



Half Year 2024 Results Presentation.

Pension Insurance Corporation Group Limited

12 September 2024





To keep on driving long-term value growth

Building long-term partnerships for new business and investment

- **Completed £3bn of new business in H1 24.** Additional £1.6bn in exclusivity, or signed, at end August. Repeat transactions an important aspect.
- **45% of £1.1bn of privately-sourced debt investments during H1 24** with existing counterparties.
- **Launched Mosaic**, a streamlined buyout service for small schemes.



To carry on leading as a responsible corporate citizen

Acting responsibly with customers at the heart of everything we do

- **Focussed on customer service** with 99.3% customer satisfaction levels.
- Unique **policyholder engagement approach** including full programme of in-person and online policyholder events.
- **Leadership in sustainability** in the PRT sector; reaccepted as a signatory to the Stewardship Code.



To continue building a secure and sustainable business

Well positioned for the future with a robust balance sheet

- **234% HY 24 solvency ratio¹**; well above long-term average. **£4.8bn HY 24 solvency surplus**, providing significant financial flexibility.
- **£47.7bn high-quality investment portfolio** with zero defaults since 2013.
- **Special dividend of £107m and interim dividend of £147m** (c.7% of solvency capital requirement) **to be paid** in September 2024 as part of the annual dividend cycle.

1. PIC's pro forma solvency at 30 June 2024 was 227% allowing for the payment of the interim and special dividends.



To keep on driving
long-term value growth

£3bn of premiums in H1

Additional £1.6bn signed up or in exclusivity at end-August

- We completed **nine transactions** in H1 2024.
- **Repeat transactions** based on customer experience **are an important part of our new business mix**; including a second buy-in with TotalEnergies covering £1.2bn of liabilities in H1 2024.

£1.1bn of privately-sourced debt investments during H1

- **45%** was with existing counterparties, in sectors such as highly rated sub-sovereigns, utilities, financials and UK infrastructure.
- **£30m Apex Housing investment** adds to an initial investment of £100m in 2021.
- New Vic, **our first build-to-rent development** has now been fully let.

Launched Mosaic

- A **streamlined service** for small schemes (<£100m of assets) looking to complete a buyout.
- Around **800 small schemes** are over 100% funded on a buyout basis.¹

1. Estimated based on publicly available figures.



To carry on leading as a responsible corporate citizen

Focused on customer service

- Re-awarded by the Institute of Customer Service, for **“consistently high customer service levels”**.
- The Institute of Customer Service **Trusted Quality Provider**.
- Customer service satisfaction levels remain very high at **99.3%**.

Unique policyholder engagement approach

- **£14.9bn** in total policyholder payments¹.
- Full programme of in-person **policyholder events** with 2 new locations added.
- Launched **“PIC on demand”** online policyholder service with downloadable content.

Leadership in sustainability in the PRT sector

- Became **founding signatories** to the **A4S Sustainability Principles Charter** for new pension business.
- Accepted as **signatory to the Stewardship Code** for the second year running.
- **Winner** of the Environmental Finance’s **Sustainable Re/insurer of the Year 2024** award.

¹. Total paid to policyholders from 2013 onwards. Amounts paid before 2024 have been adjusted for inflation.



To continue building a secure and sustainable business

234% HY 24 solvency ratio

- **Solvency ratio is significantly above long-term range** (211% at YE23).
- **£4.8bn HY 24 solvency surplus**, providing significant financial flexibility and capacity to deliver on our purpose.

£47.7bn financial investment portfolio

- **£42.1bn of insurance liabilities.**
- **Over 99%** of the value of our debt securities are rated investment grade.
- **Low risk, stable, fixed income assets** reflect our prudent approach. We continue to favour defensive sectors including infrastructure, utilities, and public finance.

