



M&G plc 2025 Half Year Results

Financial strength, Simplification, Growth

Presentation Transcript

3 September 2025

Welcome & Strategic Review

Andrea Rossi, Group Chief Executive

Slide 3 – Strategic review

Good morning and welcome to M&G's Half-Year Results, it is a pleasure to be here with you today.

In March, we announced a new set of targets and dividend policy for the Group, aligned to our long-term growth ambition. Today, Kathryn and I will cover the operational and financial progress we have achieved since then, as we position M&G for long-term, profitable growth, which is diversified across business units, products, and geographies.

I am pleased to say that we continue to drive positive momentum in both Asset Management and Life, and to deliver strong client outcomes. It's been a busy first half, so let's review the main highlights of the year so far.

Slide 4 – Continuing to deliver against our strategic priorities

We have three priorities for the Group: Financial Strength, Simplification, and Growth, and we are relentlessly focused on execution:

- We strengthened the balance sheet and reduced our leverage;
- We simplified our organisational structure and tackled costs;
- And now, we are growing the business.

In the first half of the year, we attracted £2.6 billion of net inflows in Asset Management. This is a strong result, powered by a market leading investment performance, and the continued success of our European and Asian operations. Every day, M&G becomes a more international, resilient and diversified business. Today, 58% of our external assets come from international clients, up from just 37% in 2019.

While growing in Asset Management, we are also becoming more efficient and more profitable. In H1, Asset Management fee-related earnings increased by 14% year-on-year, reducing the Cost-to-Income Ratio to 75%. This is the third consecutive improvement since launching our transformation programme in 2023, when it stood at 79%. And while we have already made significant progress, we know there is more to do.

We will remain disciplined on costs, and drive top-line growth. Our new strategic partnership with Dai-ichi Life will support this growth by giving us a strong platform to expand in Asia, and to attract flows into our private market solutions.

In Life, we continue to broaden the distribution of PruFund. Here in the UK, we have successfully integrated PruFund onto FNZ technology, opening up digital platforms as new potential distribution channels. Tapping into this market of nearly £700 billion, will further support PruFund sales next year and beyond.

Finally, we continue to make meaningful progress on the development of a With-Profits BPA solution, which we expect to launch in the first quarter of next year. This will give us a unique proposition and a competitive advantage to win business in an increasingly crowded market.

Slide 5 – Making good progress on financial targets

Delivering our strategic priorities means we are also making good progress on our targets.

First, the £443 million of capital generated in H1 is a good start to our new £2.7 billion three-year ambition, underpinned by an 11% increase in the underlying result.

Second, the Cost-to-Income ratio improved by two percentage points year-on-year, and we have achieved nearly 95% of the cost savings targeted by the transformation programme. On both these areas, we expect further improvements in H2.

And finally, we continue to drive positive momentum in adjusted profit. The headline result is up 1% year-on-year, despite £16 million of unexpected headwinds, which we do not expect to recur. Without these, our growth is already in line with our target.

We expect the growth in profits to accelerate over time, as we remain firmly committed to our 5% average annual target, Kathryn will provide more detail on this later. By continuing to generate capital, tackle costs, and grow profits, we underpin our new progressive dividend policy and deliver strong outcomes to our shareholders.

Slide 6 – M&G is well positioned to meet evolving client needs

M&G's integrated, balanced and synergistic business model continues to give me confidence in M&G's future. It remains our competitive advantage to serve clients across their different investment needs. With the support of our Life operations, we have built a first-class Asset Manager, delivering superior investment performance and consistently won external business. And thanks to the insurance balance-sheet, we continue to seed innovative investment solutions, particularly in private markets.

This year we have seen a renaissance of active asset management, with a renewed focus on Europe. This plays to our strengths, and to what we do well. Our strong credentials are what has attracted a leading financial institution of the calibre of Dai-ichi Life to partner with us and invest in M&G shares.

Every day, we are making our Asset Manager stronger, more profitable, and more international. And by bringing together Asset Management and Life, public and private assets, we offer clients what they need at each step of their saving journeys.

For UK retail customers, we are building a holistic retirement proposition with PruFund at its core. And for corporate clients, we continue to strengthen our BPA capabilities and offering.

Slide 7 – Asset Management is growing and becoming more profitable

Let me now tell you why I am confident about the future of our Asset Manager:

- Our investment performance is consistently excellent. The UBS analysis on this page shows that for the third year in a row we rank as the top performing, publicly listed, Asset Manager in Europe;
- Furthermore, at £2.6 billion, net flows are the highest since listing,
- And we continue to improve the profitability of this business.

I am very pleased at how we have turned around our Asset Management operations. Since launching our transformation programme, we have remained focused on improving the quality of our cost base. We absorbed inflationary pressures, freed up resources, and reinvested them to support our growth agenda, expanding our investment and distribution capabilities.

In under two years, our Cost-to-Income ratio has reduced from 79 to 75%; a meaningful improvement in a short period of time. And we are not done yet.

The flow data also shows three positive trends.

Firstly, the headwinds in the UK institutional segment are gradually reducing. Defined Benefit schemes continue to de-risk, but the pace at which they do so has slowed, and we are less exposed to this segment than in the past.

Secondly, we are achieving strong net flows in Wholesale, thanks to the outstanding investment performance we deliver to clients across both Equity and Public Fixed Income.

And finally, we continue to grow at pace internationally, across a number of different countries.

Slide 8 – Diversified international expansion underpins Asset Management growth

The international growth of M&G is a compelling story. Since 2019, we have consistently grown at double-digit rates. Having invested in and strengthened our distribution teams, our hard work is now paying off.

Today, 58% of our third-party assets come from clients based outside the UK, up from just 37% five years ago. We are now a leading international manager, with an established footprint in Europe, and growing access to attractive Asian markets. This means that our Asset Manager is more resilient thanks to a broader client base and has greater access to more growth opportunities.

