



# Business segments review

Restated financials and modelling support

12 December 2024

# Business segments review

## Cautionary statement

All information in this announcement is preliminary, unaudited and subject to change.

Restated 2023 FY figures will be published in the 2024 Annual Report and Accounts and restated 2024 HY figures will be published in the 2025 Interim Report.

## Forward looking statement

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# Introduction

## Aim of today's session

Remind you of the operational simplification announced by M&G at the 2024 HY Results

Review the impact of the merger of the Life and Wealth segments on M&G's financial segmentation

Share the restated financial comparatives for Full-Year 2022, Full-Year 2023 and H1 2024

Recut the latest sell-side financial consensus for M&G (published in November) across the new segments

## Rationale for the operational simplification

From an operational perspective:

- Simplify the business structure
- Reduce duplication of efforts / overlaps
- Deliver a comprehensive UK retail proposition
- Broaden PruFund reach to 3<sup>rd</sup> party platforms

From a disclosure perspective:

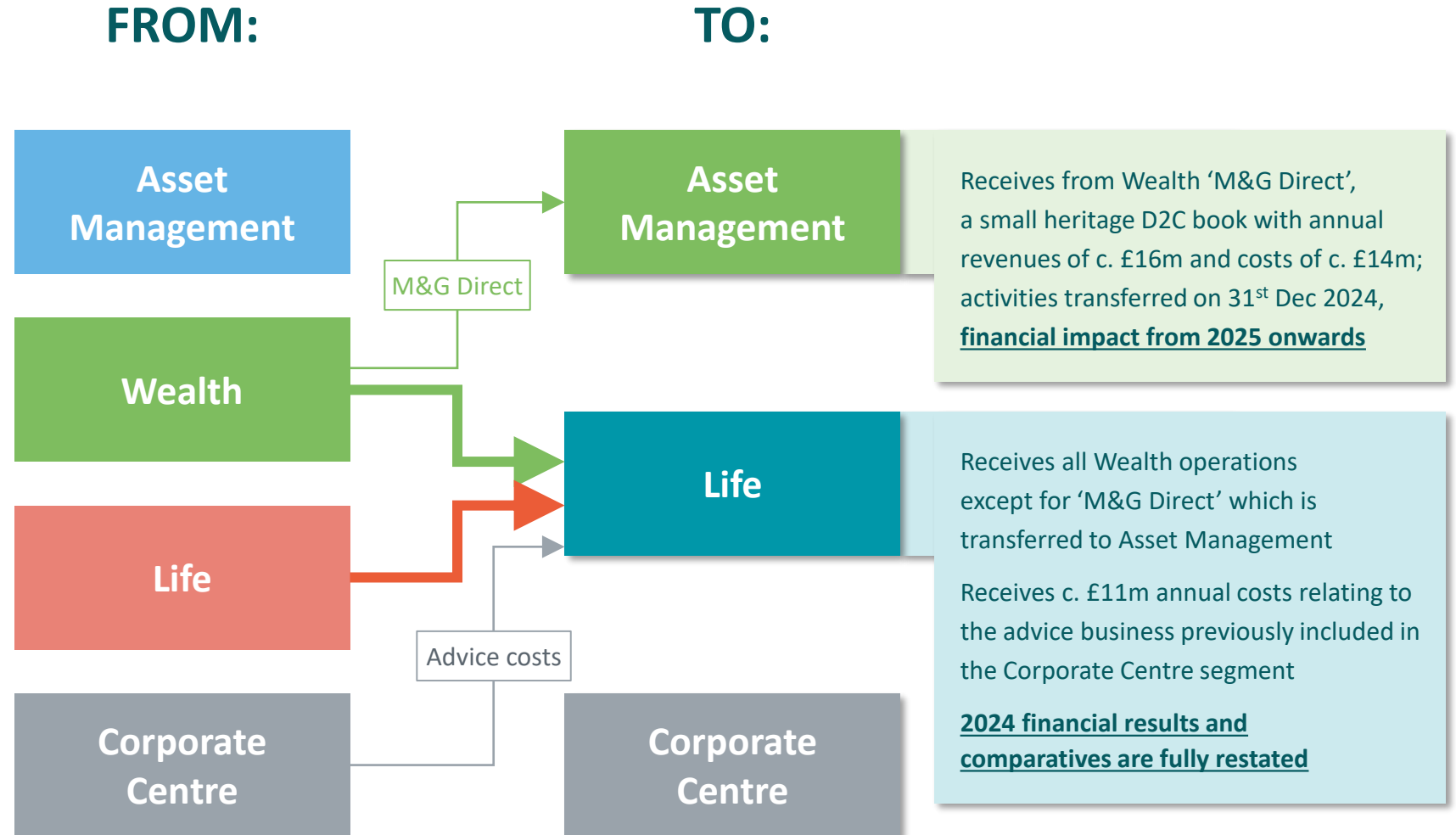
- Bring all PruFund financials in a single place
- Provide a cleaner view of Asset Management, Annuities, and Corporate Centre financials

