



M&G plc half year 2025 results

STRONG NET FLOWS FROM OPEN BUSINESS OF £2.1BN

ASSET MANAGEMENT COST-TO-INCOME RATIO IMPROVED FROM 77% TO 75%

RESILIENT CONTRIBUTION FROM LIFE ACROSS OPERATING PROFIT AND CAPITAL GENERATION

Net Flows from Open Business ⁱ	Adjusted Operating Profit Before Tax	Operating Capital Generation	Shareholder Solvency II Ratio	Total Dividend per Share
£2.1bn	£378m	£408m	230%	6.7p
H1 2024: £(1.1)bn	H1 2024: £375m	H1 2024: £486m	YE 2024: 223%	H1 2024: 6.6p

Andrea Rossi, Group Chief Executive Officer, said:

"I am pleased with our progress over the first six months of the year. A key highlight is the positive £2.1 billion net flows from open business, a £3.2 billion improvement from the same period last year. This is a strong result underpinned by £2.6 billion net inflows from external clients in Asset Management.

"This growth has been supported by our market leading investment performance and continued international expansion. Today, 58% of our Asset Management third party AUMA comes from International clients, up from 37% five years ago. This cements our position as a leading international active asset manager, with an established footprint in Europe and growing access to attractive Asian markets.

"In May, we also announced a long-term strategic partnership with Dai-ichi Life, becoming their preferred asset manager for Europe. We expect this collaboration to generate at least \$6 billion of new business flows over the next five years, and to further support our international growth ambitions.

"In Asset Management, while growing, we also continue to focus on efficiency, as we reduced the cost-to-income ratio from 77% to 75%. We expect this positive trend to continue, as we further improve our operating leverage through cost discipline and top-line growth.

"We are broadening our product offering in Life, with the planned launch of our With-Profits Bulk Purchase Annuity (BPA) early next year. This solution will be a key competitive advantage in the UK retirement market. PruFund continues to deliver strong investment outcomes and, thanks to the smoothing mechanism, protected its clients from the market volatility in April. This performance has generated increased client demand, improved sales, and has led to positive net inflows since June.

"The balanced and diversified nature of our business model, as well as the momentum across our Asset Management and Life businesses, gives me confidence for the future. We continue to build on our strong foundations to deliver long-term growth for our customers, clients and shareholders, which is high-quality and diversified across products, segments, and markets."

Financial highlights

- Adjusted operating profit of £378 million (30 June 2024: £375 million) improved year-on-year due to underlying positive momentum, despite an £8 million foreign exchange loss in Asset Management.
- Increased Asset Management revenue of £514 million (30 June 2024: £499 million) and stable costs of £388 million, absorbing the impact of inflation and of investment in the business to support growth, led to a cost-to-income ratio of 75%. The resulting £15 million higher core result offset lower performance fees and investment income.
- In Life, adjusted operating profit improved for both PruFund and Traditional With-Profits to £112 million (30 June 2024: £98 million) and £120 million (30 June 2024: £108 million) respectively. This fully offset a lower contribution from shareholder annuities of £113 million (30 June 2024: £132 million) following a decrease in the return on excess assets.
- Profit after tax of £248 million increased meaningfully year-on-year (30 June 2024: £56 million loss). This was primarily driven by a significant improvement in short-term fluctuations in investment returns and mismatches arising on application of IFRS 17.
- Operating capital generation of £408 million (30 June 2024: £486 million) continued to be strong, with the underlying result of £331 million increasing by 11% compared to the same period last year. Operating capital generation excluding new business strain of £443 million is in line with the new 2025-2027 cumulative target of £2.7 billion.

ⁱ Net flows from open business consist of net client flows in Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business.

- Strong operating capital generation led to an improved Shareholder Solvency II coverage ratio of 230% (31 December 2024: 223%) after absorbing the impact of paying the 2024 second interim dividend in May.
- The 2025 first interim dividend of 6.7 pence per share (30 June 2024: 6.6 pence per share) is in line with our progressive dividend policy. The first interim dividend is payable on 17 October 2025.