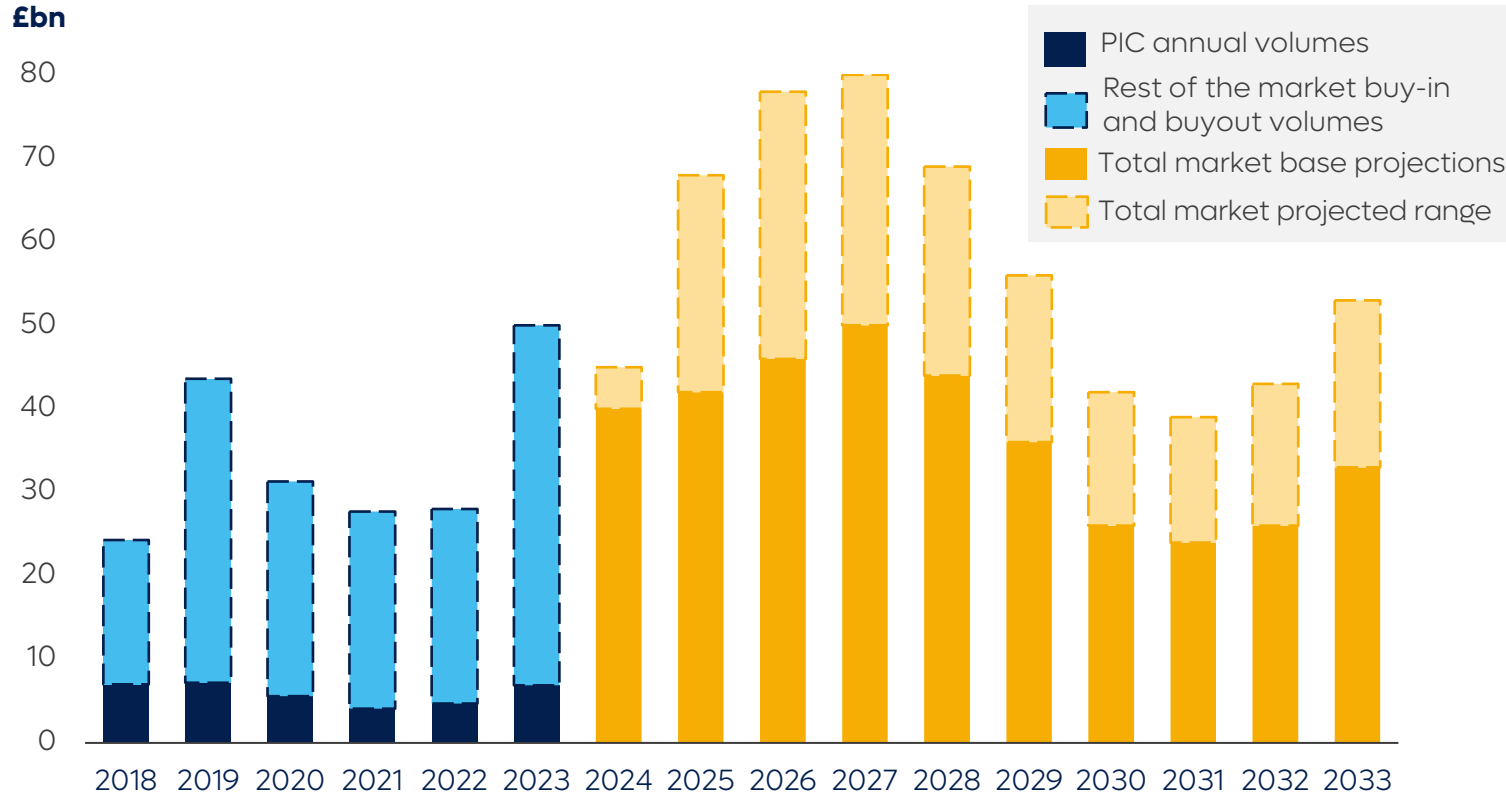
Special and interim dividend of **£254m**

- Paid a **final dividend of £147m** in May 2024 for the year ended 31 December 2023.
- Board approved a **special dividend of £107m** and **interim dividend of £147m** equating to a total dividend of 19.0p per ordinary share.
- **Pro forma Solvency ratio was 227%** post the payment of the dividends at HY 24.

PRT remains a strong and growing market



UK PRT market projections¹ £bn



£1.3trn

of defined benefit liabilities in the UK²

£40-45bn

Total forecast PRT market volumes for 2024³

£4.6bn

of new business completed, in exclusivity or signed for, to end of August 2024

8 schemes

Over £1bn in assets, which we are actively quoting on, are expected to transact over the next 12 months

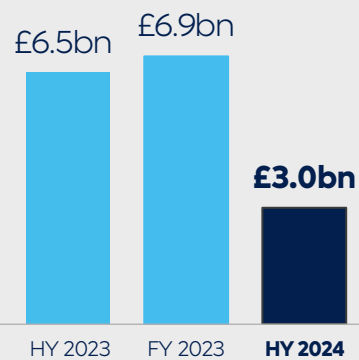
1. Total market base projections¹ and Total market projected range¹ (LCP report: LCP's predictions for the pension risk transfer market in 2024), PIC annual volumes¹, Rest of the market buy-in and buyout volumes and 2023 projected market volumes (PIC analysis).