# M&G announced the simplification of its operating model in September 2024

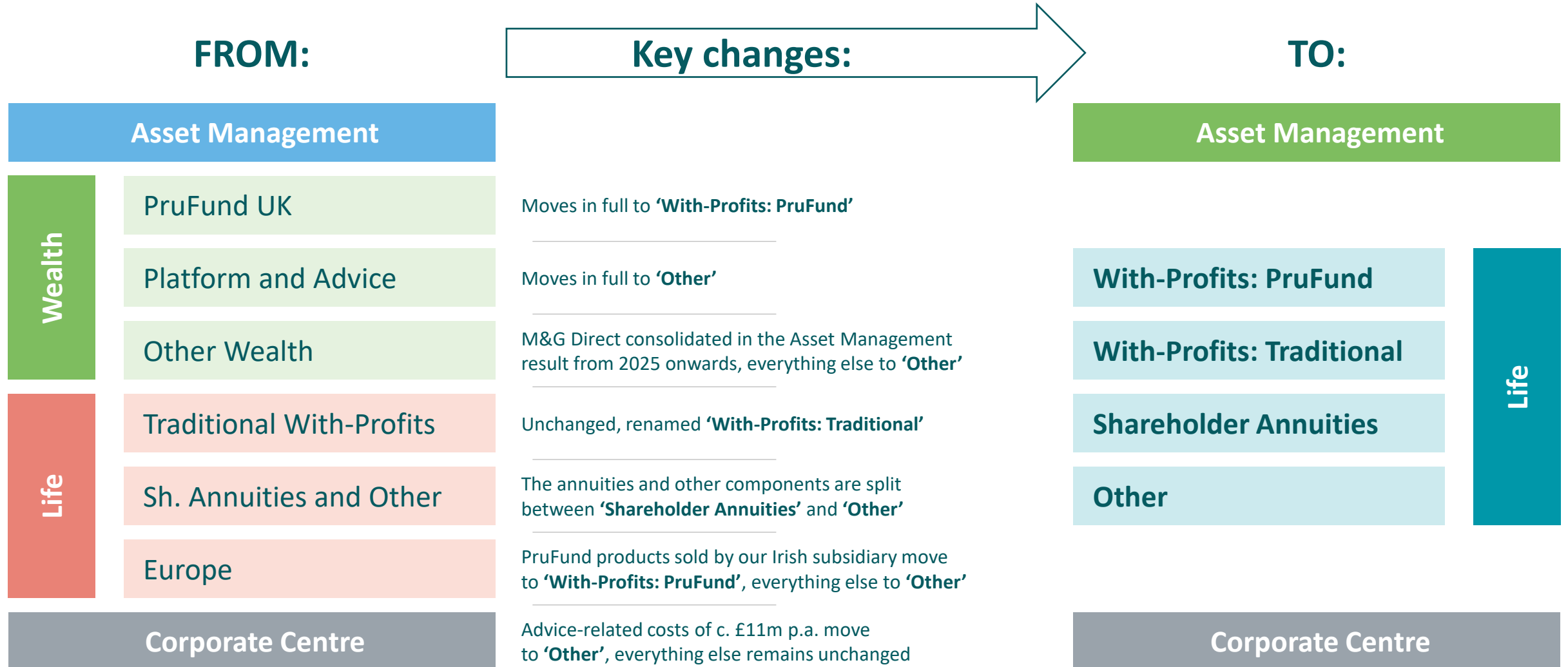
At the 2024 HY Results, M&G announced the simplification of its operating model

