M&G plc 2023 Half Year Results

Presentation and Q&A

20 September 2023

Welcome & strategic overview
Andrea Rossi, Group Chief Executive

Slide 4 – Business review, Andrea Rossi, Group Chief Executive

Good morning, and welcome to M&G's 2023 Half Year results.

It is a pleasure to be here with you today, to give you an update on our performance, and on our progress towards delivering our three strategic priorities. In March, we spoke about what kind of company we want to be: one that uses its differentiated, balanced and integrated business model to deliver better client outcomes. Today, we confirm that ambition, and how we are achieving it.

I was confident about M&G's future when I joined nearly one year ago, and I'm even more confident now. At a time of macroeconomic volatility, we have delivered strong operational and financial results.

In the first part of this presentation, I will focus on our financial highlights and business achievements, Kathryn will then expand on the financial results – our first under the new IFRS 17 accounting standards.

I am proud to say that our Half Year results evidence a strong performance, with meaningful year-on-year growth in both Adjusted Operating Profit and Operating Capital Generation. In a short period of time, we have progressed significantly on our three priorities: Financial Strength, Simplification, and Growth.

In these six months we have seen how M&G's differentiated business model really delivers value to clients and shareholders.

So let me take you through the key highlights.

Slide 5 – Good progress on our core priorities

It all starts with financial strength, proving we are good stewards of our shareholders' capital. We remain on track to achieve our three-year target of £2.5 billion Operating Capital Generation by 2024, having delivered 53% of it in the first 18 months.

Given the progress against this target and the continued strength of our financial position, I am pleased to declare today a 2023 interim dividend of 6.5p, up 5% on last years.

Let's look now at our second priority, simplification. Having launched the transformation programme just six months ago, we are making real progress to become a more efficient organisation that can better serve its clients.

We have already begun rolling out the new target operating model. We reshaped our leadership team; we are rationalising our location footprint and we accepted over 200 applications for Voluntary Redundancy. We are just at the beginning of a three-year journey, but we are confident we are on the right track; and we expect to achieve £50 million in run-rate savings by year end.

And finally let's talk about growth. In H1, we delivered positive external net flows and re-entered the UK DB de-risking market. This is a key step forward as we aim to maximise the unique combination of the three business units within M&G.

Despite facing expected outflows from UK Institutional clients, we have successfully expanded internationally and seen traction in high-value segments of the market that offer compelling margins. PruFund, Private Assets, and Wholesale Asset Management; all these franchises attracted positive net flows. Let's dive deeper now into each one of our priorities.

Slide 6 – Financial strength, Strong Operating Capital Generation, interim DPS up 5%

When looking at financial strength, we have good reason to feel confident. After a meaningful improvement in 2022, Operating Capital Generation continued to grow by 17% year-on-year. The strength of these results underpins the quality of our dividend, with the interim DPS growing by 5%. Our balance sheet remains strong and of high quality, with the Solvency II ratio above the top end of our target range.

Finally, with good levels of liquidity both in the HoldCo and subsidiaries, we have the resources to focus on leverage, as we remain committed to achieve a ratio of below 30% by 2025.

Slide 7 – Simplification, Transformation programme underway

Moving on to simplification. In March we launched a transformation programme with three stated objectives:

- Streamline the operating model;
- Achieve £200 million cost savings; and,
- Reduce the Asset Manager Cost to Income Ratio to less than 70%.

Our work on our transformation programme has already started. We are laser-focused on improving our ability to serve clients, reduce costs, and unlock growth.

This year we achieved a major milestone, as we successfully migrated two million policies to a modern and stable admin system. This allows us to decommission legacy IT systems, to lower costs, and to deliver a better client experience. We are also improving digital journeys for our clients, with MyPru registrations up 14% year-on-year. By the end of 2025, we will have streamlined and automated more internal processes, and reduced costs through rationalising activities. As we strengthen internal change capabilities, we expect to substantially reduce contractor and consulting spend.

We are also addressing our office footprint, expanding our presence in lower cost locations, while reducing it in London. As we complete the programme, we expect to reduce office spend by over 20%.

We have an ambitious plan, which the entire Executive Committee, is fully focused on. We have already made a good start and we are confident in our ability to execute.

Slide 8 – Simplification, Aligned leadership structure to business model

But as I have said before, the transformation programme is not just about costs. It is about becoming a leaner organisation which better focuses and delivers on client outcomes. With this goal in mind, we have strengthened our Executive team, with dedicated leadership for each one of our three business areas.

I am delighted, that Clive Bolton and Caroline Connellan join us this month to lead the Life and Wealth businesses respectively. They bring to M&G deep expertise in their fields, together with the drive and commitment needed to fulfil our ambitions.

As I said in March, the three components of our business model are balanced and complementary. We lead with the Asset Manager, the core of our business. It both serves and is supported by Heritage and Wealth and working together, all thrive.

Let me be clear, while we now have new leadership in each of our three businesses, Caroline, Joseph and Clive will work together to deliver the best possible outcomes for our clients and shareholders.

Slide 9 – Growth: Asset Management, Continuing to build on our expertise and international presence

Having covered financial strength, and simplification, I will now turn to growth. And here, I'll start with the Asset Manager. We have offset headwinds from UK Institutional clients by growing internationally and winning high-margin business in Wholesale Asset Management and Private Markets.

M&G has been building its international presence since the demerger from Prudential, and the collaboration between the three business units plays a crucial role in this growth. In just over three years, we have added investment capabilities in Asia and the US. This allowed us to repatriate over £27 billion of our internal client's assets, including a £5.5 billion Asian Fixed Income mandate earlier this year.

Adding capabilities to serve the internal client has also improved our proposition to external clients. This, coupled with focused deployment of distribution staff in continental Europe and Asia, has translated into continued external net inflows from international clients.

And we are not done yet. We continue to invest in distribution capabilities in the most promising developed markets across Europe and Asia.

Slide 10 – Growth: Asset Management, Further improving Wholesale Asset Management

Another area where we continue to grow is Wholesale Asset Management.

As you can see, in 2020 only 20% of our mutual funds performed above median, and we suffered net outflows of almost £12 billion. We believed that this franchise could return to profitable growth. So, we brought in fresh talent, tackled performance, and reviewed our proposition and pricing structure.

As of the end of June, over 70% of our mutual funds performed above median, and we achieved positive net flows of £1.3 billion. In doing so, we did not rely on a single blockbuster fund, instead we leveraged a high-quality offering, diversified across equities and fixed income, developed and emerging markets, as you can see on this slide.

Despite our positive experience in H1, we are not complacent. We remain focused on delivering strong client outcomes to sustain our performance over time.

Slide 11 – Growth: Asset Management, Positive momentum in high-value Private Markets business

So, the next area I want to touch on is Private Markets.