Operational highlights

- Continued to drive international expansion and broadened the product offering in both Asset Management and Life, to position the Group for long-term sustainable growth that is high-quality and diversified across products, segments, and markets.
- Delivered strong investment performance to clients. As of 30 June 2025, 75% of our mutual funds ranked in the upper two performance quartiles over three years and 71% over five years; in Institutional Asset Management, over 80% of funds by AUMA outperformed their benchmarks on a three and five-year basis.
- Reduced net client outflows in UK Institutional Asset Management to £1.3 billion (30 June 2024 net outflows of £2.4 billion), while continuing to achieve strong and improving net client inflows in International Institutional Asset Management of £3.2 billion (30 June 2024 net inflows of £1.9 billion).
- Improvement in Wholesale Asset Management, with net inflows of £0.7 billion (30 June 2024 flat flows), across both Public Fixed Income and Equity funds, as well as across the UK OEIC and international SICAV range.
- Integrated PruFund on FNZ technology, which will enable access to the £0.7 trillion UK digital platform market, and also completed the whole-of-market launch of our new individual Fixed-Term Annuity product.
- Continued to build Bulk Purchase Annuity (BPA) capabilities, improving our ability to quote on deals and optimise pricing, while progressing the development work to bring to market a With-Profits BPA with a planned launch for early 2026.
- Continued to progress our transformation programme, achieving £213 million of cost savings since launch, almost 95% of the total upgraded cost saving target of £230 million.

Outlook

- M&G is well positioned to navigate the current uncertain economic and geopolitical environment due to its diversified business model, international footprint, compelling products and services, investment capabilities and expertise.
- The progress achieved in the first six months of the year underpins our continued confidence in the delivery of our strategic priorities and financial targets, as we remain focused on delivering great customer, client and shareholder outcomes.
- Our strategic priorities are clear: Maintain our financial strength, build on the progress already achieved in simplifying the business, and deliver profitable growth in the UK and internationally.

Performance highlights ⁱ	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
Adjusted operating profit before tax (£m)	378	375	837
IFRS profit/(loss) after tax (£m)	248	(56)	(347)
Operating change in contractual service margin (CSM) (£m)	65	99	294
Operating capital generation (£m)	408	486	933
Total capital generation (£m)	354	813	1,108
Shareholder Solvency II coverage ratio (%)	230%	210%	223%
Dividend per share (p)	6.7	6.6	20.1
Assets under management and administration (AUMA) (£bn)	354.6	346.1	345.9
Net flows from open business ⁱⁱ (£bn)	2.1	(1.1)	(1.9)

ⁱ Definitions of key performance measures are provided in the Supplementary information section of the Interim Financial Report on page 64.

ⁱⁱ Net flows from open business represent gross inflows less gross outflows and provides useful insight into the growth of the business. Gross inflows are new funds from clients. Gross outflows are money withdrawn by clients during the period. Net flows from open business consist of net client flows in Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business.

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Notes to editors

1. The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting ('IAS 34'), as adopted by the UK, and the Disclosure and Transparency Rules of the Financial Conduct Authority based on the consolidated financial statements of M&G plc.
2. The results include transitional measures, which are presented assuming a recalculation as at the valuation date, using management's estimate of the impact of operating and market conditions. As at 30 June 2025 and 31 December 2024 the recalculation has been performed and the positions are aligned, reflecting changes to the UK prudential regime allowing recalculation of the transitional measures at each reporting date. As at 30 June 2024, the recalculated transitional measures did not align to the approved regulatory position and therefore the estimated Solvency II capital position differed from the position disclosed in the formal regulatory Quantitative Reporting Templates of the same date.
3. Total number of M&G plc shares in issue as at 30 June 2025 was 2,408,265,808.
4. A live webcast of the Half Year 2025 Results presentation and Q&A will be hosted by Andrea Rossi (CEO) and Kathryn McLeland (CFO) on Wednesday 3rd September at 10:00 BST. Register to join at: <https://www.sparklive.lseg.com/MG/events/348d59e8-3db8-42be-a902-ae0135ea5f2d>

Or dial in by phone in the UK: +44 800 524 4258

The Results presentation will be available to download from 07:00 BST on our Results, reports and presentations web page:

<https://www.mandg.com/investors/results-reports-and-presentations>

Dividend to be paid in October 2025

Ex-dividend date	11 September 2025
Record date	12 September 2025
Payment of dividend	17 October 2025

About M&G plc

M&G plc is a leading international savings and investments business, managing money for around 4.5ⁱ million retail clients and more than 900ⁱ institutional clients in 39ⁱ offices worldwide. As at 30 June 2025, we had £354.6 billion of assets under management and administration. With a heritage dating back more than 170 years, M&G plc has a long history of innovation in savings and investments, combining asset management and insurance expertise to offer a wide range of solutions. We serve our retail and savings clients under the M&G and Prudential brands in the UK and Europe, and under the M&G Investments brand for asset management clients globally.