The Life and Wealth segments are being combined into one

M&G's financial segmentation will reflect this change from 2024 FY Results onwards



# Life and Wealth merging into a single segment



# Adjusted Operating Profits on the new segment basis

		Key changes	2022	2023	2024 H1
<b>Asset Management</b>		No change	<b>£264m</b>	<b>£242m</b>	<b>£129m</b>
<b>Life</b>	<b>With-Profits: PruFund</b>	PruFund UK + earnings realised from PruFund products sold by our Irish subsidiary (previously in 'Europe')	<b>£196m</b> £190m + £6m	<b>£236m</b> £228m + £8m	<b>£98m</b> £96m + £2m
	<b>With-Profits: Traditional</b>	No change	<b>£200m</b>	<b>£263m</b>	<b>£108m</b>
	<b>Shareholder Annuities</b>	Pure view of annuity earnings, as the 'Other' component is removed and transferred to the 'Other' subsegment	<b>£239m</b> £241m - £2m	<b>£331m</b> £326m - £(5)m	<b>£132m</b> £145m - £13m
	<b>Other</b>	'Platform and Advice' + 'Other Wealth' + 'Europe' excl. PF Ireland + 'Other' previously with Annuities + Advice costs	<b>£(28)m</b> £(24)m + £(8)m + £13m + £2m + £(11)m	<b>£(75)m</b> £(32)m + £(16)m + £(11)m + £(5)m + £(11)m	<b>£2m</b> £(9)m + £(4)m + £8m + £13m + £(6)m
<b>Corporate Centre</b>		Less negative result as Advice-related costs are removed and transferred to the 'Other' subsegment in Life	<b>£(246)m</b> £(257)m - £(11)m	<b>£(200)m</b> £(211)m - £(11)m	<b>£(94)m</b> £(100)m - £(6)m
<b>Total Adj. Operating Profits</b>		No change	<b>£625m</b>	<b>£797m</b>	<b>£375m</b>

# Underlying Capital Generation on the new segment basis

		Key changes	2022	2023	2024 H1
<b>Asset Management</b>		No change	<b>£246m</b>	<b>£246m</b>	<b>£118m</b>
<b>Life</b>	<b>With-Profits: PruFund</b>	PruFund UK + UCG realised from PruFund products sold by our Irish subsidiary (previously in 'Europe')	<b>£209m</b> £180m + £29m	<b>£240m</b> £207m + £33m	<b>£95m</b> £84m + £11m
	<b>With-Profits: Traditional</b>	No change	<b>£192m</b>	<b>£182m</b>	<b>£94m</b>
	<b>Shareholder Annuities</b>	Pure view of annuity earnings, as the 'Other' component is removed and transferred to the 'Other' subsegment	<b>£251m</b> £251m - £0m	<b>£367m</b> £350m - £(17)m	<b>£96m</b> £92m - £(4)m
	<b>Other</b>	'Platform and Advice' + 'Other Wealth' + 'Europe' excl. PF Ireland + 'Other' previously with Annuities + Advice costs	<b>£(22)m</b> £(25)m + £0m + £14m + £0m + £(11)m	<b>£(63)m</b> £(29)m + £(15)m + £9m + £(17)m + £(11)m	<b>£(2)m</b> £(3)m + £1m + £10m + £(4)m + £(6)m
<b>Corporate Centre</b>		Less negative result as Advice-related UCG is removed and transferred to the 'Other' subsegment in Life	<b>£(248)m</b> £(259)m - £(11)m	<b>£(220)m</b> £(231)m - £(11)m	<b>£(104)m</b> £(110)m - £(6)m
<b>Total Underlying Cap Gen</b>		No change	<b>£628m</b>	<b>£752m</b>	<b>£297m</b>