2. PPF Purple Book 2023

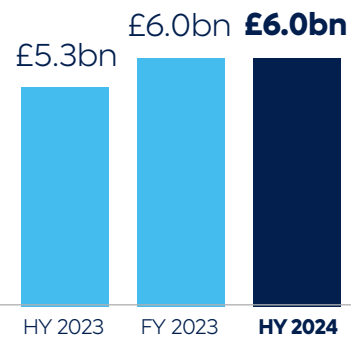
3. PIC's estimate, based on market visibility

Financial highlights.

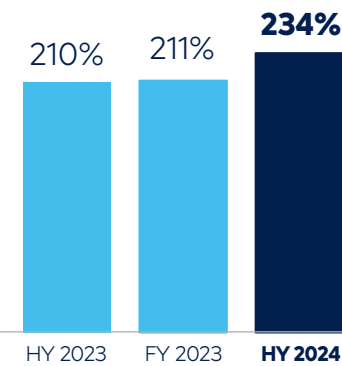
New business premiums



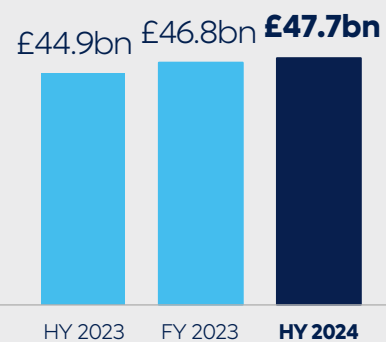
Equity own funds¹



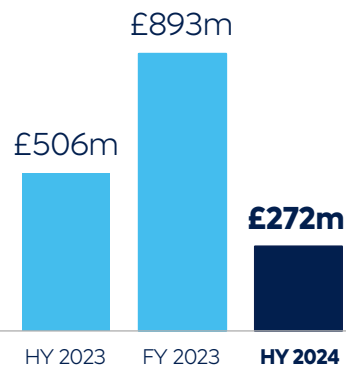
Solvency II ratio



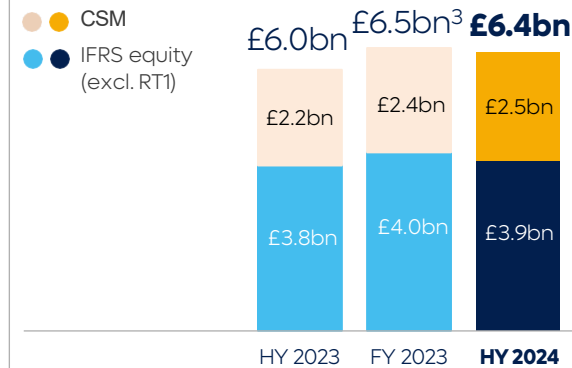
Financial investments



Adjusted operating profit before tax



IFRS adjusted equity²



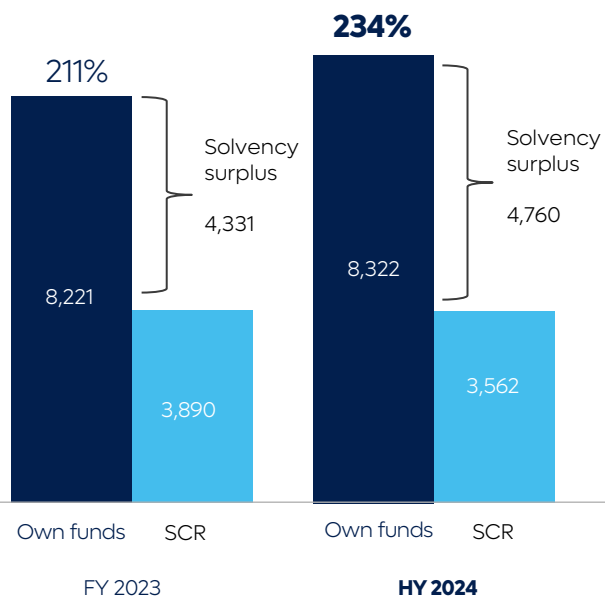
1. Equity own funds is a shareholder view of the Group's Solvency II own funds after deducting hybrid debt.
 2. IFRS equity excluding Restricted Tier 1 ("RT1") debt plus the contractual service margin ("CSM"). CSM is quoted net of reinsurance and tax.
 3. Numbers do not sum due to rounding.