On this page you can see our progress country-by-country:

- The Netherlands, Germany, and the Nordics are key institutional markets for us;
- In Italy and Spain, we have outstanding relationships with local banks and wholesale distributors; and
- In Asia, we have a good footprint that we will build on, also thanks to the partnership with Dai-ichi.

We are very pleased with our international expansion so far, and the opportunities ahead. This is a top priority for M&G, and we are committed to build on this strong track record.

Slide 9 – Broadening private market offering (£77bn + £6.5bn capital queue)

Our other priority in Asset Management remains private markets. After completing the acquisition of P Capital Partners, our private markets franchise stands at £77 billion, with an additional £6.5 billion in the capital queue. These are committed client funds that will start to generate fees as soon as they are deployed. It is a healthy pipeline, which gives us confidence in the outlook of this franchise.

You can see on this page the breadth of our proposition. We have a strong 20-year track-record, and all the key components for a holistic private markets offering. With critical mass across asset classes, we continue to broaden our fund range. Given the needs of our insurance balance sheet, we first focused on core strategies, which are on the conservative end of the risk-reward spectrum.

We have since launched, a number of successful high-alpha strategies as you can see on this slide across all asset verticals, and in line with client appetites.

Slide 10 – Dai-ichi partnership supports international and private market growth

One client that is keen to allocate capital to our high-alpha solutions is Dai-ichi Life. In May, we announced a long-term strategic partnership with them, which we expect to be a key driver of Asset Management growth, both in Asia, and in private markets. By becoming their preferred asset manager for Europe, we expect to generate at least 6 billion dollars of new business over the next five years, of which 3 billion dollars will be allocated to high-alpha strategies. We expect the first mandates to be awarded before the end of the year, with detailed fund-level due diligence already underway.

In July, I spent a week in Tokyo with the Dai-ichi leadership team. I returned energised and optimistic about the prospects of this partnership, which has significantly increased the profile of M&G in Japan and Asia. This collaboration proves that institutional investors are looking to increase their exposure to European assets and when they do that, they want to partner with strong active managers, like us.

The presence of our large insurance balance sheet is another key attraction for Dai-ichi, as it proves we have real skin in the game. Once more, this is clear evidence of the value of our unique business model. And as you know, Dai-ichi is acquiring a 15% stake in M&G, aligning our interests in making this relationship a strong success.

Slide 11 – PruFund as the core element of a holistic retirement proposition

Let's now turn to Life, PruFund net flows were soft in H1, with April events impacting retail sentiment. Nonetheless, sales rapidly improved in May, June and July, as PruFund continued to deliver strong outcomes, and to protect customers from market volatility. This recent trend is encouraging, and we expect to see continued progress.

Improving PruFund sales is only part of the solution, as we build a holistic retirement proposition around this unique product. In doing so, we are broadening both client access, and our product offering. From an access perspective, we hit a major milestone this year, integrating PruFund on FNZ technology. This gives us better access to the large and rapidly growing digital platform market.

From a new product perspective, we have launched our fixed-term retail annuity, and we remain on-track to launch a lifetime retail annuity next year.

Slide 12 – Continuing to build our BPA capabilities and offering

Within Life, we also continue to invest in our BPA capabilities. Having re-entered this market two years ago, we aim to generate annual sales of £3 to £4 billion by 2027.

To do that, we have been scaling our capabilities across our origination, proposition, and pricing teams, investing in the talent needed to achieve our ambition. In a short period of time, we have improved our chances of success, scaling our ability to quote deals, and implementing new longevity reinsurance capabilities. And in what is becoming an increasingly competitive space, we are building a truly differentiated offering.

Last year we launched a Value Share BPA, an innovative solution where capital requirements and rewards are shared with our clients. Early next year, we will launch our With-Profits BPA. The product development is progressing well and is on track for Q1 delivery. Benefitting from the With-Profits Fund lower cost of capital, this solution will be extremely competitive and will be a powerful tool to attract flows to the Group.

Having a differentiated offering also means we can remain disciplined on deal pricing and not compromise our financial returns. While market activity has been relatively subdued this year, we have closed £300 million of new business so far, with a further £200 million in exclusivity and a healthy pipeline for the remainder of the year.

Slide 13 – Key messages

So, to conclude, M&G has financial strength, we continue to simplify our business, and we are growing again.

In the first half of the year, on the back of consistently strong investment performance, we have delivered fantastic asset management net flows of £2.6 billion. And we continue to expand internationally, improving the diversification and resilience of our business. The partnership with Dai-ichi will take our international journey to the next level.

We also continue to broaden our proposition, both in Asset Management and in Life, including the launch of our With-Profits BPA early next year.

All this work opens up additional avenues of growth for the Group. In parallel, we remain absolutely focused on Simplification and will continue to deliver meaningful progress on the Transformation programme and the Cost-to-Income Ratio.

We have now set the Group up for long-term, profitable growth across products, segments, and markets.

With that, I will hand over to Kathryn, who will take you through our financial results in detail.

Thank you.

Financial Review

Kathryn McLeland, Group Chief Financial Officer

Slide 14 – Financial Review

Thank you, Andrea, and good morning, everyone. I will now go through the details of our first half financial results, which I am pleased to say reflect the continued delivery against our priorities.

Slide 15 – Strong net flows, resilient Operating Profit and Capital Generation

Covering first the key highlights.

Net flows from open business of £2.1 billion improved by £3.2 billion year-on-year. This is a great result, underpinned by £2.6 billion of net inflows from external clients in our Asset Management business. This achievement is particularly noteworthy given the volatile external environment we saw in the first half of 2025. And, it was made possible by the market leading investment performance and by the continued international expansion Andrea mentioned.

In our Life business, PruFund saw net outflows of £600 million. However, we are encouraged by the improvement that we have seen recently, with flows turning positive in the months of June and July.

Group Adjusted Operating Profit of £378 million reflects the positive momentum across our business.

Asset management fee-related earnings were up 14% during the first six months of this year, while in Life, growth in PruFund and Traditional With-Profits more than offset lower earnings in Annuities.