# CSM on the new segment basis

	Key changes	2022	2023	2024 H1
<b>Life</b>				
<b>With-Profits: PruFund</b>	PruFund UK + CSM from PruFund products sold by our Irish subsidiary (previously in 'Europe')	£1,757m £1,666m + £91m	£1,721m £1,614m + £107m	£1,889m £1,790m + £99m
<b>With-Profits: Traditional</b>	No change	£1,466m	£1,342m	£1,478m
<b>With-Profits: Policyholder</b>	No change	£664m	£652m	£658m
<b>Shareholder Annuities</b>	No change	£1,206m	£1,221m	£1,192m
<b>Other</b>	Excludes CSM from PruFund products sold by our Irish subsidiary	£623m £714m - £91m	£547m £654m - £107m	£548m £647m - £99m
<b>Total CSM</b>		<b>£5,716m</b>	<b>£5,483m</b>	<b>£5,765m</b>



# Modelling by segment

## Asset Management

Re-segmentation does not lead to any change in the AOP methodology for the Asset Management segment.

'M&G Direct' is expected to increase annual revenues by c. £16m and costs by c. £14m from 2025 onwards. Contribution to net flows from this book is marginally negative, c. £(0.3)bn per annum, as it is predominantly in run-off.

As before, Underlying Capital Generation for the segment is expected to be lower than the IFRS AOP result (absent any large movement in the SCR) as investment income is included in "Other Operating Capital Generation" and not in the Underlying result.

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## Life

Re-segmentation does not lead to any change in the AOP methodology for the Life segment.

The new 'PruFund' subsegment is expected to show higher gross flows of c. £0.5bn per annum, due to the inclusion of the business written by our Irish subsidiary, but the impact on net flows is expected to be negligible (marginally negative in 2024). The new 'PruFund' AOP result benefits from a higher opening CSM due to the inclusion of the Irish business, while the CSM amortisation rate is not expected to materially change.

Consensus expects the IFRS AOP and Underlying Capital Generation result of the 'Other' subsegment to be a small negative reducing over time. This result might show a degree of volatility as it can be impacted by positive / negative one-offs across several of the small operations it includes.

No changes to Traditional With-Profits and Shareholder Annuities.

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## Corporate Centre

Re-segmentation does not lead to any change in the AOP methodology for the Corporate Centre segment.

Restated result already reflects the shift of £(11)m advice-related costs to from 'Corporate Centre' to 'Life - Other'.

As before, Underlying Capital Generation for the segment is expected to be c. £(25)m-£(30)m more negative than the IFRS AOP result (absent any large SCR movement) as the amortisation of the fair value premium of the HoldCo debt is a non-cash benefit that does not impact capital generation



# Appendix 1

## Financial consensus on the new segmentation basis

# November consensus – AUMA and flows

## Recut applying the new segmentation

	Actual		Forecast ----->>>			
	2022	2023	2024	2025	2026	2027
<b>Assets under Management and Administration (in £bn)</b>						
Institutional Asset Management	99	98	100	106	113	121
Wholesale Asset Management	54	55	63	67	71	76
Other Asset Management	1	1	1	1	1	1
<b>Asset Management</b>	<b>154</b>	<b>154</b>	<b>164</b>	<b>173</b>	<b>183</b>	<b>194</b>
<b>Life</b>	<b>186</b>	<b>188</b>	<b>184</b>	<b>187</b>	<b>191</b>	<b>195</b>
<b>Corporate assets</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total AuMA</b>	<b>342</b>	<b>343</b>	<b>350</b>	<b>361</b>	<b>375</b>	<b>391</b>
<b>Net flows (in £bn)</b>						
Institutional Asset Management	(0.7)	(0.7)	0.2	2.3	2.7	2.9
Wholesale Asset Management	0.5	1.5	0.4	1.2	1.4	1.4
<b>Asset Management</b>	<b>(0.2)</b>	<b>0.8</b>	<b>0.6</b>	<b>3.2</b>	<b>4.0</b>	<b>4.2</b>
<b>Life</b>	<b>(5.5)</b>	<b>(5.5)</b>	<b>(7.2)</b>	<b>(4.4)</b>	<b>(3.5)</b>	<b>(3.3)</b>
<b>Total net flows</b>	<b>(5.7)</b>	<b>(4.7)</b>	<b>(6.6)</b>	<b>(1.2)</b>	<b>0.5</b>	<b>0.9</b>

