: PIC plc's outstanding bonds

PIC has issued Restricted Tier 1 ("RT1") and Tier 2 capital instruments to support the solvency position and new business capacity.

Instrument	Key terms
£203m Tier 2 Note	• Issued in July 2014 • 10 year bullet • 6.500% fixed coupon
£47m Tier 2 Note	• Issued in November 2016 • 10 year bullet • 8.000% fixed coupon
£350m Tier 2 Note	• Issued in September 2018 • 12 year bullet • 5.625% fixed coupon
£450m Restricted Tier 1 Note	• Issued in July 2019 • Perpetual • 7.375% fixed coupon
£300m Tier 2 Note	• Issued in May 2020 • 11 year bullet • 4.625% fixed coupon
£400m Tier 2 Note	• Issued in October 2020 • 12 year bullet • 3.625% fixed coupon
£500m Tier 2 Note	• Issued in November 2023 • 10 year bullet • 8.000% fixed coupon

Debt profile at 31 December 2023[1,2]



1. PIC's Tier 2 issues are bullet structures and assumed redeemed as per their maturity subject to satisfying the Solvency Condition.
2. PIC's perpetual RT1 note has a call date in 2029 and on every fifth anniversary from that date. For the purposes of this graph only, it has been assumed the bond will be redeemed on the first call date.

Appendix F: PICG's major shareholder base

49.5%
shareholding

17.4%
shareholding

18.4%
shareholding

10.2%
shareholding

First invested in
2012

Investor since
2017

Investor since
2018

Investor since
2021

The remaining shares are held by a number of other corporate and private individual shareholders and the Employee Benefit Trust
At 31 December 2023

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