At £408 million, the Operating Capital Generation benefitted from a growing Underlying result of £331 million. And, with both Asset management and Life contributing strongly, this result demonstrates once again the value of our diversified business model. Finally, management actions of £77 million in the first six months of 2025 are in line with our guidance of £100 to £200 million for the year.

Thanks to this strong operating performance, the Solvency II ratio reached 230% as of 30 June.

Turning now to flows.

Slide 16 – Net flows from open business of £2.1bn markedly improved YoY

Closing AUMA of £355 billion was £9 billion higher than the opening balance, supported by the £2.1 billion of net inflows from our open businesses and by £11 billion of impacts from markets and other items, which does include £2.7 billion from the acquisition of P Capital Partners.

As I mentioned, net flows from open business improved by £3.2 billion year-on-year.

Asset Management net inflows were driven by £1.9 billion from the Institutional segment, where continued strong international growth more than offset UK headwinds, which are gradually abating.

Also contributing to the positive picture, we achieved £700 million of net inflows in our Wholesale business, as we continued to deliver excellent client outcomes, with over 70% of our assets ranking in the top two performance quartiles.

Life flows remained broadly unchanged year-on-year. However, we are confident that there will be a stronger second half, as PruFund flows have gradually improved since April, and as activity in the Annuity market picks up after a quieter first half.

Slide 17 – +1% Operating Profit at £378m despite £(16)m headwinds

At £378 million, our Group operating profit was up by 1% year-on-year, and the key features of this result are:

- First, higher revenues and stable costs in Asset Management, leading to a two-percentage point reduction in the cost-income ratio year-on-year.
- Secondly, an increase of £14 million in PruFund and £12 million in Traditional With-Profits, mainly driven by higher opening CSM balances.
- Third, reduced Annuity earnings of £113 million driven by lower returns on excess assets, as we flagged at our 2024 Full Year results, along with an £8 million headwind from a legacy contract.
- And finally, a stable corporate centre result, as lower debt interest costs offset reduced investment income, with Head Office expenses remaining stable.

Not on this page but worth noting, our statutory result increased meaningfully year-on-year, from a £56 million loss to a £248 million profit after tax. This turnaround was driven by the strong operating result, and by significant improvements in short-term investment returns and IFRS 17 mismatches.

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

Slide 18 – Asset Management: Delivering positive operating jaws

At £324 billion, AUM ended the period up by £11 billion, reflecting strong flows, favourable markets, and the acquisition of P Capital Partners. Our average fee margin continued to be resilient at 32 basis points, despite a competitive environment, as we continue to focus on high value add solutions for our clients.

So thanks to higher assets and stable margins, our revenues were up by 3% year-on-year. We also kept a tight control on costs and improved the operational efficiency of our business leading to a two-percentage point reduction in our cost-income ratio to 75%, or 74% when including performance fees.

I am very pleased with the continued improvement in the cost-income ratio, as it demonstrates our relentless focus on delivering positive operating jaws. But we know that we have more work to do, and we remain committed to maintaining strong cost discipline, and to drive profitable growth.

Performance fees of £7 million were down £6 million from last year due to lower carried interest. And the £5 million loss in investment income which was largely attributable to a £8 million of FX revaluation losses, due to the weaker US dollar.

In summary, high-quality fee-related earnings rose by £15 million year-on-year, offset by a lower contribution from performance fees and investment income. This led to the stable Operating Profit result of £128 million.

Let's now turn to our Life business.

Slide 19 – Life: PruFund profits +14% and Traditional With-Profits +11% YoY

PruFund operating profit, increased by 14% to £112 million, due to a higher CSM opening balance, marginally higher attrition rates, and a much improved new business strain.

Profits from Traditional With-Profits were up 11% year-on-year also benefitting from the same dynamics of a higher opening CSM and attrition rates. We are pleased with this growth, as it occurred despite the lower expected returns and risk-free rates that we previously flagged at our full-year results in March. We expect this new and improved level of profitability to be sustainable for the second half of this year.

Let's now turn to Shareholder Annuities.

Slide 20 – Life: Shareholder Annuities -14% YoY

Our Annuities result was down 14% year-on-year. This was driven by a lower level of annuity surplus assets and lower rates of expected return, which we guided to in March. This was partly offset by a higher CSM release due to higher opening balances, supported by last year's large longevity benefit. The results also include an £8 million headwind from a legacy book, excluding which the annuity results would have been broadly in line with expectations.

Other Life was a small £1 million loss, compared to a £2 million profit in the previous period, impacted by Sterling/Euro FX headwinds and slightly higher losses in our advice business.

Before turning to Underlying Capital generation, I wanted to remind you of the meaningful size of our CSM balances, which ended the half-year period at a strong £6 billion. You can find more details on our Operating change in CSM in the Appendix.

Slide 21 – Underlying Capital Generation of £331m

Our underlying capital generation in these six months of £331 million was up 11%, or £34 million, year-on-year, though with some SCR impacts that may not repeat.

The Asset Management contribution was £18 million higher, thanks to an improved fee-related earnings and a £12 million SCR reduction due to lower market risk requirements.

Life delivered a £6 million increase to £289 million. Within it, both PruFund and Traditional With-Profits benefitted from a higher opening PVST balance of £4.3 billion and lower new business expense overruns in PruFund. This more than offset the headwind from a lower rate of expected returns on the PVST of 7.8% vs 8.2% in the prior period.

Annuities result saw a modest increase versus the prior period, thanks to a lower strain of £13 million from new BPAs which more than offset the lower return on surplus assets.

Our corporate centre benefitted from a £18 million SCR release primarily relating to lower Treasury lending activities.

I will now turn to Operating Capital Generation.

Slide 22 – Operating Capital Generation of £408m

Our operating capital result was a resilient £408 million, or £443 million excluding new business strain, which is a good start to achieving our £2.7 billion cumulative target by 2027.

Management actions of £77 million were lower year-on-year, as the first half of 2024 benefitted from £62 million of one-offs from excess surplus distributions in our With-Profits business. However, they are in line with our guidance for the full year.