Solvency ratio is significantly above our long-term range.



Capital position £m

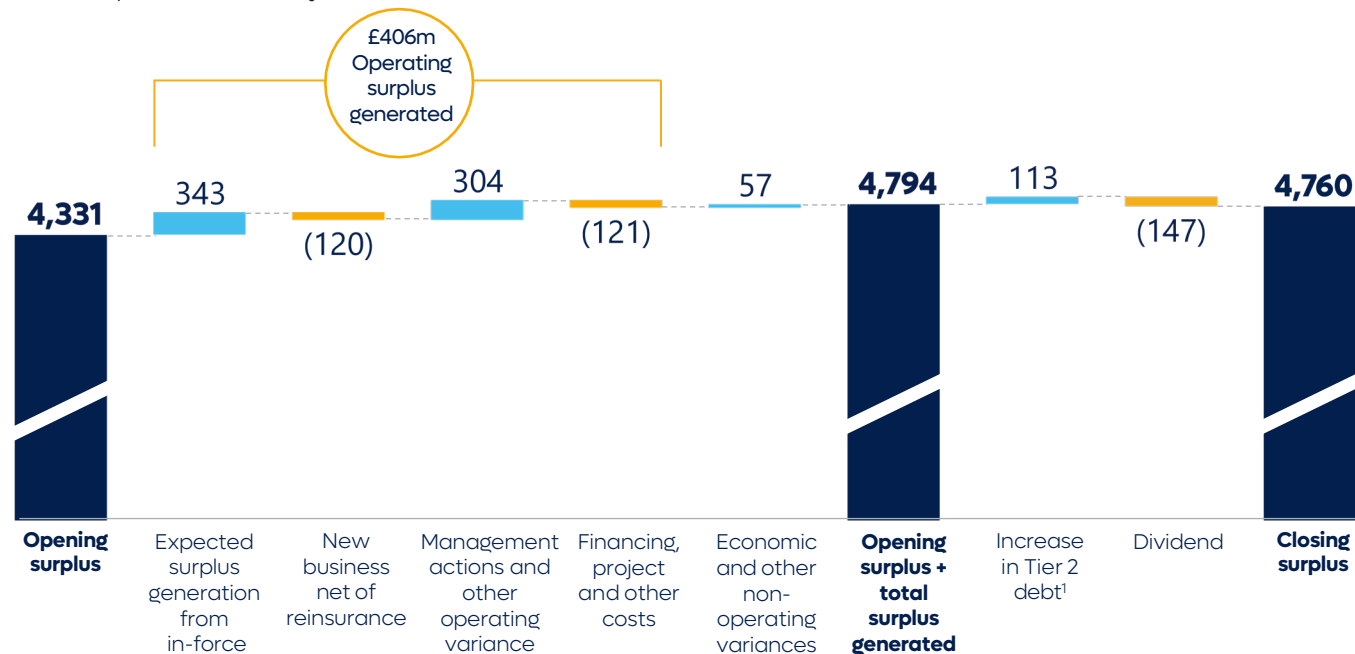
Solvency II ratio:



- **Solvency surplus increased to £4.8bn** (FY2023: £4.3bn) providing financial flexibility into the remainder of 2024 and beyond
- **Well positioned to deliver on our purpose** of paying the pensions of our current and future policyholders
- **The Board approved a special dividend of £107m, as well as an interim dividend of £147m as part of the annual dividend cycle.** This equates to a total dividend of 19.0 pence per ordinary share to be paid in September 2024. PIC's pro forma solvency ratio at 30 June 2024 was 227% allowing for the payment of the interim and special dividends.

Movement in solvency surplus £m

For the period 1 January 2024 to 30 June 2024



1. Impact of raising additional Tier 2 debt net of repurchases and ineligible capital.

Lower AOPBT reflects lower new business volumes given £6.2bn RSA transaction in H1 2023.