Additional Information

M&G plc, a company incorporated in the United Kingdom, is the ultimate parent company of The Prudential Assurance Company Limited (PAC). PAC is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America or Prudential plc, an international group incorporated in the United Kingdom.

Forward-Looking Statements

This document may contain certain 'forward-looking statements' with respect to M&G plc (M&G) and its affiliates (the Group), its plans, its current goals and expectations relating to future financial condition, performance, results, operating environment, strategy and objectives. Statements that are not historical facts, including statements about M&G's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'could', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks', 'outlook' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections which are current as at the time they are made, and therefore persons reading this announcement are cautioned against placing undue reliance on forward-looking statements. By their nature, forward-looking statements involve inherent assumptions, risk and uncertainty, as they generally relate to future events and circumstances that may not be entirely within M&G's control. A number of factors could cause M&G's actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to: changes in domestic and global political, economic and business conditions; market-related conditions and risk, including fluctuations in interest rates and exchange rates, the potential for a sustained low-interest rate environment, corporate liquidity risk and the future trading value of the shares of M&G; investment portfolio-related risks, such as the performance of financial markets generally; legal, regulatory and policy developments, such as, for example, new government initiatives and regulatory measures, including those addressing climate change and broader sustainability-related issues, and broader development of reporting standards; the impact of competition, economic uncertainty, inflation and deflation; the effect on M&G's business and results from, in particular, mortality and morbidity trends, longevity assumptions, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; the impact of internal projects and other strategic actions, such as transformation programmes, failing to meet their objectives; changes in environmental, social and geopolitical risks and incidents, pandemics and similar events beyond the Group's control; the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change and broader sustainability-related issues effectively; the impact of operational risks, including risk associated with third-party arrangements, reliance on third-party distribution channels and disruption to the availability, confidentiality or integrity of M&G's IT systems (or those of its suppliers); the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which the Group operates; and the impact of legal and regulatory actions, investigations and disputes. These and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Any forward-looking statements contained in this document speak only as of the date on which they are made. M&G expressly disclaims any obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure and Transparency Rules, or other applicable laws and regulations. This report has been prepared for, and only for, the members of M&G, as a body, and no other persons. M&G, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

ⁱ As at 31 December 2024.

Management statement

The first half of 2025 has seen significant global market volatility in reaction to US policy announcements. Our business model to gather assets and invest for the long term has prevailed against this backdrop as AUMA has increased by 3%, with our capital position remaining strong, adjusted operating profit increasing and our IFRS result after tax returning to profit. We have also made good progress across our strategic priorities – particularly in relation to growth in Life and Asset Management both individually and combined through the synergies of the businesses working together. This positions us well to meet evolving client needs and to deliver profitable growth for our shareholders.

Delivering on our strategy

We have continued to progress against our three strategic pillars of financial strength, simplification and growth during the first half of 2025, with a particular focus on international growth in Asset Management alongside the on-going development of our product offering and distribution channels in Life.

Asset Management

In Asset Management we have continued to focus on delivering strong investment performance, to build our presence across international markets and to capitalise on our strength and expertise in both public and private markets. Asset Management had net inflows of £2.6 billion for the six months ended 30 June 2025 (30 June 2024: £0.5 billion net outflows). Institutional Asset Management secured a large international equities mandate win which contributed to a significant improvement in net inflows to £1.9 billion (30 June 2024: £0.5 billion net outflows). Wholesale Asset Management performed well with net inflows of £0.7 billion compared to net £nil flows for the same period in 2024, following strong fund performance with 75% and 71% of Wholesale funds ranked in the upper performance quartiles over three and five years (31 December 2024: 63% and 59%). The growth in our Asset Management net flows is underpinned by our continued diversified international expansion across several markets, with 58% of Asset Management AUMA now coming from International clients.

Consistent with our growth pillar, in May we announced our strategic partnership with Dai-ichi Life Holdings, Inc (Dai-ichi) one of Japan's largest listed life insurers, becoming their preferred asset manager for Europe. In recognition of M&G's compelling investment case and growth potential, Dai-ichi intends (subject to regulatory approvals) to acquire a shareholding of c.15% in M&G plc, creating significant alignment to capture long-term value creation opportunities across an array of strategic initiatives. The partnership will accelerate both our expansion in European private markets and open new potential sources of business flows in Japan and across Asia, as well as the potential to collaborate on life insurance propositions also in Europe and Japan.