### Changes vs. previous segmentation

Increased AUMA by £5.8bn each year in 2024-2027, due to the inclusion of 'M&G Direct' (based on the AUMA as of HY 2024)



1) Total Life and Wealth AUMA  
2) Lowered AUMA by £5.8bn in 2024-2027, due to removal of 'M&G Direct'



Lowered net flows by £0.3bn p.a. 2025-2027, due to the inclusion of 'M&G Direct'



1) Total Life and Wealth flows  
2) Improved net flows by £0.3bn p.a. 2025-2027, due to removal of 'M&G Direct'



# November consensus – Adjusted Operating Profit

## Recut applying the new segmentation

### Operating Profit (in £m)

	Actual		Forecast ----->>>			
	2022	2023	2024	2025	2026	2027
Revenues	995	995	1,005	1,057	1,107	1,167
Costs	(763)	(791)	(779)	(790)	(798)	(823)
Performance fees	56	30	32	31	31	33
Investment income, profit from associates and minority interests	(24)	8	7	5	6	6
<b>Asset Management</b>	<b>264</b>	<b>242</b>	<b>264</b>	<b>302</b>	<b>343</b>	<b>379</b>
With-Profits: PruFund	196	236	213	233	252	275
With-Profits: Traditional	200	263	220	228	232	239
Shareholder Annuities	239	331	280	276	278	278
Other	(28)	(75)	(18)	(14)	(8)	(2)
<b>Life</b>	<b>607</b>	<b>755</b>	<b>694</b>	<b>723</b>	<b>755</b>	<b>791</b>
Head Office	(82)	(38)	(39)	(48)	(52)	(53)
Debt interest cost	(164)	(162)	(154)	(143)	(140)	(139)
<b>Corporate Centre</b>	<b>(246)</b>	<b>(200)</b>	<b>(191)</b>	<b>(188)</b>	<b>(190)</b>	<b>(192)</b>
<b>Total Operating Profit</b>	<b>625</b>	<b>797</b>	<b>768</b>	<b>837</b>	<b>908</b>	<b>977</b>

### Changes vs. previous segmentation

Increased revenues by £16m p.a. 2025-2027, due to 'M&G Direct'

Increased costs by £14m p.a. 2025-2027, due to 'M&G Direct'

Increased by £4m p.a. 2024-27, due to the inclusion of PruFund written by Irish subsidiary (based on H1-24 annualised run-rate)

Reduced by £13m p.a. 2024-27 as the 'Other' component of 'Sh. Annuities & Other' is moved to 'Other' (based on H1-24 value)

Balancing figure

Improved by £11m p.a. 2024-2027, as advice-related costs are moved to 'Life - Other'

# November consensus – Capital Generation

## Recut applying the new segmentation

### Capital generation (in £m)

	Actual		Forecast ----->>>			
	2022	2023	2024	2025	2026	2027
<b>Asset Management</b>	<b>246</b>	<b>246</b>	<b>247</b>	<b>287</b>	<b>326</b>	<b>361</b>
With-Profits: PruFund	209	240	187	204	225	249
With-Profits: Traditional	192	182	182	181	180	180
Shareholder Annuities	251	367	221	231	234	236
Other	(22)	(63)	(3)	(5)	(4)	(3)
<b>Life</b>	<b>630</b>	<b>726</b>	<b>594</b>	<b>621</b>	<b>647</b>	<b>677</b>
<b>Corporate Centre</b>	<b>(248)</b>	<b>(220)</b>	<b>(212)</b>	<b>(210)</b>	<b>(209)</b>	<b>(211)</b>
<b>Underlying Capital Generation</b>	<b>628</b>	<b>752</b>	<b>630</b>	<b>697</b>	<b>764</b>	<b>827</b>
Other Operating Capital Generation	193	244	306	183	176	174
<b>Operating Capital Generation</b>	<b>821</b>	<b>996</b>	<b>936</b>	<b>880</b>	<b>941</b>	<b>1,001</b>
Economic variances	(1,225)	(723)	(23)	3	3	4
Other movements (including restructuring)	(166)	49	(82)	(42)	(28)	(26)
Tax	173	36	(22)	(198)	(217)	(239)
<b>Total Capital Generation</b>	<b>(397)</b>	<b>358</b>	<b>808</b>	<b>643</b>	<b>699</b>	<b>739</b>