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

	6 months to 30 June 2024	6 months to 30 June 2023
Expected return from operations	280	241
New business and reinsurance profit	106	412
Underlying profit	386	653
Changes in valuation assumptions	6	18
Experience and other variances	(2)	(66)
Finance costs	(74)	(60)
Project and other costs	(44)	(39)
Adjusted operating profit before tax	272	506
Movement in CSM ¹	(68)	(271)
Investment related variances	(167)	(217)
Add back: RT1 coupon	16	16
Profit before tax	53	34
Total new business volumes	3,009	6,494

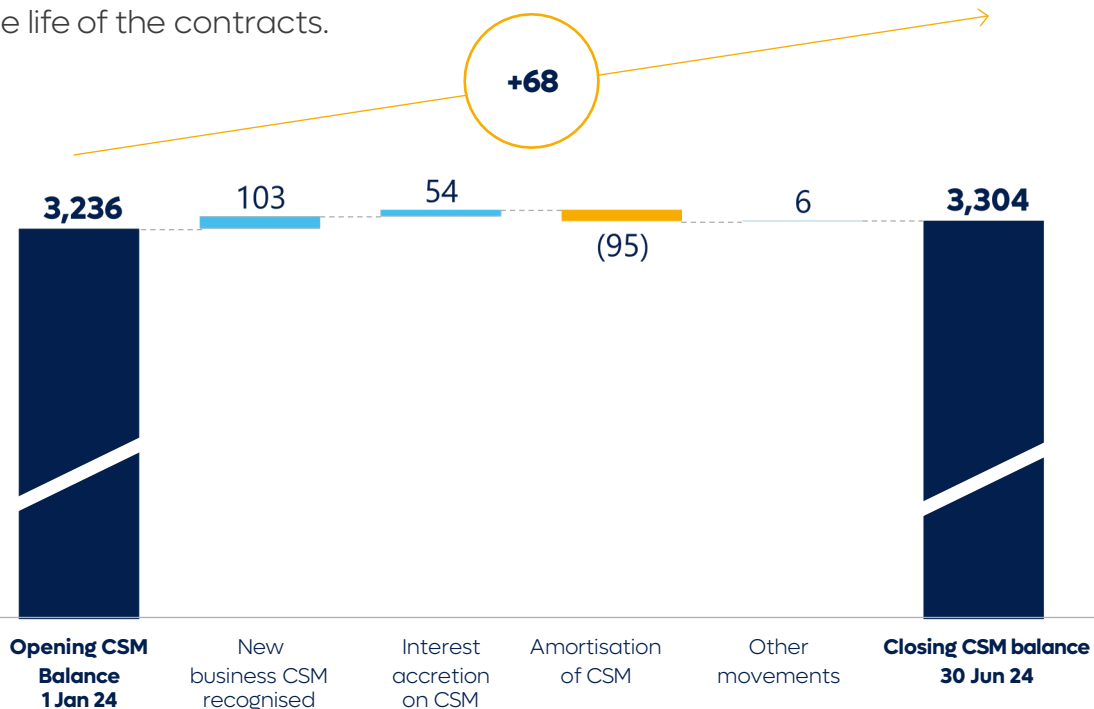
1. CSM is quoted net of reinsurance.

- £272m IFRS AOPBT for the period.
- AOPBT reflects the value generated prior to new business deferral and subsequent in-force release of profit via the CSM. It excludes investment related variances.
- The decrease compared to the prior period is largely due to writing lower new business volumes.
- At HY2024, PIC had completed £3.0bn of new business (HY2023: £6.5bn). At the end of August 2024, PIC had a further £1.6bn of new business signed or in exclusivity.

IFRS adjusted equity remains strong at £6.4bn.

Movement in CSM (net of reinsurance) £m

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

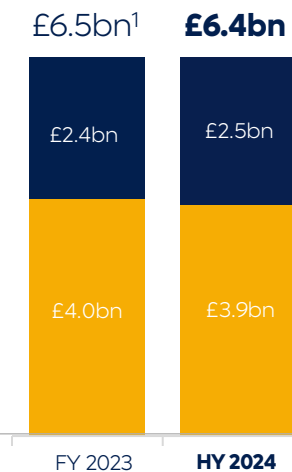


- **£103m of new business CSM recognised over the period** which represents an increase in the store of future value and the growth in the business
- **£68m of total CSM increase over the period** (HY23: £271m)

1. Numbers do not sum due to rounding.

IFRS adjusted equity

- CSM (net of reinsurance and tax)
- IFRS equity (excl. RT1)



- **IFRS adjusted equity is a measure of overall shareholder value** and is the sum of IFRS equity (excluding the RT1 debt) plus CSM (net of reinsurance and tax)
- **Remains strong at £6.4bn**, after the payment of the 2023 final dividend.

High-quality, diversified asset portfolio.