The main components of the management actions we saw were:

- £118 million, primarily reflecting equity hedging activities.
- £35 million of adverse experience and assumption changes on expenses and investment management costs, and
- a small £6 million adverse impact from model refinements with our Traditional With-Profits products.

Slide 23 – Strong Operating Capital Generation lifts SII ratio to 230%

Thanks to this strong operating result, our Solvency II ratio improved by 7 percentage points to 230% and the Solvency surplus remained stable at £4.7 billion despite the payment of the 2024 final dividend in May.

Own Funds of £8.3 billion, of which £4.2 billion relates to the With-Profits PVST, are slightly lower than the opening balance of £8.5 billion, predominantly reflecting the dividend payment.

I am pleased with the strength of our balance sheet, as we continue to carefully manage our risk exposures in the volatile macroeconomic environment.

I will now cover the progress we have been making in our cost transformation programme.

Slide 24 – On track to deliver £230m of cost savings with costs down 1% YoY

As of June 2025, we have achieved £213 million of savings under our transformation programme. Which means that we have already over delivered on the original £200 million target that we set in March 2023.

Given our strong progress, we are confident that we will meet our upgraded target of £230 million by the end of the year. And I would like to re-iterate that when we do achieve this target, our efforts to drive further cost transformation and simplification will continue. We will remain focused on improving the quality of our cost base, freeing up resources to invest in and grow our business.

The strong progress achieved to date reflects the actions taken to create additional capacity and enhance our operational efficiency, as shown on this slide. For example, since the start of the programme, we have transformed the operating model of our Private markets teams, delivering £20 million of savings. With similar levers, we have achieved another £18 million of cost reductions in our Life business. And we have also improved the efficiency of our tech environment, by decommissioning over 500 applications and outsourcing IT services for further cost opportunities.

Through these actions, we were able to fully offset inflation, invest to grow our businesses, and end the period with a cost base that was £8 million lower and of a better quality.

We will continue to focus on improving our operational efficiency over the second half of this year and beyond, as we transform the cost base of the Group, deliver better customer outcomes, and of course drive profitable growth.

Slide 25 – Key messages

In summary, the first half of 2025 reflects a period of disciplined execution, strategic progress, and financial resilience.

We will continue to deliver for our clients and shareholders, with our diversified business model positioned for long-term success.

I am pleased with the results in the first six months of the year, which showed:

- Record net inflows in asset management and encouraging trends recently for PruFund;
- Strong operating profits despite nearly £16 million of adverse headwinds;
- Positive operating jaws in Asset Management;
- A resilient contribution from Life, with a double-digit growth in PruFund; and finally
- A good start on our £2.7 billion Operating Capital Generation target.

Thank you very much, Andrea and I will now take your questions.

Q&A hosted by Luca Gagliardi, Group Director of Strategy and IR with

Andrea Rossi, Group Chief Executive
Kathryn McLeland, Group Chief Financial Officer

Question - Larissa van Deventer, Barclays: Two questions please, firstly congratulations on your Solvency II capital ratio, extremely robust. If you can please give us some colour on how you would think about the strength of the ratio versus your capital allocation preference and how you keep the strong ratio from negatively impacting ROEs.

And then second, on your bulk annuities. We know that it's a seasonally slow start to the year, but now that you're gaining momentum, how should we think about margin and new business strain.

Andrea Rossi: Thank you for reminding everyone that we have a capital management framework. Generally, we always put it in the pack, but this time we didn't put it in the slides. And indeed, as you all know, we have been following this capital management framework, and it's been a journey for us really.

If you remember, our first priority was making sure of financial strength and that we strengthen our balance sheet. And we did some deleveraging, and we are now in a much better place. But more importantly, we continue to deliver on our capital generation. And then at the same time, we wanted to deliver attractive dividends to our shareholders. So, we came up with a progressive dividend policy, as you know, in March this year. But to do so, we need to underpin it by growing the business in terms of profitability.

And to do so, we have been doing the transformation program whilst selectively also investing in the business to grow and doing some selected acquisitions. So, what we want to focus on moving forward is making sure we deliver that sustainable profitable growth to underpin the progressive dividend policy that we came up with.

I mean we do not see at the moment the Solvency II ratio as an opportunity to do any capital returns. By the way, I think that if you do capital returns, you should never do it from a stock, you should do it from a business that is doing much better. So, we're very much focused on improving and continuing the momentum of our business. And as you saw today, when I look at some of the underlying KPIs, the fact that our fee-related earnings and Asset manager are improving by 14%, you saw the underlying capital generation growing by 11%, PruFund and Traditional With-Profits, also up, all that gives me confidence that we will continue on this journey and deliver on the progressive dividend policy.

Kathryn McLeland: And I think your second question was on BPAs strain and margins. So, as we said, we've written £300 million so far this year, £200 million in the first half. You can see that the capital strain we had was more than £13 million, where we delivered a margin on CSM of about 3.5%.

Now what we've said is that we always have a double-digit IRR hurdle rate which we want to do, and that's generally how we think about the economics for these transactions. It's very pleasing that we are participating in a lot of the transactions that come to the market, but we are going to remain very disciplined in terms of the deals that we will do.

We've not used reinsurance yet, we've said we've got the capability to do that. But obviously, it sometimes makes more sense when we do it on larger transactions than smaller transactions.

So, we like having the flexibility to reinsure, but that's partly reflected in the economics that you can see. So, we will remain very focused on delivering the double-digit IRRs. And obviously, having the ability to do BPAs now with the With-Profit in 2026, that's a very exciting opportunity for us. And we gave some guidance around the proportion of both With-Profit BPAs and the Value share BPAs for 2027 in March of about three-quarters and one-quarter. So that also gives us confidence around the ability to participate in the expected volumes in the BPA market.

Question - Dominic O'Mahony, BNP Paribas Exane: I've got three questions, first on Institutional flows, really very strong indeed. I wonder if you could give us the next layer down in terms of detail on where it's going, what you're seeing in the second half and also whether the margins on the new business coming into the book is lower or higher or in line with the margins on the outflows.