With £74 billion of assets under management, we are one of Europe's largest investors in this space, offering high-value solutions that deliver attractive margins. While accounting for under a quarter of the Asset Manager AUM, our Private Market operations generate over 40% of the revenues, at a strong average fee of 55 bps.

Here, Joseph Pinto, our Asset Manager CEO, has simplified the business structure to focus on six centres of excellence where we are recognised for our market-leading expertise.

We have seen positive momentum across all of them in H1, with meaningful wins in Real Estate, Infracapital, and responsAbility, our Swiss-based team specialised in emerging market impact investing.

In Private Credit, a key area of focus for us where we see increased client demand, we launched our first CLO fund, raising £400 million and adding a new element to our offering.

Looking forward, I am excited about the prospects for our Impact team. So far, it has been serving only the internal client, who has committed a meaningful amount of seed capital to develop these capabilities. Now, thanks to an excellent track record and a good level of interest from clients, we are getting ready to open their funds to external assets.

One more reason for optimism is our capital queue, roughly £5 billion of commitments across both our internal and external clients. These are mandates we have already won, and which will generate fees once deployed into assets.

Slide 12 – Growth: Wealth, Operational improvements and strong flows

Let's now turn to the Wealth business.

Here as well, we have seen operational improvements and growth. With sales of £3.3 billion, PruFund has delivered the best result in over three years. This is a meaningful increase on 2022 levels which had already recovered sharply on previous periods. The quality of this proposition and the outcomes it delivers to clients continues to be strong. At these volumes, it is one of the best-selling investment solutions in the UK.

Where we need to do better, is in the other elements of our Wealth proposition, in particular our digital platform and advice business. We need to take action to improve profitability. This will require time and effort, but we are already making progress.

In May, we launched all PruFund solutions on the M&G Wealth platform to support sales, while improving and digitising adviser journeys. Finally, this year we have grown our controlled adviser network to over 500 people through organic recruitment, in-house training, and the completion of the acquisition of Continuum.

We have all the elements we need to make the Wealth story a success: A scaled advice business, a digital platform, and differentiated investment solutions. Our objective is to combine these capabilities into an integrated proposition, improve efficiency and drive profitable growth.

Slide 13 – Growth: Life Insurance, Successfully re-entered the UK DB de-risking market

Last but not least, the Life Insurance business.

This morning, we announced the closing of two BPA transactions, for a combined total of over £600 million. These are the first deals we have completed since we closed the Annuity book to new business back in 2016.

Re-entering the DB de-risking market is a key component of the strategy we presented in March, expanding our capital generation capacity, while driving flows into the Asset Manager. Meeting this milestone in just over six months shows our execution capability in action.

We have done this from a position of strength; experiencing good levels of client demand, and with a solid and resilient balance sheet.

While we have capital to invest, we will be extremely disciplined in doing so, ensuring that new business meets or exceeds stringent financial hurdles, and credit risk is actively managed.

In the process of completing these deals, we have screened more than £20 billion worth of flows. We only pursued those opportunities which best matched our capabilities, where we could achieve attractive returns, and add most value to our clients.

Under Clive's leadership, we expect the Life Insurance business to become a third contributor to M&G's growth next to the Asset Manager and Wealth. Our aim is clear, generate good returns on capital, drive flows into the Asset Manager, and better leverage the With-Profits Fund.

So, in summary.

Slide 14 – Key messages: Financial Strength, Simplification, Growth

I am very proud of the progress we have delivered in the first half of the year. At a challenging time for asset managers, we delivered positive external net flows. This is the third year in a row we achieved this.

In doing so, we have expanded our international presence, once again partnering with the internal client that awarded us a £5.5 billion Asian mandate. As we improve the diversification of our footprint and client base, we continue to build a more resilient business.

We have also matched UK Institutional outflows with high-value inflows in Wholesale Asset Management, Private Assets and PruFund; high-margin solutions that improve our product mix. And we re-entered the DB de-risking space, leveraging our business model to open a third avenue of profitable growth alongside Asset Management and Wealth.

Our growth efforts go hand in hand with our simplification agenda. We have already made significant progress on our transformation programme, with a clear ambition to improve client outcomes and reduce costs.

No doubt there is still more work to do, but today's results underscore the financial strength of M&G. Adjusted operating profits, operating capital generation and dividend per share are all up year-on-year.

With that, I will now hand over to Kathryn to take you through our Financial Results in more detail.

Financial review
Kathryn McLeland, Chief Financial Officer

Slide 15 – Financial review, Kathryn McLeland, Chief Financial Officer

Thanks Andrea. Good morning everyone and thank you all for joining us today.

I'm pleased to present what is a good set of numbers, particularly in light of the ongoing external macroeconomic uncertainties and inflationary pressures. Despite these challenges, our external net flows were positive for the third year in a row, with strong inflows in Wholesale and PruFund.

Both our operating profitability and capital generation improved materially, and we are well on track to achieve our £2.5 billion capital generation target.

We have also made a good start on the Transformation programme and expect to deliver £50 million in run-rate savings by year-end.

And, finally, our Solvency II ratio remains strong, and above the top end of our target range. I'll now turn to the detail behind these highlights.

Slide 16 – Positive flows, strong Operating Profit and Capital Generation

External net flows were positive at £700 million.

Within Asset Management, you heard Andrea talk about how we offset our UK Institutional outflows with international growth, and about the strong performance in our Wholesale business. But the real highlight of these six months is PruFund, which delivered its best flows since 2019. Its smoothing mechanism and diversified asset allocation are very attractive for clients, particularly in light of the ongoing market volatility we are seeing.

Operating profit of £390 million is up 31% year-on-year, reflecting the strength of our diversified business model. Here, we saw an improved contribution from Heritage and the Corporate Centre, and a resilient performance from both Asset Management and Wealth.

Operating Capital Generation of £505 million is also up, by 17%, on an already strong 2022. We had good support from both the underlying result – which was only modestly down on last year at £352 million – and management actions, which were up in the period.

We finished June with a Solvency II ratio of 199%, a strong position considering the current economic cycle. And it is important to note that year to date we have not experienced any credit defaults, and only a very low level of downgrades. Let me now deep-dive into assets under management and flows.

Slide 17 – Third consecutive year of positive net client flows

Adverse market movements of £7 billion and outflows in our Heritage books were the main driver behind closing AUMA of £333 billion.

Our open business was in net inflows for the third consecutive year, despite a tough external environment and headwinds in our Institutional franchise, where we saw £3.8 billion of net outflows here in the UK.

These outflows were matched by strong growth with international Institutional clients, as we gathered £2.4 billion of net inflows, and as you have heard from Andrea, in Wholesale, with £1.3 billion of inflows meaningfully up on 2022.