Financial investments



Debt securities - Government Bonds	38%
Debt securities – Corporate	32%
Debt securities - Private investments	18%
Mortgage backed and other asset backed securities	1%
Equity release mortgages	2%
Participation in investment schemes	9%

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



Utilities	21%
Financials	18%
Housing associations	10%
Consumer, cyclical	5%
Consumer, non-cyclical	7%
Telecoms, media and technology	8%
Education (includes universities and student accommodation)	7%
Infrastructure	8%
Other ¹	16%

1. Other includes includes real estate (4%), renewable energy (4%), Commodities (2%), sovereign, sub-sovereign and municipals (2%), not for profits (2%), and structured and other finance (2%).

2. Debt securities – corporate and private investments.

- **Prudent investment strategy** that prioritises long-term security
- **No defaults** since 2013
- **High-quality corporate and private debt securities** (3% AAA, 14% AA, 43% A, 39% BBB and 1% BB or below)
- **Geographically diverse portfolio²** (50% UK, 25% US, 18% Europe (ex.UK) and 7% RoW)
- **No exposure to residential ground rents**
- **Originated £1.1bn of high-quality privately sourced investments** in the first half of the year

Concluding remarks.



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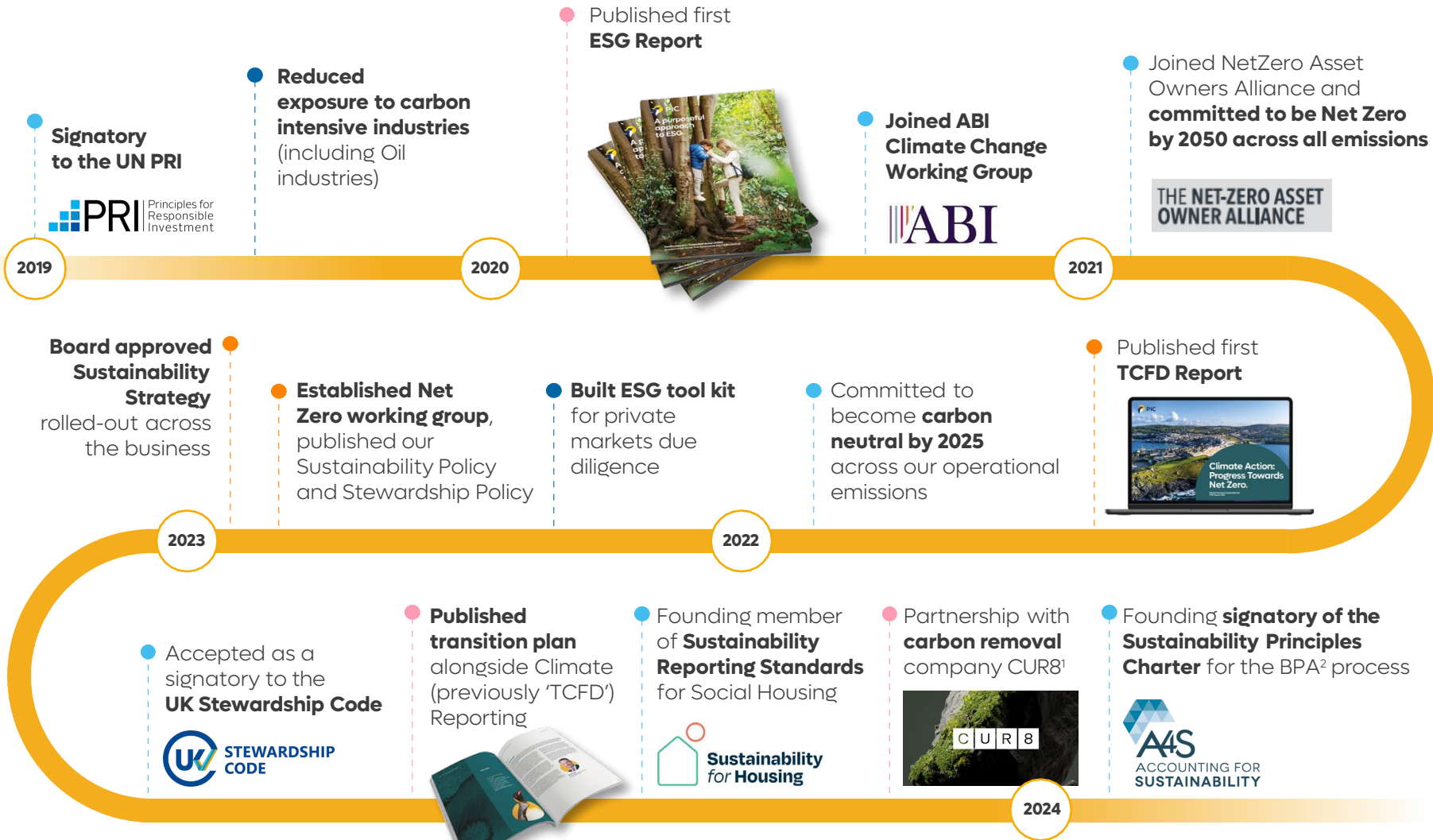
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Appendix.