Alongside these strategic partnerships, we have continued to enhance our expertise in private assets through the completion of the acquisition of a controlling stake in P Capital Partners (PCP), complementing our established private and structured credit teams and broadening our client offering. Following the success of the Leadenhall development in London in 2024, in April M&G Real Estate, along with its development partners and an investment by the With-Profits Fund, secured the largest single office letting deal (by square footage) in the European Market since Covid restrictions lifted at the state-of-the-art College Square scheme in Dublin.

Our Asset Management cost-to-income ratio improved to 75% for the six months ended 30 June 2025 (30 June 2024: 77%) as we continued to focus on cost discipline, absorbing the impact of inflation and business growth in the period.

Life

In the Life business we celebrated two key milestones in our journey to reposition the segment to drive profitable growth with the successful launch of our new fixed term annuity product, the Prudential Guaranteed Income Plan, powered by the With-Profits Fund, and the integration of PruFund on FNZ technology which will enable access to the digital platform market, creating an exciting new distribution channel for retail customers and advisers. The Prudential Guaranteed Income Plan, launched earlier this year and now available to all advisers, guarantees income for a fixed term between five to 15 years, is a fully digital proposition and is designed to flexibly meet customer needs in retirement. Our expanded proposition range allows advisers to create tailored retirement income solutions for customers leveraging both our smoothed fund range and guaranteed income options.

In relation to Bulk Purchase Annuities (BPAs), we are continuing to strengthen our capabilities including improving our ability to quote on deals and implementing longevity reinsurance for new business. We have written £0.3 billion of new BPA business so far this year, including the most recent deal completed in August, as we maintain pricing discipline and are pleased to have been named joint Run-On Provider of the year at this year's Professional Pensions UK Pensions Awards for our innovative Value Share product launched in 2024.

PruFund remains a core element of our retirement proposition and has continued to perform well over the period. Client sentiment towards PruFund is impacted by both equity market volatility, and interest rate movements which can impact the attractiveness of PruFund compared to cash and low risk guaranteed solutions. In the six months to 30 June 2025 net outflows from PruFund were £0.6 billion (30 June 2024: £0.6 billion net outflows) following the heightened volatility in global financial markets after the announcement of the broad-based tariff measures by the United States. With a recovery in the markets following April's announcement, compounded with PruFund's strong investment outcomes and further interest rate reductions, we have seen a narrowing of outflows in the later part of the period.

Delivering on our strategy (continued)

Our financial strength has allowed us to reaffirm our commitment to UK economic growth, as we became a signatory of the Mansion House Accord, a voluntary agreement to invest at least 10% of defined contribution (DC) default funds in private markets by 2030, with at least 5% of the total allocated to the UK. Reaffirming our commitment to the Mansion House agreements is aligned with our purpose to give everyone real confidence to put their money to work and continues to build on our track record in private markets investment.

We have achieved all this while continuing to improve customer and adviser experiences, recognising that we need to continue to make it easier for people to access our growing range of products.

Delivering for our shareholders

We are pleased with our AUMA growth of 3% to £354.6 billion in a period which saw volatile equity markets. Growth in both Institutional and Wholesale net inflows in the Asset Management business were supported by positive market movements and inorganic growth through acquisition. Overall net client inflows from open business were £2.1 billion (30 June 2024: £1.1 billion outflows) with much improved net inflows from Asset Management, slightly offset by Life net outflows mainly experienced in PruFund during the period.

Adjusted operating profit before tax (AOP) increased to £378 million for the six months ended 30 June 2025 (30 June 2024: £375 million) with the result for Asset Management marginally decreasing to £128 million (30 June 2024: £129 million) and an increase in Life AOP to £344 million (30 June 2024: £340 million). In Asset Management, revenue has increased and we have remained disciplined on cost which has led to an improvement in the cost-to-income ratio to 75%. However this improvement has been offset by a reduction in performance fees and investment income. In Life, an increase in adjusted operating profit for both PruFund and Traditional with profits business following higher opening contractual service margin as a result of yield increases over 2024, was mainly offset by a decrease in the result for shareholder annuities following lower return on excess assets. Over the six months ended 30 June 2025 we have continued to make steady progress on our transformation efforts, and have now delivered cost savings of £213 million against our upgraded target of £230 million by the end of 2025.