Looking forward, the UK Institutional market remains challenged. But at the same time, we have already absorbed the majority of the exceptional redemptions we flagged in March and remain confident in the quality of our proposition.

We are also encouraged by the strong pipeline in our international Institutional business, across both Europe and Asia. And, as we discussed at Full Year, we see renewed interest from clients in our fixed income capabilities, which we expect to support flows in H2.

We are mindful of the challenges faced by all asset managers, and continue to focus on investment performance, product innovation, and distribution to build on the improvements we have delivered so far.

Wealth net flows improved by £700 million year-on-year thanks to PruFund sales of £3.3 billion. We are very pleased with this achievement and believe it can be maintained over the second half of the year.

Having covered flows, I'll move on now to Adjusted Operating Profit, which we report today for the first time on an IFRS 17 basis, which you can see on slide 18.

Slide 18 – Operating profits up by 31% Year-on-Year

At £390 million, Group operating profits were up by 31% year-on-year.

The key features of this AOP result are:

- Firstly, Asset Management showed great resiliency, as it delivered a stable year-on-year result despite adverse markets and a tough trading environment. We took action on costs to offset inflationary pressures, and won new business in high-margin areas, supporting our revenue line.
- Secondly, Wealth continued to provide a meaningful contribution to earnings, with an improved PruFund performance offsetting losses in the Advice and Platform businesses.
- Thirdly, Heritage was up almost 40% on the prior year, providing a solid underpin to the broader business, with a strong result from both Annuities and Traditional With-Profits.
- Finally, our Corporate Centre was £18 million better year-on-year due to higher Treasury income, driven by the external interest rate environment.

Let's now look at the Asset Management result in a bit more detail.

Slide 19 – Asset Management result

As we have highlighted today, we are encouraged by the resilience shown in our external flows and in our Asset Management profitability.

The financial result included the consolidation of responsAbility, which added £20 million to the top line and £19 million to costs versus the first half of last year.

On a like-for-like basis, revenues declined by 3%, impacted by the 5% drop in average AUM, but benefitting from improved margins due to a higher-quality product mix. Our overall average margin is up to 33 bps, thanks to our continued efforts to expand the Private Markets business. You heard Andrea talk about our focus on this area, where we are excited about the opportunities we are seeing in private credit and infrastructure in particular.

Looking at expenses now, once we strip out the impact of responsAbility, costs were up only 2% – well below current inflation rates – demonstrating our continued focus on cost discipline. The resulting Cost to Income Ratio is 79%, which excludes performance fees, and is primarily driven by adverse markets.

Given our progress on the Group-wide Simplification agenda, and the plans Joseph is well under way in executing, we remain fully committed to our Cost to Income ratio target of below 70% by 2025. We are determined to control absolute costs and deliver positive operating jaws over time in our Asset Management business to drive higher profitability.

Moving on now to Wealth, and our PruFund AOP results.

Slide 20 – Retail & Savings: Wealth, focus on PruFund UK

We have already touched upon the strong growth in PruFund sales, which you can see on the bottom right of this slide. These are up by over 30% on H1 last year, and while we don't expect this level of growth to continue indefinitely, we do believe these current volumes are sustainable.

PruFund earnings increased by 16% to £119 million despite the non-recurrence of a provision release relating to new business expenditures that we benefitted from in 2022.

The main driver of the year-on-year improvement in AOP was the CSM release of £101 million which was up almost 30%, thanks to a higher opening CSM, which benefitted from positive market experience last year.

I will cover the main drivers of CSM moves in a few minutes. On this page, it is worth noting the PruFund CSM run-off rate. At 12%, it is higher than the 10% we had previously assumed and that we communicated at the IFRS 17 event held in July.

Return on surplus assets more than doubled to £21 million, driven by higher interest rates.

Thanks to these strong current sales volumes, the PruFund CSM continues to grow, and we therefore expect the current level of earnings to be sustainable.

Turning now to Heritage.

Slide 21 – Retail & Savings: Heritage, Traditional With-Profits and Annuities

Here AOP for the first six months was up almost 40% on H1 2022 at £279 million, once again underscoring the importance of our Insurance operations, and the benefits we get from our diversified business model.

The same drivers lifting the PruFund result also benefit the Traditional With-Profits book, where earnings have grown by 30% to £129 million. And, again, a higher starting CSM and rates underpinned the improvement in profitability. At 14% the Traditional With-Profits CSM run-off rate reflects the greater level of maturity of this book.

In Annuities, the nearly £50 million improvement in AOP year-on-year to £150 million is due to higher returns on surplus assets of £110 million, driven by the significant increases in interest rates over last year.

The two BPA deals we were delighted to announce this morning of course are not included in this result. And, under IFRS 17, they won't immediately impact Annuity profits, as you would have seen under the previous accounting standard. What you should expect, is an increase in the Annuity CSM from new business coming on to the balance sheet.

I'd like to now cover the CSM movements in the first half of the year, which we include in our results for the first time. On slide 22 we show how we think about the CSM, its key drivers, and how these differ across Annuities, PruFund, and Traditional With-Profits.

Slide 22 – CSM growth driven by PruFund and Traditional With-Profits

As of end of June, the total CSM stood at almost £5.8 billion, showing a sizeable, discounted future value from M&G's insurance operations, split across the With-Profits Fund and Annuities.

Over the first six months of the year, the total CSM improved by £185 million before market impacts, with interest accretion and expected returns more than offsetting the CSM release to earnings.

Looking more closely at each product line, you can see the different numbers across the key drivers on the right-hand side of the page.

The Annuities CSM remained flat primarily because we had not yet reopened the book to new business. And of course, market assumptions are locked-in, leading to no impacts from market variances.

On the other hand, within the With-Profits Fund you can see £50 million from PruFund new business. You can also see an impact from Markets, which – mirroring the approach for capital generation – is split into an expected return which is added to the CSM interest accretion, and experience variances, which are included in 'market impacts'.

Turning now to Underlying Capital Generation, where we saw another strong result of £352 million.

Slide 23 – Underlying Capital Generation of £352m

Retail & Savings once again drove this strong outcome.

We are very pleased by the resiliency of the underlying result of £352 million, as it underpins our confidence in the dividend, and of course in achieving our Operating Capital Generation target of £2.5 billion by the end of next year.

The main differences compared to last year are:

- lower asset management contribution due to the negative impact from market movements;
- non-recurrence of a £16 million provision release in Wealth that we benefitted from in 2022; and,
- higher Treasury income in corporate centre.

When we think about the remainder of 2023, we expect a similarly strong underlying result. The resilience and predictability of the capital generation from our insurance operations provide strong foundations upon which we can grow our businesses and achieve still greater diversification.