Appendix: On track for carbon neutral operational emissions by 2025.



Weighted average carbon intensity
175 tons
CO₂e/\$m revenue

2023: 169 tons CO₂e/\$m revenue

- Industry initiatives
- Investment portfolio
- Reporting and impact
- Sustainability governance and policies

Further information can be found in our **2023 Sustainability Report**

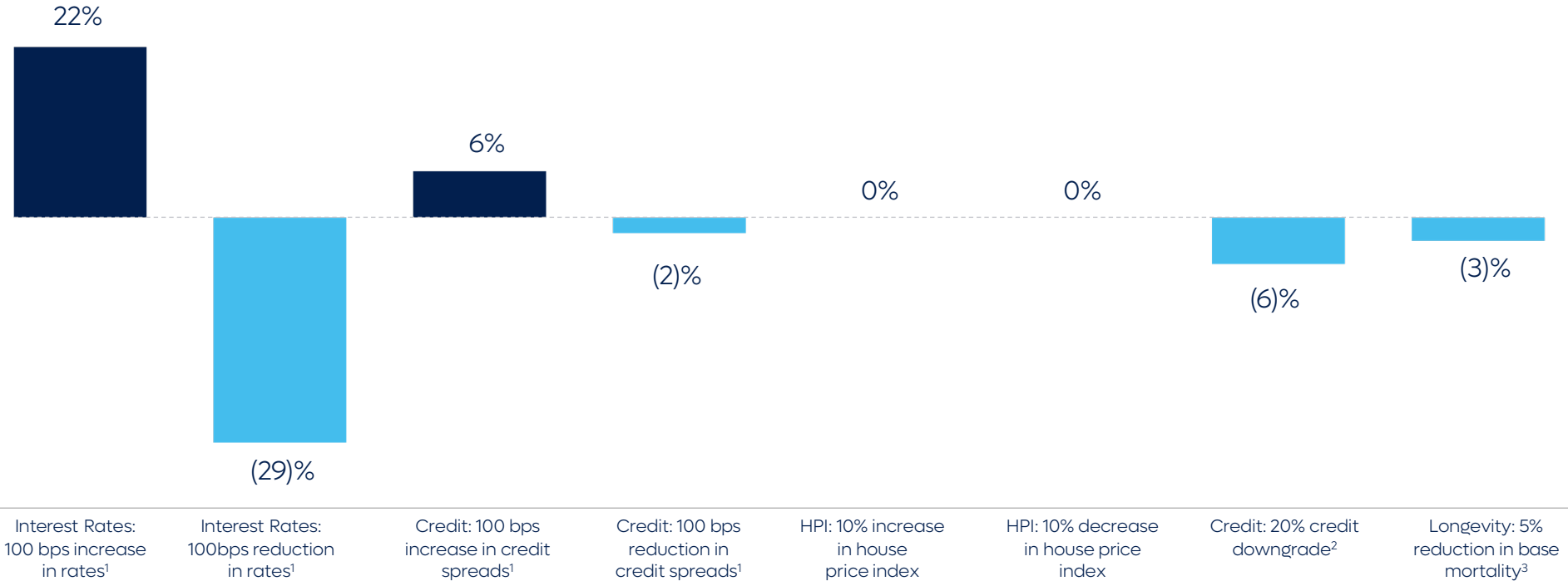
Appendix: Solvency II sensitivities.



The key sensitivities 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 at 30 June 2024

Solvency II ratio at 30 June 2024: 234%



1. For the interest rate and credit spread sensitivities, the nature and size of the impacts of the notional recalculation of the TMTP, contributes to the asymmetry of the results.

2. 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 depends on the market levels of spreads at the balance sheet date.