### Changes vs. previous segmentation

Improved by £2m p.a. 2025-27, due to 'M&G Direct'

Improved previous estimate for Wealth by £28m p.a. 2024-27, due to the inclusion of 'Irish' PruFund and the removal of 'Platform and Advice' and 'Other Wealth' (impact based on H1-24 annualised run-rate)

Improved by £4m p.a. 2024-2027 as the 'Other' component of 'Sh. Annuities & Other' is moved to 'Other' (based on H1-24 value)

Improved by £11m p.a. 2024-27, as advice-related costs are moved to 'Life - Other'



## **Appendix 2**

Details on AUMA, flows, Capital  
Generation and CSM movements

# Assets Under Management and Administration on the new segment basis

(£bn)		YE 2021	Inflows	Outflows	Net flows	Market / Other	YE 2022	Inflows	Outflows	Net flows	Market / Other	YE 2023	Inflows	Outflows	Net flows	Market / Other	HY 2024
Asset Management	Institutional	103.1	13.1	(13.8)	(0.7)	(3.2)	99.2	14.8	(15.5)	(0.7)	(0.3)	98.2	6.8	(7.3)	(0.5)	0.1	97.8
	Wholesale	52.7	16.0	(15.5)	0.5	0.7	53.9	18.3	(16.8)	1.5	(0.4)	55.0	9.5	(9.5)	-	1.1	56.1
	Other <sup>1</sup>	0.9	-	-	-	0.2	1.1	-	-	-	(0.1)	1.0	-	-	-	-	1.0
	<b>Total</b>	<b>156.7</b>	<b>29.1</b>	<b>(29.3)</b>	<b>(0.2)</b>	<b>(2.3)</b>	<b>154.2</b>	<b>33.1</b>	<b>(32.3)</b>	<b>0.8</b>	<b>(0.8)</b>	<b>154.2</b>	<b>16.3</b>	<b>(16.8)</b>	<b>(0.5)</b>	<b>1.2</b>	<b>154.9</b>
Life	With-Profits: PruFund	58.4	6.0	(5.4)	0.6	(0.8)	58.2	6.8	(5.9)	0.9	1.9	61.0	2.7	(3.4)	(0.7)	2.3	62.6
	With-Profits: Traditional	81.4	0.2	(5.1)	(4.9)	(9.0)	67.5	0.3	(4.5)	(4.2)	1.7	65.0	0.1	(2.4)	(2.3)	1.0	63.7
	Shareholder Annuities	22.2	-	(1.1)	(1.1)	(5.7)	15.4	0.7	(1.1)	(0.4)	0.8	15.8	0.3	(0.5)	(0.2)	(0.4)	15.2
	Other	49.1	2.9	(3.0)	(0.1)	(3.7)	45.3	3.4	(5.2)	(1.8)	2.7	46.2	2.0	(3.0)	(1.0)	3.4	48.6
<b>Total</b>	<b>211.1</b>	<b>9.1</b>	<b>(14.6)</b>	<b>(5.5)</b>	<b>(19.2)</b>	<b>186.4</b>	<b>11.2</b>	<b>(16.7)</b>	<b>(5.5)</b>	<b>7.1</b>	<b>188.0</b>	<b>5.1</b>	<b>(9.3)</b>	<b>(4.2)</b>	<b>6.3</b>	<b>190.1</b>	
Corporate Assets	2.2	-	-	-	(0.8)	1.4	-	-	-	(0.1)	1.3	-	-	-	(0.2)	1.1	
<b>Group Total</b>	<b>370.0</b>	<b>38.2</b>	<b>(43.9)</b>	<b>(5.7)</b>	<b>(22.3)</b>	<b>342.0</b>	<b>44.3</b>	<b>(49.0)</b>	<b>(4.7)</b>	<b>6.2</b>	<b>343.5</b>	<b>21.4</b>	<b>(26.1)</b>	<b>(4.7)</b>	<b>7.3</b>	<b>346.1</b>	