I'll now move from Underlying to Operating Capital Generation, which you can see on slide 24.

Slide 24 – Operating Capital Generation of £505m

Here, higher management actions led to a 17% increase in the Operating result to £505 million.

Management actions of about £150 million were almost entirely driven by what is labelled as Asset Trading, predominantly in the With-Profits Fund and – to a lesser extent – in the Annuity book.

This positive contribution generated by the With-Profits Fund is due to changes in the strategic asset allocation that powers PruFund. In light of the current market environment, our Investment office decided to reduce the allocation to Equities and increase the allocation to Fixed Income, which led to a fall in our Solvency capital requirements.

Within 'Other' management actions, in 2023 we had a small favourable impact from mortality experience, while in 2022 we had minor headwinds from persistency and credit experience. As usual, longevity assumptions will be reviewed in the second part of the year.

Overall, we are very pleased with our strong operating capital generation, in particular as it further improved on a strong result in 2022. And we are well on track to our £2.5 billion 2024 target.

Slide 25 – Strong OCG result supported solvency ratio at 199%

Having covered the Operating result, I'll now walk through the other movements in Solvency II surplus and the coverage ratio which ended the period at 199%, flat compared to the end of 2022.

The £505 million operating result more than offset both the final dividend for 2022 of £310 million, and adverse market movements of £141 million. These market movements were mostly driven by the actual returns generated by the With-Profits Fund being lower than the expected rate.

In the period, we also experienced a £280 million capital restriction, corresponding to a reduction in the solvency ratio of just over 6 percentage points.

Our capacity for Tier 2 and Tier 3 Capital is set by our Regulatory SCR, which reduced in the period due to the run-off of Heritage business and higher rates. You can find more details on this in the Appendix.

Slide 26 – Small movement in the Solvency II leverage ratio

Turning now to our leverage ratio which remained broadly stable over H1, finishing at 36% due to higher rates reducing our Own Funds.

There was no change to the quantum of debt or servicing costs. We are committed to a target leverage ratio below 30% by 2025, and we will take action to achieve it.

As you know, we have a call date in 10 months with an amount that roughly matches the capital restriction. If we were to call and not refinance the debt, assuming the current position, we would positively impact the leverage ratio without seeing a material impact on the Solvency ratio.

With the implementation of IFRS17, we have also shown on this page the IFRS17 leverage ratio, which stands at 29%, although Solvency II leverage remains our main metric.

Slide 27 – Key messages

So, to summarise, in the first six months of the year:

- we yet again delivered positive external net flows in a very challenging market;
- we have made a strong start on our Simplification agenda and our £200m savings target;
- we achieved an increase of 31% in AOP, demonstrating the strength of our diversified business model;
- Operating Capital Generation improved by 17% on a strong 2022 result;
- and we ended the period with a stable Solvency II ratio, offsetting capital restrictions and dividends.

And, with that, I will hand back to Andrea to wrap up.

Closing Remarks

Andrea Rossi, Chief Executive

Slide 28 – Wrap up

Thank you Kathryn, to conclude.

In March we shared with you our vision for M&G, we are at the start of our journey, but I am very pleased with the progress achieved in a short period of time.

Slide 29 – Our priorities and targets

Today's results are good results, with higher earnings, operating capital and dividends year-on-year. They demonstrate the strength of our differentiated, balanced and integrated business model.

They also demonstrate progress on our three core priorities:

- First, financial strength, with a strong Operating Capital Generation and resilient balance sheet.
- Second, simplification, as we transform M&G to deliver better client outcomes and a more focused organisation.
- And finally growth, with positive net inflows for the third year in a row and having successfully re-entered the DB de-risking space.

And of course, these achievements would not have been possible without the dedication and expertise of all our colleagues across M&G. I would like to thank them for their hard work, and their continued commitment to the growth and success of this business.

The external environment might still be uncertain, but we are confident in our capabilities and in the strength of M&G.

With three balanced and complementary parts, our business model gives us the diversification and resilience we need to succeed.

We have the right operating model and the right team in place.

We will maintain our Financial Strength. We will Simplify. And we will continue to Grow this business.

Thank you.

Q&A

hosted by Luca Gagliardi, Director of Investor Relations with Andrea Rossi, Chief Executive Kathryn McLeland, Chief Financial Officer

Q. Ashik Musaddi, Morgan Stanley
A. Luca Gagliardi: I will repeat the question for the benefit of the people that are following us virtually. The questions were fundamentally two. One was the sustainability of the underlying capital generation result and the second around leverage and our plans to bring it to below 30% by end of 2025.

Andrea Rossi: I think these are good questions. Obviously, it is more CFO material. What I can say, maybe just on the leverage side is, we have a clear capital management framework in place. And by priority, the first one is on financial strength: Solvency II ratio, leverage ratio, HoldCo liquidity. And as you saw in the presentation, we are committed to our target of 30% leverage ratio by 2025. That is a real priority, and Kathryn will go through how we are going to get there.

The second one is, obviously, continuing to pay attractive dividends to our shareholders. Today, we showed you that the DPS per share is going up. And the third one, we want to invest in the business in order to support the growth. You saw the business growing today, I am glad to say also we see growth in the insurance business with the two BPA deals. But obviously to transform the business and to grow the business, we have to selectively invest. And then if there is anything left, we will see other avenues to return capital. But in terms of priority, the leverage ratio is something we are very strongly committed to. But I will hand over to Kathryn because they are very CFO related questions.

Kathryn McLeland: Thanks, Andrea. And you may remember back in March, we said that we were pretty encouraged by the underlying capital generation we saw in our retail and savings businesses continuing in 2022, because exactly as you said, of the expected returns that we would get, and these have indeed flowed through.

The underlying capital generation of £352 million is modestly down on last year, which benefited from a provision release, and we had the Asset Management result that was slightly down year-on-year. So, you really did see a very, very strong contribution from PruFund, traditional With-Profits and also the annuities business. So, when you think about the drivers of that underlying capital generation, you would expect that the expected return is sustainable throughout the year. And clearly, it is the PVST or underlying capital that improved as we guided to in March over the course of 2022.

Now, there are slightly different sensitivities in the PVST between Traditional With-Profits, which is less sensitive and PruFund. However, overall, we are encouraged by what we are seeing, and we have given guidance around the second half being broadly the same as the first half. And obviously, Annuities is a meaningful contribution to that number too and that has clearly benefited from a meaningfully higher increase in expected returns.

On surplus assets, they are modestly down but the expected return definitely more than offsets the small reduction in surplus assets. And clearly, now we are also re-entering in a very selective way the BPA market.