The strategic actions taken in the period to grow the business and generate inflows set out above will benefit our target announced in March of adjusted operating profit annual growth of 5% or more on average over the three years 2025-2027.

Operating change in Contractual Service Margin (CSM) reduced to £65 million (30 June 2024: £99 million) primarily due to assumption changes and variances in shareholder annuities. The closing CSM of £6.0 billion (31 December 2024: £6.0 billion) demonstrates a strong store of future value.

Our IFRS result returned to a profit after tax attributable to equity holders of £248 million (30 June 2024: £56 million loss) due to significant reductions in losses on short-term fluctuations in investment returns and mismatches arising on the application of IFRS 17, which was impacted by a significant non-recurring loss in 2024.

Underlying capital generation increased to £331 million (30 June 2024: £297 million) with improved results across all segments. Operating capital generation was £408 million (30 June 2024: £486 million) with the improved underlying capital generation partly offsetting a reduced benefit from management actions in the period. As we announced in our annual report and accounts in March, we are targeting cumulative operating capital generation (excluding new business strain) of £2.7 billion for the three years to 2027 and we are on track with £443 million delivered for the six months to 30 June 2025.

Total capital generation was £354 million (30 June 2024: £813 million) with the the six months to 2024 benefitting from the reversal of an eligible own funds restriction in the period.

The continued strength of our financial position and shareholder Solvency II coverage ratio of 230% (30 June 2024: 210%) allows us to declare an interim ordinary dividend of 6.7 pence per share (30 June 2024: 6.6 pence per share), payable on 17 October 2025. This is in line with our progressive dividend policy announced in March.

Financial Review

AUMA and net client flows

Assets under management and administration (AUMA) grew by £8.7 billion to £354.6 billion (31 December 2024: £345.9 billion) in the six months ended 30 June 2025 following net inflows from open business of £2.1 billion (30 June 2024: £1.1 billion net outflows) and favourable market movements.

Net flows from open business primarily includes flows from Asset Management, PruFund, Shareholder annuities and advice and have increased mainly due to a return to net inflows in Asset Management. In line with our key priorities for our Life business, a further bulk purchase annuity (BPA) transaction contributed £0.2 billion net inflows from open business following its completion in March 2025.

The following table shows an analysis of net client flows by segment:

	Net client flows										AUMA ⁱ		
	Net flows from open business			Net flows other			Total net client flows						
	For the six months ended 30 June		For the year ended 31 December	For the six months ended 30 June		For the year ended 31 December	For the six months ended 30 June		For the year ended 31 December	As at 30 June	As at 31 December		
	2025	2024	2024	2025	2024	2024	2025	2024	2024	2025	2024	2024	
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	
Institutional Asset Management ⁱⁱ	1.9	(0.5)	(0.9)	—	—	—	1.9	(0.5)	(0.9)	102.9	97.8	96.1	
Wholesale Asset Management ⁱⁱ	0.7	—	—	—	—	—	0.7	—	—	65.2	56.1	62.8	
Other Asset Management	—	—	—	—	—	—	—	—	—	0.7	1.0	0.9	
Total Asset Management	2.6	(0.5)	(0.9)	—	—	—	2.6	(0.5)	(0.9)	168.8	154.9	159.8	
With-profits: PruFund	(0.6)	(0.6)	(0.9)	—	—	—	(0.6)	(0.6)	(0.9)	64.7	62.9	64.0	
With-profits: traditional ⁱⁱⁱ	—	—	—	(2.3)	(2.3)	(4.8)	(2.3)	(2.3)	(4.8)	64.8	63.7	61.6	
Shareholder annuities	(0.3)	(0.2)	(0.2)	—	—	—	(0.3)	(0.2)	(0.2)	15.2	15.2	15.1	
Other Life ^{ii, iii}	0.4	0.2	0.1	(2.3)	(1.3)	(2.8)	(1.9)	(1.1)	(2.7)	40.1	48.3	44.4	
Total Life^{iv, v}	(0.5)	(0.6)	(1.0)	(4.6)	(3.6)	(7.6)	(5.1)	(4.2)	(8.6)	184.8	190.1	185.1	
Corporate assets	—	—	—	—	—	—	—	—	—	1.0	1.1	1.0	
Total	2.1	(1.1)	(1.9)	(4.6)	(3.6)	(7.6)	(2.5)	(4.7)	(9.5)	354.6	346.1	345.9	

i £18.4 billion (£17.1 billion as at 30 June 2024, £18.0 billion as at 31 December 2024) of total AUMA relates to assets under advice.