And second point, just picking up again on the very strong solvency. It's nice to see the tax man generously contribute to that, but have you thought about using that more aggressively to take risk? So if you don't use it for capital return, could you be more aggressive about seed capital or underwriting risk maybe on the annuity side. I mean, why bother with longevity reinsurance, your thoughts on that would be very interesting.

And then the third question, over the last few years, we've got used to thinking through the impact of higher bond yields, but the curve has changed quite interestingly. What does that mean for your business? I don't really have a good feel at all for what that means for capital, cash and earnings.

Andrea Rossi: I'll take the first one and the two other ones are for the CFO. So, we're very pleased with the momentum and indeed, you saw the institutional flows were very strong, particularly internationally. And you want to know in which asset classes that went and what we saw, we saw a renaissance and an interest again into Europe. There's no doubt, the first half of the year, many investors have sort of allocated more into Europe. I think that also helped in our partnership with Dai-ichi Life because they clearly wanted to increase their allocation in Europe as well.

And in particular, when you look into Europe, we have seen both in public and the private side flows, but in particular, on public equities. Yes, there are still asset managers managing public equities. If they do well, they get mandates and they also get flows in the wholesale side. So on the institutional side, we saw significant interest into European equities but also Article 9 listed equities, which, of course, if you think of what is happening on the other side of the Atlantic, some American asset managers who have softened their stance on ESG probably was also helpful. So, we've seen a lot of momentum on equities. Japanese equities, by the way, also continued to see inflows.

And then on the private asset side, there was particular interest on real estate, given where in the cycle valuations are. And more importantly, on the private and structured credit, in particular structured credit, where we have a strong franchise having been in that market for a long time, for example, SRT. And we had significant interest from pension funds from Asia and North America, in particular Canada, into these strategies.

So, I would say, we are well diversified. And if you look at this number, you asked me about H2, we have continued to have strong momentum. Of course, we also have Dai-ichi Life. There were no flows from Dai-ichi Life in the first half, but they are doing due diligence on several strategies at the moment, we expect a mandate before the end of the year. So that will come. But we continue to have a very strong capital queue as you saw, £6.5 billion, but also a strong pipeline.

So, you should expect positive net flows in the second half as well. But don't take the £3.2 billion institutional number as a baseline, the first half was rather unique in the sense that many people increased their allocation

to Europe. I'm not saying that they are going to decrease. But I don't think we're going to see the same increase in the second half.

Kathryn McLeland: And so back to the choices around capital deployment across the Group, and as you rightly said, we've got a meaningful stock of capital at 230%. We've got the capital management framework that Andrea talked about more generally and you'll remember at the full-year results, we also talked about the £2.7 billion and how we'd choose to use it. And we have the option if we want to continue to simplify the business, so investing in improving the operating leverage in the business and supporting the capabilities in Life, for example.

And also, there was an allocation certainly towards traditional shareholder strains. So, your point around automatically reinsuring or not, no, not necessarily, we will have a view. It really is about delivering the right returns on that capital and so being thoughtful around where we use it. But we do look at it group wide. And we've got the tremendous £6.2 billion of surplus capital also in the With-Profit Funds that clearly goes through a very robust governance, but it's another source of capital for the With-Profit BPAs. So, we look at and evaluate options to deploy that capital, but it really is all around making the right choices around that capital. And you've seen the guidance we've given around how we want to use it. And it was pleasing to get the tax benefit, as you said, in the first half, which is great that we've got stronger earnings, and we can use the DTA on a solvency basis, which is really good.

And now we did expect a question on rates and the steepening that we've seen this year. So, it's about 110 basis points between very short rates and long rates over the course of the year. And obviously, the numbers in our financials are for June 30 and there's been pretty big moves in parts of the curve since June 30. And one of the answers we actually gave this morning was we're lucky as a Group that we do have a business model and a business mix that is successful through all interest rate cycles. And so, let's start perhaps, with the insurance business, and you've seen our sensitivities more generally around interest rates, we would expect obviously a benefit on the solvency ratio when rates go up.

The duration that we think about in terms of the balance sheet is not right at the long end. I mean parts of the assets might be very long duration, but in overall, because our annuities book was only reopened in the last couple of years, we do look at the 10-year part of the curve, which actually hasn't been as volatile this year. And we have seen a reduction at the short end, which I mentioned. And obviously, that may have plateaued now given inflation moves that we've seen in the UK and expectations for further rates. And that was part of the reason we guided at full year around lower interest accretion and expected returns because of the 1-year. So generally higher rates would benefit from some of the earnings metrics for flow in the insurance business. And of course, we monitor what it does to our statutory shareholders equity as well. So, we'd look at that. On the Asset Management side, it depends on where in the curve it is, again, because a large part of our Asset Management duration on the fixed income side won't be super long. It will be short to medium term, and so we think about impacts on AUM and the business. But again, we benefit fortunately, as a group throughout different interest rate cycles.

Luca Gagliardi: And to clarify the benefit of the tax impact. In the IFRS 17 results, you can see that there is "tax bills" there. On a capital side, it is a SCR benefit because having made statutory profit, we've got more capacity to use deferred tax assets in a stress scenario, which reduces the SCR. So, it's a little bit technical, but taxes have been paid on the IFRS 17 side of things, it's just a quirk of Solvency II in the 1 in 200 stress cases.

Question - Andrew Crean, Autonomous: Can I ask three questions, firstly, in terms of the BPAs, could you give us the margins on premiums as opposed to IRRs for your current BPAs versus the value-based ones and the With-Profit ones.

Secondly, for clarity, I think your excess capital over 190% is about £1.4 billion. Are you absolutely clear that you will never pay that out from stock buybacks, and so we'll need to go for regular buybacks from flow?

And then thirdly, I think on an annualised basis, the operating capital generation impact on the SCR was minus 8%. What is that likely to be long term, do you continue to see, as your business grows, the SCR reducing.