So, I think when we look at the underlying result, it is important for us to really continue to drive that higher. And when we look at the second half of the year, we think the same numbers we saw in the first half should broadly continue into the second half. And of course, we added to that strong management actions in the first half that delivered the £505 million total operating capital generation.

Just following up on leverage, and I think Andrea really did make the point that when we stood up in March, we really emphasised that in our capital allocation framework, we were very confident around capital. We are very confident around liquidity, and we wanted to prioritise leverage. So, we have said that leverage is our priority, and we now have a leverage ratio that is only modestly up on last year.

We have got very strong capital generation, very strong cash generation. We have a call date of £300 million in just 10 months. And I think importantly, we have got own funds that we certainly intend to continue to grow. So, we will absolutely get to the 30% leverage ratio target. We do constantly monitor the market. I think a year ago I talked about our understanding of all the options available to us, but we have got time and we know how we can get to the 30%. We continue to monitor all the options.

And I think you also mentioned how we think about the impacts of own funds, which obviously have been impacted industry-wide by market movements. And we spend a lot of time also looking at own fund sensitivity. And clearly with our strong capital generation, with our strong growth and profitability ambitions, we are confident also in the own funds' trajectory. Thanks.

Q. Farooq Hanif, JP Morgan: So, it seems that your international business, the net flows have really bailed you out of a tricky situation in the UK, but you are still growing. So, I am just wondering where you see those net flows going short term and long term. I mean, it seems to me that if you are building new businesses and attracting assets, that the number could grow. So, if you give a sense of that and the long-term vision for international assets as a potential for the Group, maybe in 10 years' time, that is question one.

Question two, I think you had some sort of gain in your Asset Management business from seed capital, if you give us a number that would be useful.

And then question three, clearly you are interest rate sensitive in your earnings because of the volatility of the CSM and return on surplus assets. Do you have somewhere in your pack a sensitivity analysis that we could use, or could you give us a guide to, let us say, if we were 50 bps down in yields, what that might do to earnings or just a rough direction of travel?

A. Luca Gagliardi: I will take the last one first. Do we have earnings sensitivities to rates somewhere in the pack? The short answer is no. And I think it would be inappropriate for us to try to answer this on the spot, but we can get back to you on that one offline. And then I guess to the question on Asset Management.

Andrea Rossi: Yes, I will take that. We are very pleased, of course, when we look at the first half how we have delivered on the Asset Management flows. We showed we had some headwinds in the UK we already flagged that in the full-year results due to the mini budget. But on the other hand, we saw significant inflows on the Institutional side across Europe and selectively also in Asia. And I would say those flows are a combination of having the right investment capabilities that are of interest to clients. So clearly, we have seen some more interest into credit in general, both on private and public credit, given where the rates are, and we have seen some institutions reviewing their asset allocation, moving away in some cases from equities to fixed income. I think also that is what we have been doing ourselves to a certain extent. But also, a selective interest in Private Assets, in particular, on the impact side.

So overall, I think, it is a question of really having the right investment capabilities where there is demand. We have also, I would say, invested in making sure we have more resources on the ground to support that and we have increased our distribution efforts in Institutional. We have added resources, in the Middle East, in Germany and in Asia, where we have appointed a new country head with an institutional background in Japan and Korea, which are big institutional markets. And as you know, also there because of the Solvency II implementation for insurers, we are well-placed in order to support that. So very pleased with the diversification there, and it is something that we want to continue to see.

I mean, I would like to also talk about the Wholesale Asset Management because I think that is an important one, because as you saw, we had £1.3 billion of net flows. Those flows were in a market where generally today retail investors are putting most of the money in money markets and cash due to the high rates in continental Europe. And I am very pleased with what we have done here in the UK, where we have seen significant inflows. We actually have gained market share and that is all due to the quality and the investment performance we had on the Asset Management side. You saw the numbers; they are rather unique. And once again, it is also very important to see that it is not just one unique blockbuster fund but a very diversified proposition.

So, looking forward, how do we see the next half? I mean, I would be cautiously optimistic on where we can go. But if you think about the macroeconomic environment and the demand that we see with clients, clearly there is interest in credit, and we are a strong credit house. So, we see there significant movement and interest from Institutional clients. We have a capital queue, which is a strong one at £5 billion. And of course, we also have some unfunded wins. So, I would say we see a diversified momentum going forward.

On the Wholesale Asset Management side, strong still in the UK, a little bit more difficult in Europe. European retail investors are more risk-adverse, and I would say the European governments are doing everything they can to have them invest in their government debt. Italy is a good example. They just came out with BTP Valore. So, then it is a question whether you want to invest in that, but that is a different question. But there also I think we will see potentially, probably more towards next year some movement again. But I think overall, when you look at the different investment capabilities we have, the diversity where we are in different countries, the Middle East is another one we should not forget. We see a lot of interest into the UK, into private assets, into credit from the Middle East, from Japanese, from Korean investors. So, yes, I think we are pretty well-placed in order to get momentum there.

Luca Gagliardi: The final question, I guess, Kathryn, we have it in the appendix, but maybe you can give a couple of words on that.

Kathryn McLeland: Yes. I guess, overall, as Andrea said, we thought the profitability performance of Asset Management was resilient, given the revenues were much less impacted than market movements and costs stayed well under control. So, there was an increase in investment income to £13 million in the first six months of the year. You see the seed capital, essentially reflecting the market environment. So yes, that was an improvement year-on-year, given the external market developments we saw in the first half.

Q. Andrew Crean, Autonomous Research: I just wanted to talk firstly about the liquidity. I think the £0.8 billion buffer is where you want it to be and that is where you are. Could you talk a bit about what the restructuring costs are going to be and also the commitment to the DB market? Because if you have also got to pay down £300 million of debt, is that buffer accounted for?

And then secondly, could you talk a little bit about your DB ambitions? What is the redemption out of annuities? How much you need to write in order for annuities to be balanced, and what is the strain of writing it?

Andrea Rossi: Okay. So, I will take the last one.
Kathryn McLeland: Yes. Do you want to start with the last one and I will go back to the top?

Andrea Rossi: So, I always said we re-entered the DB de-risking space, because we saw an opportunity because the market obviously widened, and we wanted to re-enter in a very selective way. And we always said that we wanted to utilise this opportunity to top-up the natural run-off we had, which is between £1.0 billion and £1.5 billion to respond to your question. Once again, when I say selective, we want to re-enter this utilising, in particular, the investment capabilities on Private Assets and credit we have. So, our ambition here is not beyond that, we are not going to compete on the big deals you see out there.

It is going to be very selective, and it is really not to go beyond the natural run-off that we have.

Now in terms of economics or strain here, obviously we cannot give you any information because we have only done two deals, this is commercially sensitive. But what I can tell you, is we follow a rather stringent framework and those two deals have delivered double-digit IRR. So, I mean, we are very careful on how we write these businesses.