ii £5.7 billion AUMA at 31 December 2024 relates to M&G Direct, transferred from Life to Asset Management and £2.1 billion Group Investment Linked Plan business transferred from Asset Management to Life. Both transfers took effect from 31 December 2024.

iii £2.8 billion AUMA previously in Other life is presented in With-profits: traditional from 1 January 2025 better reflecting the nature of the business.

iv £155.6 billion of AUMA of Life is managed internally by the Group's Asset Management business (£158.7 billion as at 30 June 2024, £156.1 billion as at 31 December 2024).

v Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 30 June 2024 are presented on the new segment basis. PruFund includes both UK and non-UK.

Asset Management

Asset Management AUMA of £168.8 billion (31 December 2024: £159.8 billion) has grown in the first half of 2025, with net inflows of £2.6 billion (30 June 2024: £0.5 billion net outflows) and positive market and other movements of £6.4 billion (30 June 2024: £1.2 billion).

Institutional Asset Management net client inflows have grown to £1.9 billion (30 June 2024: £0.5 billion outflows). International inflows were £3.2 billion (30 June 2024: £1.9 billion) as a large mandate win of £2.2 billion in the Netherlands alongside improved flows in our structured credit channel helped drive increased inflows, partly offset by redemptions in South Africa and Australia. Net client inflows in International were partly offset by continued outflows in the UK, though these have reduced to £1.3 billion (30 June 2024: £2.4 billion outflows) as defined benefit corporate pension schemes' de-risking strategies continue to have an impact, though we have seen success in winning fixed income and structured credit mandates.

Institutional AUMA increased £6.8 billion to £102.9 billion as at 30 June 2025 (31 December 2024: £96.1 billion), with £2.7 billion of the AUMA increase being due to the acquisition of P Capital Partners (PCP). Institutional AUMA also benefited from market movements of £2.2 billion, with major equity and bond markets improving.

AUMA and net client flows (continued)

Asset Management (continued)

Our expertise in private markets, which offers private fixed income, alternatives, real estate and infrastructure equity offerings, remains a key component of our Institutional investment capability, and represents a resilient, high-margin source of revenues. Our private assets under management increased to £76.7 billion of AUMA as at 30 June 2025 (31 December 2024: £74.1 billion) due to the acquisition of PCP.

In Wholesale Asset Management, net inflows increased to £0.7 billion (30 June 2024: net nil flows) following strong fund performance, with improvements seen over three and five years performance, aligning to our business model to invest for the long-term to deliver attractive outcomes to our customers and clients. 50%, 75% and 71% of our Wholesale funds ranked in the upper performance quartiles over one, three and five years as of 30 June 2025 (31 December 2024: 53%, 63%, and 59% over one, three and five years).

Wholesale AUMA increased £2.4 billion to £65.2 billion as at 30 June 2025 (31 December 2024: £62.8 billion), benefitting from market and other movements of £1.7 billion, for similar reasons to Institutional.

Life

Net client outflows from open business, which primarily comprises PruFund, shareholder annuities and advice, reduced slightly to £0.5 billion for the six months ended 30 June 2025 (30 June 2024: £0.6 billion).

PruFund, our insurance-based smoothing solution offering a blend of public and private investments to clients, had net client outflows of £0.6 billion (30 June 2024: £0.6 billion net client outflows). PruFund experienced increased outflows in April at the time of heightened market volatility following the announcement of broad-based tariff measures by the United States. PruFund net outflows narrowed from May and in the month of June returning to a net client inflow position following a recovery in the markets, strong investment performance and interest rate falls in the first half of 2025 which can increase the attractiveness of multi-asset investment solutions.

Shareholder annuities net client outflows of £0.3 billion (30 June 2024: £0.2 billion) include the gross client inflows of £0.2 billion from new BPA business so far this year, offset by consistent outflows from annuities in payment of £0.5 billion (30 June 2024: £0.5 billion). Other life net client inflows from open business of £0.4 billion (30 June 2024: £0.2 billion) includes stable inflows from advice of £0.4 billion.

Total net client flows from the Life business were £5.1 billion outflows (30 June 2024: £4.2 billion). Expected net outflows for our traditional with-profits business of £2.3 billion (30 June 2024: £2.3 billion), increased outflows from our adviser platform business, following our strategic repositioning announced in 2024 and expected run-off from our other small closed books of business add to the net client outflows from open business.