Kathryn McLeland: The first question on margins, I think I mentioned that on the £200 million, we had 3.5% in terms of the CSM on premiums. So, we haven't given any guidance and also, what we've said is as we write more of these transactions and bigger ones, you will see more of the earnings or CSM margin and also more of the capital strain around the transaction. So, we've not given any more guidance, but what's quite important is that when obviously we think about BPAs in the With-Profit Fund and we think about hurdle rates, it's obviously a very different capital base that's being deployed for those BPAs. We will have criteria around the profitability of those transactions and the sorts of risk and sorts of transactions we want to do, but it won't be the same hurdle rates as we have or cost of capital as it is on the shareholder side. And that's a really interesting piece of work that we are doing now as we get ready to write With-Profit BPAs in early 2026.

Question - Andrew Crean, Autonomous: Given the fact you are going to try and write £3-4 billion a year, quite large. It does matter to us to know what kind of margin relative to that 3.5% you're talking about?

Kathryn McLeland: Of course when we start writing more, and we're hopeful around a better second half or an exclusivity of an additional £200, so that's about £0.5 billion so far this year, we are equally focused on margins for our shareholders, on shareholder capital. I mentioned With-profit and we're focused, so we think about the CSM, and that's very important to us, but also around the returns on the shareholder capital that we are delivering. So absolutely, we understand that, and we agree and when we do more transactions, we will give more colour around that.

So, the excess capital, I think, Andrea's comment around distributions to shareholders from stock versus flow, the really critical thing for us is to drive sustainable earnings growth. And we have got strong capital, strong capital generation, strong cash generation. We want to deliver earnings growth, and that is what will unlock any higher potential DPS growth. But we've guided to progressive we've done 2%. So being able to increase that further will depend on sustainable, consistent earnings growth. I think it was less a comment about share buybacks, which are not on the horizon for us at the moment, it was more around the DPS than actual share buybacks, I think.

And then on the SCR, we have called out about £30 million of one-off benefits this year. And obviously, we do continue to look to improve the efficiency of our capital base and look to optimise the capital requirements. But there are market impacts on that we have at the moment given the rate moves that we're seeing. But we also do want to deploy into the business. So, hence, the question earlier around strain, and around using capital in the business. And we also benefited, as you saw on the PruFund side, by some improvements and changes we made around pricing last year, which reduced some on the PruFund as well. So more efficient writing of that business, which is great. So yes, it will depend, but we're being very disciplined around shareholder capital management and capital across the group, and we have sufficient budgets absolutely to write profitable business with the right margins in terms of CSM and earnings as well as capital.

Question - Andrew Baker, Goldman Sachs: So, the first one, I'm going to go back to excess capital. We are all looking at a Solvency II shareholder ratio to form the view on excess capital. Is that the right lens? I'm just trying to get a sense if there is another constraint on deployment of stock, whether that's the regulatory solvency ratio, local GAAP, equity, anything else, I hear you on you're not looking to deploy it right now, but anything that could prevent you from deploying it going forward.

Then secondly, just a technical one, the £8 million charge that you called out related to the legacy annuity plan and the adjusted operating profit, what is that?

And thirdly, just on the underlying capital generation, the lower treasury lending that you mentioned that gave the strong result in the corporate centre, should we expect treasury lending to normalise going forward or are these levels sort of sustainable.

Kathryn McLeland: So when we think about capital and what we are using that capital for, I go back to some of the guidance we gave with the capital management framework and the £2.7 billion over the next few years where we talked within the group, we'd obviously used some of that capital that we do generate. And so, we know that we've got a very strong solvency, but we also look at leverage. And that was one of the other questions, I think, we answered at the full-year results around using that capital to buy back shares which would impact own funds. We know our leverage is very conservative versus peers. I would also say that we have already done the deleveraging last year on the Holdco debt. That's quite a meaningful amount of debt that we have redeemed, and we've got a call date coming up in 2028, a dollar bond. But we also need to think about the capital structure and the cost of it, and our debt is very cheap compared to you've seen where rates are at the moment, so 5.5% to 6.5% coupons for our Holdco debt. So, we look at the quality of the capital. We look at the ability to generate strong capital, strong cash earnings and make sure that we've got a disciplined allocation framework with the right hurdle rates across the company. So, 230% solvency is absolutely one of the metrics that we look at.

In terms of the balance sheet equity, that will be another lens. We look at the Holdco, where I think we're at £3.3 billion in terms of shareholder equity. We've got strong retained earnings in the subsidiaries from capital, strong liquidity, pretty much at the Holdco and of subsidiaries. So, it's one thing we'll look at and we talked before about impacts on rates. But we're very strongly positioned at the moment. But we do look at a range of things we value financial flexibility, and we want to have the capacity to write business, we want the capacity to deploy that capital across the Group and to continue to deliver strong results for our customers and our policyholders.

In terms of the one-off annuities impact of £8 million, it is just a one-off, it is a legacy scheme and it's as simple as that. So, it is an old scheme that we had a payment that we made there is nothing more to read into that.

And then, yes, it's a really good question on the benefit we saw the Corporate Centre in terms of capital. We do have treasury activities where we can do very vanilla but optimise the balance sheet and so, at the period end, it just happened to be lower market risk and rates and credit. And so that could definitely normalise at a point in time, and we're just thoughtful around the longer-term expectations for that. But it's very conservative and it just happened to benefit the June 30 moment from a lower position.

Question - Mandeep Jagpal, RBC Capital Markets: Three questions as well, please. First, on Asset Management, you've been able to keep absolute costs relatively flat over the last 2.5 years and you spoke about a continued improvement in the cost-income ratio in the second half. But how should we think about the absolute growth in the cost base from here as you balance investment in growth versus operating efficiency and how much flexibility do you have there?

And then on BPAs, you have reopened the BPA portfolio with the aim of doing more Value share and With-Profits BPAs over time. But what are you observing in terms of the level of competition in the traditional BPA market since you wrote your first deal in 2023 and how do you expect to develop here following some M&A in the sector?