3. Equivalent to a 0.4 year increase in life expectancy from 22.5 years to 22.9 years for a typical male aged 65.

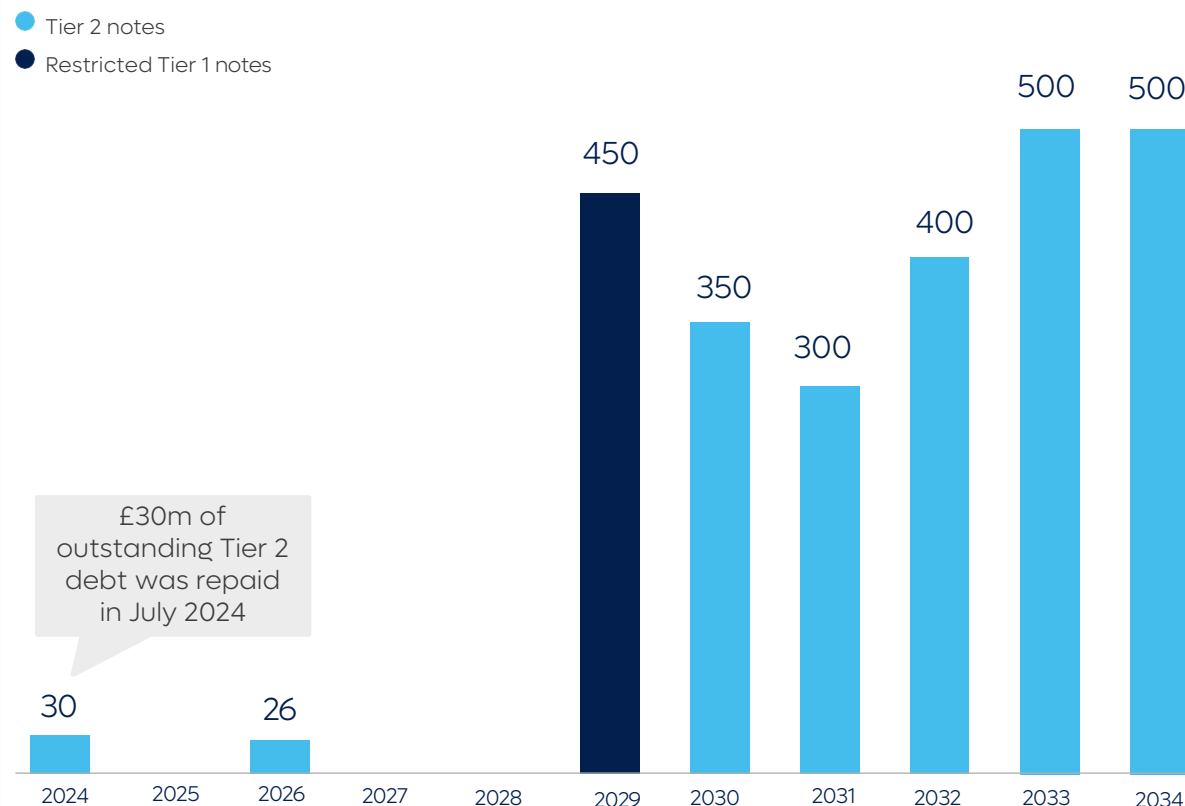
Appendix: Debt maturity profile.



PIC plc's outstanding bonds

Instrument	Key terms
£26m Tier 2 Note	<ul style="list-style-type: none"> Issued in November 2016 10 year bullet 8.000% fixed coupon
£350m Tier 2 Note	<ul style="list-style-type: none"> Issued in September 2018 12 year bullet 5.625% fixed coupon
£450m Restricted Tier 1 Note	<ul style="list-style-type: none"> Issued in July 2019 Perpetual 7.375% fixed coupon
£300m Tier 2 Note	<ul style="list-style-type: none"> Issued in May 2020 11 year bullet 4.625% fixed coupon
£400m Tier 2 Note	<ul style="list-style-type: none"> Issued in October 2020 12 year bullet 3.625% fixed coupon
£500m Tier 2 Note	<ul style="list-style-type: none"> Issued in November 2023 10 year bullet 8.000% fixed coupon
£500m Tier 2 Note	<ul style="list-style-type: none"> Issued in May 2024 10.5 year bullet 6.875% fixed coupon

Debt profile at 30 June 2024 £m^{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: PICG's major shareholder base.



The remaining shares are held by a number of other corporate and private individual shareholders and the Employee Benefit Trust. At 30 June 2024.

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