Total Life AUMA reduced by £0.3 billion to £184.8 billion (31 December 2024: £185.1 billion) with the net client outflows being largely offset by positive market and other movements of £4.8 billion (30 June 2024: £6.3 billion) driven by improving equity and bond markets.

Earnings

Adjusted operating profit before tax

Adjusted operating profit before tax has increased by £3 million to £378 million benefitting from a £4 million increase in Life offsetting a marginal decrease in Asset Management.

The following table shows an analysis of adjusted operating profit before tax by segment:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Asset Management	128	129	289
Revenue ⁱ	514	499	1,008
Costs	(388)	(388)	(774)
Performance fees	7	13	35
Investment income and minority interest	(5)	5	20
Lifeⁱⁱ	344	340	746
With-profits: PruFund	112	98	226
With-profits: traditional	120	108	222
Shareholder annuities	113	132	308
Other Life	(1)	2	(10)
Corporate Centreⁱⁱ	(94)	(94)	(198)
Adjusted operating profit before tax	378	375	837

i £154 million of revenue is in respect of assets managed on behalf of Life (six months ended 30 June 2024: £160 million, year ended 31 December 2024: £324 million).

ii Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for 30 June 2024 for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

Asset Management

Asset Management revenue increased to £514 million (30 June 2024: £499 million) while operating costs remained at £388 million. A continued focus on cost discipline has allowed us to offset the impact of inflation on the operating costs and also reinvest to support growth. The benefits of our continued focus on delivering growth are reflected in the increased revenue which includes the income earned by BauMont following our acquisition in October 2024. Together, this leads to a continuing improvement in the cost-to-income ratio for the Asset Management business, reducing it to 75% (31 December 2024: 76%).

Revenue earned by Institutional Asset Management was £300 million (30 June 2024: £294 million), including BauMont revenue, and in Wholesale Asset Management, revenue increased to £214 million (30 June 2024: £205 million). The increases reflect fees earned on higher average AUMA, in particular equities funds which have seen inflows.

The average revenue margin for Asset Management remained at 32 bps for the six months ended 30 June 2025 (31 December 2024: 32 bps). Average revenue margins in the Institutional Asset Management business remained at 38 bps, while Wholesale Asset Management revenue margins reduced marginally to 55 bps from 56 bps mainly due to the concentration of new flows in lower margin funds.

Asset Management adjusted operating profit before tax reduced marginally to £128 million for the six months ended 30 June 2025 (30 June 2024: £129 million) as reductions in performance fees and investment income offset the increase in revenue. Investment income fell £10 million to £3 million reflecting foreign exchange revaluation losses as USD weakened against GBP. Investment income relates to returns on seed investments, units held to hedge management incentive schemes, interest income on cash balances and any foreign exchange revaluation impacts. Performance fees includes carried interest which reduced due to timing of events that crystallise the recognition of the income.

Earnings (continued)

Adjusted operating profit before tax (continued)

Life

Adjusted operating profit before tax from our Life business was £344 million for the six months ended 30 June 2025 and increased by £4 million compared to 30 June 2024 with improved contribution from with-profits business due to an increase in Contractual Service Margin (CSM) release. This was partly offset by lower expected return on excess assets and negative experience variances in shareholder annuities.

With-profits: PruFund

The table below shows a further analysis of the adjusted operating profit before tax from PruFund:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
CSM release to adjusted operating profit	110	103	221
Expected return on excess assets ⁱ	5	9	18
Other	(3)	(14)	(13)
PruFund adjusted operating profit before tax	112	98	226

The CSM for PruFund is primarily based on the expected value of future shareholder transfers. The CSM at the start of 2025 is higher than the start of 2024, following the increase in yields over 2024. There has also been an increase in CSM amortisation rate to 11.1% (2024: 10.9%), reflecting a small change in the run-off profile of the PruFund business. These two factors result in an increase in the amount of CSM released to adjusted operating profit to £110 million (30 June 2024: £103 million).

ⁱ Excess assets net of financial liabilities.

The expected return on excess assets decreased by £4 million to £5 million (30 June 2024: £9 million). The expected rate of return is set at the start of the reporting period and a fall in 1-year risk-free rates over 2024 contributed to a lower expected rate of return in 2025 of 6.2% compared to 6.8% in 2024. The opening value of excess assets in the With-Profits Fund has also fallen following an increase in longer term yield curves over 2024 which has resulted in lower surplus assets being allocated to PruFund. This combined with the lower expected rate of return has driven the decrease in expected return on excess assets.