And then finally, on DC pensions. How are you accessing the structural opportunity in the DC Master Trust space given M&Gs wide-ranging asset management proposition, including private assets. Could it be a particularly attractive option for you to have your own Master Trust?

Andrea Rossi: So, on the cost-to-income ratio, obviously, we are very pleased with how we have delivered improvement over the last 18 months. Let's not forget that we moved from 79% to 75%, and this was delivered thanks to both an improvement in the revenue and, of course, managing costs in an inflationary environment, keeping it flat. So, we are pleased with that, but we have a target of 70% and we are committed to that target. We will not deliver it by the end of the year, and if we did, we would be super people, but we're not. In that sense, we're doing well. When I look at how the business is doing and how we have momentum both in terms of pipeline in private and public assets, when I see how we have been able to keep the margin, we're probably one of the few asset managers who would have kept margin flat. I always like to show this. This is rather unique, I mean there are not too many other asset managers who can show fee margins remaining flat as we have done (slide 18). That is also thanks to a mix, I talked before where we see momentum, we see momentum in equities. Equities have higher bps. We see momentum a lot in private assets, higher bps as well. So that will help, we are committed to continue to improve our cost-to-income ratio. We will also continue to invest, but we will be careful also of taking out costs. And you should expect to see a similar momentum as you have seen so far in the next two years moving forward.

So, on the BPA, we launched a Value share last year. What we wrote in the first half was plain vanilla BPAs. We have had interest in Value share BPAs that are actually larger in terms of size, and we are in discussion with several schemes to see if we can arrive to conclusion on them. I think what is key here is that you should look at what we can offer to schemes out there because, of course, we can be plain vanilla. That's supported, of course, by a strong private assets franchise. But more importantly, the Value share, of course, shares the rewards with the pension scheme. And when we get the With-Profit BPA, then we will have a significant competitive advantage because we will have a lower cost of capital.

And once again, when you look at competition, as you said, I'm not concerned about competition. I'm not even concerned that there are new entrants. Frankly, when I see the new entrants, they sort of have the similar business model to us because there are two alternative asset managers and they want that permanent capital side. So, it is effectively playing into our strength.

Look at what we're doing, we re-entered this market two years ago. We have written £1.7 billion of BPAs so far. We have significantly improved our capacity in order to originate, to price, to propose and we are very much committed to the £3 to £4 billion number by 2027. I think we will do so, thanks to excellent asset management. I mean it is performing extremely well but, more importantly also, thanks to the innovation that we bring. I mean, the With-Profits BPA will be something very, very unique and the Value share BPA still remains the only solution in the market.

Kathryn McLeland: The other fortunate ability we have around delivering the right returns and in the market where there are a large number of players, it is also just having that private assets capability internally to make sure we optimize our asset returns, which is good for us.

Luca Gagliardi: And last question on UK DC and Master Trust. You have met Clive before, but Clive is the CEO of our Life business.

Clive Bolton M&G Chief Executive Officer Life: Just a brief word on workplace, I mean we do have a substantial workplace business. Master Trust would be a step which is currently under review. Also, obviously, we're in conversation with the government around their proposed legislation.

We actually think if we did do it, it would be a heavily With-Profit sponsored and financed initiative because it has a long view and in actual fact, the piece that is missing in the workplace market is a convincing transition to retirement and retirement journey for those organisations.

There has been a lot of really good work in the UK around accumulation. Actually, some of those particularly post auto-enrolments are coming to retire and use their pension, which is actually a different set of skills where we have the number one drawdown product. We are entering into a guaranteed income, which is particularly relevant, and also how we have one of the largest advice businesses in the industry as well. I think that's all we'll say for now. So, thank you for that.

Question - Nasib Ahmed UBS: Just two questions from me both on slide 9. You have a target of £100 billion of private assets by the end of the year. I know rates have gone up. So, what is that target looking like if you allow for higher rates. Are you tracking ahead of that target today on the £77 billion already or do you still have a bit of catch-up to do? Second question on the same slide, the £6.5 billion. Does that have anything for Dai-ichi in it, or is that on top? Thank you.

Andrea Rossi: Okay. So, I don't think we have a target of £100 billion of private assets by the end of the year. I think it was an ambition that we stated, but we don't have a strong target to it. I think what is important is you look at this slide and you look at the strength of our franchise, first of all, this is one of the largest private assets players in Europe. And both real estate, private and structured credit and infrastructure have been around for a very, very long time. We haven't just entered this. This was developed thanks to the support of the balance sheet. And when you look here, we have actually moved into, I would say, more yielding strategies by doing acquisitions where we believe that we can grow the business significantly.

So, when we did BauMont, the value-add real estate acquisition, this was to complement our already strong offering but, more importantly, also supported by the balance sheet. And I think that's the way we are going to grow. We're going to grow our existing franchises organically, and we might look at potential bolt-on acquisition in order to grow this business going forward. Same thing with P Capital Partners. We had a commitment of £500 million for our balance sheet to grow that business.

On the capital queue, there is no Dai-ichi Life in that capital queue. Capital queue is when you have won the business and obviously you need to deploy it. Maybe an important point on the capital queue because we are showing this for the first time, I think.

Luca Gagliardi: We used to three, four years ago.

Andrea Rossi: But what you see on the capital queue is, of course, there will always be a capital queue. As a private asset manager, you always have a capital queue. Then what is important is that you need to make sure that, that capital queue comes in with new flows and you deploy. What is the range? I would say the range is between 5 to 7. And in this case, this increase of capital queue is because we have won new business, not because we have not been able to deploy. So, I think that is the positive news you should also take from here. But no, Dai-ichi is not in there I think I said it in the presentation. They are doing due diligence and we expect to get a mandate from them before the end of the year. And as you all know, they have a commitment of 6 billion dollars, not sterling, over the first five years.

Nasib Ahmed UBS: And bolt-ons on those verticals, where else would you think of adding capability?

Andrea Rossi: I think one has to be careful and we have done two small bolt-ons, and I think you need to see those develop. We have always had a way of saying, okay, we utilise part of our own balance sheet and then we grow them even further.