Kathryn McLeland: So, shall I go back to your question on liquidity, and I guess also around restructuring costs and how we feel about leverage too. We have talked before about how we have a very strict capital allocation and internal capital management framework. Andrea has talked about our priorities of financial strength, how we think about liquidity, solvency, and capital and also, of course, leverage.

The £835 million of HoldCo liquidity is absolutely something that we look at and we want to maintain always good levels of HoldCo liquidity. What is quite important, which I am sure you know, is that when we think about the cash remittances we get from the subsidiaries, which came in at the first half of £333 million, we choose to keep capital in our subsidiaries if it makes better economic sense.

We are very strict in terms of ensuring we have got the right capital metrics across the Group, but we will only upstream that, as and when it is needed, we monitor the HoldCo liquidity. We have got plentiful levels of capital clearly that you see in our liquidity in our subsidiaries, and we clearly have plans to reduce our leverage as we talked about, by 2025, but have also got this bond that is callable in just 10 months' time. So obviously planning for a potential call of that, we need to go through the regulator, is obviously something with our forward planning that we want to make sure we have got the ability to do.

So, to the capital positions, and you can see the positions of With-Profit certainly in the presentation are very strong and similarly the liquidity positions. So, when we think about the savings we are generating, the £200 million, and obviously, we have got a £50 million impact in terms of the run-rate reduction already for the end of the year, we guided at full-year to about 1 to 1.5 times of cost to achieve.

Now, 1 to 1.5 times, so that will be mostly front end loaded. So, you can see in our results announcement some restructuring costs that are slightly up on last year. But clearly, when we think about the CTA needed to deliver these savings, we, of course, factor all of this into our overall capital position, our liquidity position, and are very confident that we have got already good progress across these savings. You will start seeing it flow through the numbers in the end of this year and into 2024, but very, very good start. And obviously, this will clearly also deliver greater financial profitability, which also supports and strengthens our overall capital liquidity metrics.

So, I think you asked, apart from what the run-off was of the book and how our volume intentions might play out on BPAs? It is interesting on BPAs, because, if anything, I think you might see a modest increase in capital requirement, which will come through the strain in the second half of the year, which will obviously create a little bit more capacity for our offsite capital. So obviously the SCR reduced a little bit more on the Heritage book in the first half of the year. So actually, a modest increase in capital requirements is something we have been planning for with these selective deals that we are doing. And it will create a little bit more capacity also for capital. But as we said, if we were to call the bond next year, it will have very little impact on our solvency, which remains very, very strong, and obviously it will help us get much closer to the 30% leverage ratio.

Q. Andrew Baker, Citi: One more on leverage. Just curious, you base your leverage ratio on shareholder-own funds, whereas your peers base it on regulatory-own funds. So, what is the decision behind that? Because obviously you would look a lot more favourably if you use the regulatory-own funds view.

And then secondly, are you able to say anything on consumer duty? How you have thought about that, any impacts there from the business that is already under consumer duty and how you are thinking about that going forward for the business that is not?

Andrea Rossi: So, on consumer duty, I mean we do not foresee any impact. We have been for many years doing value of assessment, and I think it was two years ago. Two years ago, we repriced some of our funds. I was not here, so two, three years ago. So, we do not see any real impact on us.

Obviously, we are monitoring it. But once again, you go and look at how we perform in terms of investment performance, that puts me in a pretty relatively safe place. I mean, when you have that sort of investment performance with 44 of our funds in the upper quartile, I am not saying you should charge more, but I mean, I think when we check versus others, we are where we are. So, I do not foresee any issues from consumer duty on the business.

Kathryn McLeland: And on the leverage ratio, clearly there are multiple different ways of looking at leverage. And you look at the various rating agency approaches. Obviously, one of our peers was following one of the rating agency approaches, and we have given the IFRS 17 29% leverage ratio.

We feel the right ratio for us is on Solvency II. And it is how we look at the business when we think about all of the capital metrics and the capital allocation framework across the Group, we do feel that Solvency II leverage is the right one for us. You probably saw in the slides, clearly our HoldCo debt is completely unchanged. We are very comfortable with that, comfortable with the servicing costs. Got plenty of capital generation you can see coming through. And we have also reflected, I guess, or clarified that it is unrestricted own funds. So, we have not got that £300 million restriction coming through in own funds.

But we do have nominal value of debt, again, I know others take market value of debt. We have got nominal value. So, we have spent quite a bit of time thinking about leverage. It is a core strategic priority for us. We have got the call date in just 10 months' time. We know all the other options that are available to us at any time. As we said, we constantly monitor the markets. But I would highlight the call date and the fact that we are in a very strong position. So yes, I think perhaps over time others' thinking may evolve on leverage, but we are comfortable with the metric that we are choosing to manage the business.

Q. Dominic O'Mahony, Exane BNP Paribas: So, I have just got two questions left, if that is all right. Have you published a PVST number for the contribution to capital?

And then just on the defined benefit ambition, just to provide some challenge, I suppose. You have been very clear you want to be selective on this. I am wondering why and why not be more ambitious? You have a scale book. I am trying to understand whether this is driven by your view on your operational capabilities as there are competitors who have been doing this for longer. They have the asset sourcing and the deal teams in size? Or whether this is more a view on strategy, capital allocation, shape of the business, what shareholders want from your business model?

Luca Gagliardi: I take the first one on PVST which is not included in the slides, but we can share it. There is no particular difference versus the Full Year position.

Andrea Rossi: Let me take the one on the ambition. First of all, I explained why we re-entered, and we re-entered because the market became larger. We have always said that we are committed to see our capital-light business grow more. We had a target of 50% capital-light versus capital-heavy. The reason why we saw this as an opportunity and wanted to be selective is because we want to utilise the investment capabilities we have. But clearly since we have not been writing any business since 2016, we had to invest a little bit in order to get the pricing team, we got some origination team.

I do not think we should go and be much more ambitious and go and compete on pricing versus some of the larger players. They have the setup since a long time, my focus I always said is I want profitable growth. Ideally, I want capital-light growth. Asset Management is at the centre, Wealth management also. And indeed, with the integrated business model, I think by utilising the strength of asset manager there is a space for us to play within the DB de-risking space and we want to utilise our capital in a smart way. So, it will be contrary to what we said go heavy on capital heavy business and increase that even further.

Having said that, there could be opportunities for us to write this business also in a capital-light way. But those two first deals were plain vanilla business. So, I think it is linked more to focus where we want to really grow and put those efforts into those businesses. And as I said, Asset Management, big one. We really believe we have the right to win there, and we can grow profitably in the coming years. And Wealth management is another one, beyond PruFund, PruFund obviously is an amazing solution, but beyond PruFund.