1. Corporate AUMA held by M&G Group

# Own Funds and SCR movements on the new segment basis

(£m)	2022			2023			H1 2024		
	Own Funds	SCR	Total	Own Funds	SCR	Total	Own Funds	SCR	Total
<b>Asset Management</b>	<b>268</b>	<b>(22)</b>	<b>246</b>	<b>215</b>	<b>31</b>	<b>246</b>	<b>118</b>	<b>0</b>	<b>118</b>
With-Profits: PruFund	263	(54)	209	337	(97)	240	121	(26)	95
With-Profits: Traditional	138	54	192	165	17	182	78	16	94
Shareholder Annuities	197	54	251	349	18	367	108	(12)	96
Other	(13)	(9)	(22)	(54)	(9)	(63)	(4)	2	(2)
<b>Life</b>	<b>585</b>	<b>45</b>	<b>630</b>	<b>797</b>	<b>(71)</b>	<b>726</b>	<b>303</b>	<b>(20)</b>	<b>283</b>
Corporate Centre	(256)	8	(248)	(226)	6	(220)	(109)	5	(104)
<b>Total Underlying Capital Generation</b>	<b>597</b>	<b>31</b>	<b>628</b>	<b>786</b>	<b>(34)</b>	<b>752</b>	<b>312</b>	<b>(15)</b>	<b>297</b>



# Key drivers of CSM movements on the new segment basis

	With-Profits: PruFund			With-Profits: Traditional			With-Profits: Policyholder			Shareholder Annuities			Other <sup>1</sup>		
	2022	2023	H1 2024	2022	2023	H1 2024	2022	2023	H1 2024	2022	2023	H1 2024	2022	2023	H1 2024
<b>Opening CSM</b>	<b>1,394</b>	<b>1,757</b>	<b>1,721</b>	<b>1,201</b>	<b>1,466</b>	<b>1,342</b>	<b>635</b>	<b>664</b>	<b>652</b>	<b>1,171</b>	<b>1,206</b>	<b>1,221</b>	<b>633</b>	<b>623</b>	<b>547</b>
Interest accreted	23	137	71	28	142	71	-	-	-	24	30	16	1	7	4
Expected returns	166	202	88	229	167	66	-	-	-	-	-	-	-	-	-
New Business	30	108	34	-	-	-	-	-	-	6	42	6	6	12	6
Ass. changes, experience variance	17	39	(16)	(48)	(4)	(1)	-	-	-	94	60	2	7	3	1
Release to operating result	(162)	(242)	(103)	(186)	(238)	(90)	-	-	-	(89)	(96)	(48)	(17)	(14)	(8)
Release to non-operating result	(33)	27	(13)	(38)	48	(15)	(64)	(66)	(33)	-	-	-	(61)	(52)	(23)
Market impact	322	(307)	107	280	(239)	105	93	54	39	-	(21)	(5)	54	(32)	21
<b>Closing CSM</b>	<b>1,757</b>	<b>1,721</b>	<b>1,889</b>	<b>1,466</b>	<b>1,342</b>	<b>1,478</b>	<b>664</b>	<b>652</b>	<b>658</b>	<b>1,206</b>	<b>1,221</b>	<b>1,192</b>	<b>623</b>	<b>547</b>	<b>548</b>

1. Other CSM predominantly relates to M&G Investments future profits from the management of the internal client assets, and to non-PruFund business in PIA (Irish subsidiary)