But if I had to look, I would say, I would look at private and structured credit, which still is something which we will see Europe as being interesting, there are great opportunities. And I probably would also look potentially at some on the infrastructure side. But overall, we have what we need at the moment. I mean we want to grow organically, and we want to make sure that those two bolt-ons that we have been integrating, that they take off as well.

Question - Andrew Sinclair, Bank of America: First, circling back to leverage. I get the point you made on leverage, that conservative methodology, etc. But you do have a target for under 30% leverage. We're at 33% now, I guess, that targets for the end of the year. Are we saying that this might take longer, or what is the thoughts on that progress under 30%.

Second is on the annuity one-off, sorry to come back to it, but I still don't understand it, this £8 million payment. I get you are saying it is one-off. But why is this payment being made and why should we have confidence that it is just a one-off and that there are no other schemes that are coming through.

And third was just on the FNZ platforms for PruFund. How many FNZ platforms have committed to offer PruFund so far.

Andrea Rossi: So obviously, we are pleased to have done this agreement with FNZ. As you all know, FNZ roughly covers 40% of the platform market. So, we're talking £280 billion of AUMA and roughly 50% of the flows. So, we're talking £35 billion per year here so we're very pleased to have done this agreement. And we are in discussion with some of the platforms utilising that technology. I would say probably it is for 2026, we will see something happening there. But obviously, we are very excited to get there because this will substantially increase volumes on PruFund.

Kathryn McLeland: So, if I take leverage, yes we are not at 30%, but we also know that, as you said, we have got the most conservative, we would be at 27% I think on an IFRS equity basis, and 22% using some of the approaches of some of our peers. And we obviously want to get there through own funds growth because, as I said, the HoldCo debt, we are comfortable with. We also think, I mean, it's good quality, very long term and cheap capital and funding. So, we have got a call of the dollar bond in 2028. But we have no concerns on leverage, but we are very comfortable with it and we get no feedback either from shareholders. So, we know that we are conservative. So, we will get there, but we will get there through own funds growth. But obviously, we don't think we'll get there by the end of the year we can do the math in terms of what's needed.

Andrew Sinclair Bank of America: I was just going to say, with bond yields going higher, I guess, that target gets a little bit harder

Kathryn McLeland: So on the first question around rates and, obviously, one of the things we saw when we did have movements in rates is we get a benefit on the PVST, which is very good. But there can be an impact, a negative impact on own funds. So that's why the key thing for us is delivering the own funds generation through consistent earnings growth and to be able to withstand market volatility. But yes, you're right. The increase in rates would impact own funds as well. But I go back to just very comfortable in the leverage ratio, in the stock of HoldCo debt. And we have got another exit, well, we've got this opportunity in 2028, which we are mindful of and as I said, we're very, very conservative compared to peers.

Now we have very unusually had a one-off payment to a very, very old contract that we've remedied, had zero impact on policyholders and we have got no concerns. This is just a one-off.

Luca Gagliardi: We have received some questions online, Tom Bateman from Mediobanca would like to know if you could elaborate on why the cost of capital is lower for With-Profits customer when writing With-Profits

BPA's. So that's his first question. And then on the FNZ he's asking whether it's going to come through next year, which I think we answered. And we talked about next year and the impact. So maybe that question on the cost of capital With-Profits Fund, Clive, you want to say a few words on the With-Profit Fund and the cost of capital in the With-Profit Fund as opposed to what other peers put out into the market.

Clive Bolton: It's a question of different regulations and governance and environment. So, on a strict level, With-Profit Fund doesn't actually have to make a profit because it is written in the context of the trust. However, it does have an expectation not to write to loss. So therefore, there would be a level of margin creation above 0. Without going into too much of the numbers, that means that there would be a lower return on capital in order to make sure in most cases the fund is inviting without the expectation of a loss, but it would be nowhere near the level of that a shareholder-based capital provision would be of double digits, 14%, or certainly lower than a peer organisation would be looking to return there.

So that gives you a different quality of capital, also, it has no dividends to pay. So, its length that it can deploy that capital before it needs it cycled back to the owner, which in this instance, the With-Profit estate, is much longer than you might see in a normal shareholder-based organisation. So, I hope that gives you a feel of how the different dynamics work in the With-Profit Fund balance sheet deployed compared to the shareholder balance sheet.

Luca Gagliardi: Farooq Hanif from JPMorgan asked whether we are still expecting to write £3 to £4 billion in this market in BPA, which I think we did address. And we are still committed to that because of the diversified proposition that we aim to launch.

Update on the 75% cost-income ratio and ambition, which we said we remain committed to 70% is the right number, not by the end of the year.

And thirdly, well, this one, we haven't explicitly tackled. So, if we can talk a little bit more about 60% of our AUM being international, and that is the AUM side, but what is the contribution to revenue and profits. And I think very briefly, let us say that it is probably all external money. So, while in the UK, we've got a very big internal client that tends to have a lower fee margin attached to it, so it would be less profitable, so, you would expect the international business to be slightly more profitable, both from a revenue and bottom-line perspective than what you would have in the UK. So, it is good quality growth. And I think someone earlier had asked, what are the margins on this business that we are winning, is it similar or not to what we already have, and I think it is in line with what we have. It's not money market, it's not passive, as Andrea said, there's a lot of interest in equities and structured credit, real estate debt. So, the margins that we're winning on this business are comparable to the stock of existing institutional business.

And Tom Bateman submitted another one, from Mediobanca. So almost why do we set the leverage target at 30% under our own calculations given that it's so much more conservative vis-a-vis peers.

Kathryn McLeland: We set that target on a Solvency II basis. We evaluate what rating agencies use, what our peers use. We have to have the right one that we think is relevant for us and our business mix. But we get feedback, we always re-evaluate if a metric is the right one. It was set quite some time ago. So that's not to say we'll never reconsider it, but it is the one for now, but we also obviously look at other methodologies as well.

Luca Gagliardi: Perfect. So, I think that now we are through all the questions.

So, thank you very much for joining.