Q. Nasib Ahmed, UBS: First question on the last target on the last slide that you presented. That is still on IFRS 4, the greater than 50% earnings. What would the equivalent be on IFRS 17, if you have that number in mind? And also, if it is still on IFRS 4, you are growing your insurance business, so that is front end loaded on IFRS 4, means you have to grow Asset Management even more to get to the 50%. Are you comfortable with that?

Second question on the internal pension scheme. How much more can you do? What is the funding level?

And then finally, if I can slip a third one in. Your management actions guidance was £200 million. You have done £150 million already. So, it seems like this year with longevity releases you are going to exceed that. Is that kind of the correct thinking?

Luca Gagliardi: I will just take again the first one on the 50%. Clearly, there is a business planning process that M&G goes through and is in the second half of the year. And obviously we have just implemented IFRS 17 so we need to translate the business plan into IFRS 17 language. So, I guess what we are trying to say is we kept it here for now because we are still committed to that type of effort at full year when there is going to be a revised business plan, we will translate that into a new IFRS 17 percentage.

Kathryn McLeland: So, I will take the question on the internal BPA transaction that we announced this morning and also the guidance around management actions.

So, you can see in our results pack, not in the slides, obviously the details of the various schemes we have. Probably not appropriate to comment on anything else that we might choose to do. So, you can see the scheme in the announcement this morning we did not include in the pack. But yes, it is probably not appropriate to talk more about other internal opportunities. As Andrea said, we have got a huge amount of interest externally in this, as you know, given the amount of activity in the market and we are just being very selective, choosing those deals that really suit our Private Assets capability and lead to these strong impacts on our Asset Management business.

And in terms of management actions, yes, the first half did come in at a very good level. I would say that the asset allocation, SAA decision at the beginning of the year to get out of equities and into fixed income did drive a pretty meaningful amount of the management actions. We did see some favourable mortality experience come through in the first half as well, I think as seen by one of the peers, which was good. We had some adverse expense experience, and we had some improvements year-on-year versus last year.

So, you are absolutely right, we did guide to £100 million to £200 million in management actions. I would certainly expect us to be at the top end or more than that in the second half.

Obviously, we do review longevity in the second half. But you will remember last year we did do a really meaningful release because we did a huge amount of work with an external expert panel around all of the trends on longevity, COVID impacts and all the sort of industry wide data. So yes, we do have line-of-sight to a good second half of the year also in management actions.

Q. Rhea Shah, Deutsche Bank: Two questions, the first one around Wealth, Andrea, you mentioned that you want to make this more profitable over time and work on it. Could you just give some colour on this on timeline of profitability, and how much more or what growth do you want from the advisors? So, they are at 510 at the moment. Where do you want to get to and over what period?

And then secondly around the cost savings, what should we think about the phasing of the remainder of the cost savings across 2024 and 2025? And then equivalently, what does that mean for restructuring costs as well?

Andrea Rossi: Yes, you are right. When you look at the numbers on Wealth, you saw that indeed, PruFund was great. But there was some strain from the advice and particularly on the platform which have taken down the profitability I think by £29 million. And clearly, we want the business to be profitable. We should not forget we acquired the different components over the years, and we are still working on integrating some of them. In particular we are making sure that we are utilising technology in order to give hybrid advice to clients but also improve the way the advisors can work from an administrative perspective.

So clearly, Caroline, who has just joined, one of her key tasks is going to be to accelerate the integration but also to review how we can drive further efficiency there. Very pleased of course of having 500 advisors, but I think once again we have the Wealth business not only to sell PruFund but also to provide solutions to our retail customers, which are coming from M&G, which are good, of course, either whether it is amazing mutual funds or other things. And of course, we will look also how we can do that through the model portfolio MPS.

So ideally, we want to drive more flows, we want to drive efficiency. But I think with Caroline now coming on board, we will update fully probably at full-year results in March with more guidance. I think it is great to have Caroline. We are all there to help her to drive profitable business for Wealth going forward and as you know, I am very much committed to the two capital-light businesses, which I want to see growing, so more to come.

Kathryn McLeland: Just a final comment on wealth, there was a small one-off in the numbers. We had a £7 million intangible write-off in the period as well so that partly explained the year-on-year movement in profitability.

So, addressing your question on cost savings and the likely sequencing and when you would start to see them coming through the numbers and the restructuring costs to deliver those savings. So clearly, we have made a very good start. We have identified the £200 million across the Group. We have highlighted that we have got £50 million in run-rate savings coming through at the end of the year. And we have got the VR tailwinds coming through that we did out of this year. We have got some property exits that we talk about coming through and some technology savings. So those are where the early savings are coming from.

Now there is also savings coming through in Asset Management, as we talked about. Joseph has taken very early action in Asset Management. He has restructured Private Assets, which is an area that we are also looking to grow so I think it is looking at the Asset Management trajectory. Clearly, we have had the main impact in the first half being from the 5% down in markets. We were very disciplined on costs. So, the savings in Asset Management will also start flowing through in 2024. And then obviously, we want to really mitigate the revenue headwinds, which is why our margins being up to 33 basis points is so important for us and continuing to grow in our Private Assets business.

So, when I am answering the question on Asset Management, cost income, which is clearly also one of our main targets. So those benefits will start flowing through next year. I would say that the results of the overall savings programme Group-wide will start coming through next year, but probably in the second half of next year. The spend is definitely concentrated in 2023 and 2024. And clearly, what we want to get is a position across the Group where at the end of 2024, we are really looking very good as we come into 2025 to deliver the £200 million.

I think it is really important to say that this simplification programme is not just about savings. We really are about simplifying the company, streamlining it, really strengthening it, getting it closer to clients across the business, both Asset Management and Wealth. Obviously, it is a gross savings target. We want to create as much capacity with these savings to allow the investment in the core businesses where we do want to grow. But I think you will start seeing the savings come through at the end of 2024 and into 2025 and the costs will be more front-loaded. And we will obviously update on that at the full year.

Andrea Rossi: And let me add to that, as you said, the simplification transformation programme, it is not about cost savings. Yes, that is a by-product. It is really about improving the way we are organised in order to serve our clients better, get a better client outcome. I am glad to say, although we have done this transformation, which we are doing, our net promoter score has gone up.

You saw investment performance has been resilient, actually improved and of course, we had positive momentum in terms of flow. So, I really think you should see this from two angles, we are improving client outcomes and also then delivering on savings. But please focus on both, not only the cost savings. But we will deliver on the cost savings.

Q. Larissa van Deventer, Barclays: Three quick questions, please. The first question one, on the run-rate of the CSM, you mentioned that it is now 12% versus 10%. That suggests that the duration has gone down from 10 years to about 8.3. Can you help us understand why that is?

The second question. You mentioned double-digit IRRs on the bulk annuity transactions. Can you give us an indication of the margin and the run-off period, so we know what to put into the CSM?

And then on leverage, just from the comments previously, should we understand that with the £300 million that is coming up for redemption or for call next year, that the combination of that plus an increase in own funds will get you to the leverage ratio, or would you need a bigger redemption?

Luca Gagliardi: On the first one, on the CSM run-off rate, it is not that the run-off rate has increased, it is that when we did the presentation in July, our best guess at that point in time, as we were going through the economics, so to speak, is that the run-off of the CSM for the With-Profit fund was about 10%.

As we improved and refined the working, as we got closer and closer to publishing the number, we realised that the run-off rate is 12% so we also restated the 2022 results. So, it is not that it went up from 2022 to 2023. You will have to forgive us it is the first time that we are doing it and we realised that was the more accurate number to put through. And I guess it is comforting to see that despite having a higher run-off rate, the overall CSM still increased since the beginning of the year because of good new business on PruFund and good interest accretion dynamics.

Andrea Rossi: Then there were two questions, one on the bulk IRR. Kathryn?

Kathryn McLeland: You saw obviously when we put the CSM drivers out, I think, we are encouraged with the annuities result, but obviously there is no new business element there yet, it will come through in the second half.

So, I think, again, it is a little bit too early to guide. But at £1.2 billion, it is a good amount of CSM, and we do monitor and like to see that CSM growing.

So, as we give a little bit more colour at full-year around the profile of the BPA deals, we cannot really give anything else at the moment in terms of the financial metrics apart from just reinforcing what we said, which is we have got a very disciplined approach around the hurdle rates that these deals need to have. We have highlighted that they are double-digit IRR, and we just continue to want to play quite selectively, but within these very strict financial metrics.

Again, we have got meaningful capital clearly at the moment, as well. As Andrea said, there are also other capital-light options that we can look at. So, we will update on that at the full-year, and we hope you found the CSM driver's guidance across the whole book, both With-Profits and Annuities helpful.

And back to leverage. As you said, we do have a bond Tier 2 sub-debt that is callable in just 10 months of £300 million. That does remain obviously subject to PRA approval, but clearly that would reduce our leverage ratio halfway towards the 30%. We can all figure out the maths in terms of what our own funds would need to do for us to get naturally to the 30% target by 2025.

We are very confident in our ability to grow own funds, given the numbers you have seen today, which are again, strong underlying capital generation, real confidence in the momentum we have got in Asset Management. So, we are confident in our own funds position. And as I said, we have also done quite a bit of work looking at own fund sensitivities. However, if own funds does not move, we would need to do more than the £300 million to hit the target. We have got plentiful liquidity we have talked about at the HoldCo, £835 million. We have got plentiful liquidity in the subsidiaries. We are very capital and cash generative.

We are very aware. We monitor the markets. We know what is achievable. Well, I remember being asked about it a year ago. But we are not in a rush, and we are very confident around our ability to hit that target. But yes, were own funds not to move, we would have to do more than the £300 million.

Andrea Rossi: And maybe just one point to add on the double-digit IRR. That is the life insurance business per se, so it does ensure in a way that business needs to be sustainable and attractive on its own right. Then obviously what happens is that that also drives flows into the asset manager where obviously you would make and capture additional margins. Right? So, the double-digit IRR is purely on a life insurance perspective.

Q. Mandeep Jagpal, RBC Capital Markets: Just one last question for me, please, on Asset Management flows. What is the outlook for UK Institutional going forward?

Andrea Rossi: Okay. Well, I think if you compare to the first half, where you had significant outflows from the pension funds, we will still see some pressure in the second half. If you look for Institutional, however, overall, we see interest from insurance companies and local authorities. So, I would say if you looked at those three different institutions, I would say on the later ones we see interest both on credit, both public and private and selectively on Private Assets, of course, not private equity, but infrastructure and mainly real estate is a bit probably under pressure. I would say if you took the numbers, we had minus £3.8 billion first half of the year on the Institutional in the UK. Second half, we will not see as many outflows from the pension funds. So, it is easing a little bit, but still under pressure.

Luca Gagliardi: So, I think we are through the questions in the room, unless there is anyone else. There are a couple of questions online that were submitted at the beginning of the session. So, I will read them out, firstly Fahad Changazi from Mediobanca and then Steven Haywood from HSBC who could not be here today, but I think most of the ground has been covered already.

So, Fahad from Mediobanca asks around colour on retail investment appetite in Wholesale, given the interest rate environment. So that is probably more for you, Andrea.

Luca Gagliardi: And then question on new business stream for BPA, which I think we covered. So probably that one we do not need to answer. And finally, he is asking a little bit similar to Andrew, but not exactly identical. Why on the definition of the leverage ratio, we are focusing in the numerator on nominal value of the debt and not market value of the debt, which obviously would be favourable by about 10% at this point in time, given where bonds are trading. So, Andrea do you want to say two words on sentiment?

Andrea Rossi: Yes, with the sentiment, I mean, I think we responded. But clearly when we look at Wholesale Asset Management with the high rates in continental Europe, we see retail investors going into cash and going into money markets. As I said before, there are some governments which are pushing as much as they can to get their citizens to invest in their government debt.

However, when I look, for example, at the UK and when you look at our number, we had significant inflows here in the UK and I think that is due really to the great investment performance. I always look at retail investors, UK are less risk-adverse than the continental European ones. So, I would expect us to continue the momentum that we have had in the first half, although obviously I cannot predict the market uncertainties. And I say that because of the great investment performance that we have on different strategies and that makes a difference. And once again, we have gained market share in the UK market, I mean, most other players have suffered, and we had positive net inflows of £1.5 billion in the UK. Slight outflow in continental Europe. Looking forward, hopefully in 2024, continental Europe is going to come back I hope, but that all depends on where rates are going. I cannot predict that.

Luca Gagliardi: Thank you, and Kathryn, on the nominal versus market value of debt

Kathryn McLeland: Yes, I guess, as I answered before, there are multiple measures of leverage that are used in the market by all the rating agency and a number of different approaches by our peers and some, I think, who do use market value, not nominal value. Look, I think this is what we feel is the appropriate measure for us, it is a little bit more conservative because we know where our bonds are trading, but we are comfortable that it is a nominal value of debt and the unrestricted own funds. And as I said, look, this is a priority for us for 2025, we have got a call date in 10 months, and you can look at and do your own different leverage measures, but we are very comfortable in the basis of prep that we are using.

Luca Gagliardi: So, I guess no more questions online, no more questions in the room. So, with that, I will just thank you all for joining us today and see you in six months.