The reduction in other losses of £11 million to £3 million (30 June 2024: £14 million) is primarily due to a reduction in expected expense overrun on writing new PruFund business.

With-profits: traditional

The table below shows a further analysis of the adjusted operating profit before tax from traditional with-profits business:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
CSM release to adjusted operating profit	107	90	198
Expected return on excess assets	15	18	36
Other	(2)	—	(12)
Traditional adjusted operating profit before tax	120	108	222

As outlined above for PruFund, the CSM for traditional with-profits at the start of 2025 is higher than at the start of 2024 and similarly there has also been an increase in CSM amortisation rate to 13.1% (2024: 12.8%). The amortisation rate of the traditional with-profits business is greater than PruFund as this business is more mature and is running off faster. The higher opening position is the main contributor to the increase in the amount of CSM release to adjusted operating profit to £107 million (30 June 2024: £90 million).

The expected return on the shareholders' share of excess assets in traditional-with profits decreased by £3 million to £15 million (30 June 2024: £18 million) for the same reasons described above for PruFund.

Earnings (continued)

Adjusted operating profit before tax (continued)

Life (continued)

Shareholder annuities

The table below shows a further analysis of the adjusted operating profit before tax from shareholder annuities:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Expected return on excess assets	61	74	147
CSM release	55	48	113
Risk adjustment unwind	10	9	21
Asset trading and portfolio management actions	6	3	—
Experience variances	(19)	(2)	2
Other provisions and reserves	—	—	25
Shareholder annuities adjusted operating profit before tax	113	132	308

Shareholder annuities adjusted operating profit before tax has decreased by £19 million to £113 million (30 June 2024: £132 million). The recurring source of earnings from the annuity book are primarily the returns on excess assets over and above the IFRS 17 insurance liabilities based on long-term expected investment returns and the release of the CSM.

The expected return on excess assets has decreased by £13 million to £61 million as a result of a reduction in the expected rate of return and in the value of the excess assets. The expected rate of return is set at the start of the reporting period and reduced from 5.6% for 2024 to 5.2% for 2025, driven by a reduction in the 1-year risk-free rate. The rise in longer-term risk-free rates has driven the reduction in excess assets.

The release of the CSM to adjusted operating profit for shareholder annuities was £55 million in the six months ended 30 June 2025 compared to £48 million for the six months ended 30 June 2024. The main driver of the increase is due to a higher opening CSM following longevity assumption changes made in the second half of 2024. The CSM released represents 7.8% of the 2025 CSM before amortisation (2024: 7.6%).

Experience variances in the period include a £8 million payment in relation to a legacy contract and higher than expected expenses.

Other provisions and reserves of £25 million in the year ended 31 December 2024 related to a change in persistency assumptions to reflect experience on the lifetime mortgages book. For the six months ended 30 June 2025 there had been no further change in persistency assumptions.

The credit quality of fixed income assets in the annuity portfolio remains strong in the first half of 2025. 99% of the debt securities held by the shareholder annuity portfolio are investment grade and 74% are A or above. In addition, 82% of the shareholder annuity portfolio is held in debt securities categorised as either Risk Free or Secured (including cash). The downgrade experience (defined as movements in notching across all credit ratings and, otherwise, letter downgrades) in the first six months of 2025 has been relatively light, with less than 4% of bonds in the shareholder annuity portfolio subject to a downgrade.

Other Life

The decrease in Other Life of £3 million to £1 million loss (30 June 2024: £2 million profit) is primarily due to higher interest income in 2024.

Corporate centre

The loss in Corporate Centre remained at £94 million for the six months ended 30 June 2025 (30 June 2024: £94 million) as a reduction in finance costs on subordinated debt, following repurchase and redemption of the subordinated notes in June and July 2024, was offset by a reduction in interest income and profit from our treasury operations. Underlying Head Office expenses were broadly flat on the six months ended 30 June 2024.

Operating change in Contractual Service Margin (CSM)

Operating change in CSM decreased to £65 million in the six months ended 30 June 2025 (30 June 2024: £99 million). Assumption changes and variances are the main contributor to the reduction offset partly by increased new business contribution.

The following table shows a breakdown of the operating change in CSM:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 ⁱ £m	2024 £m
With-profits: PruFund	97	74	99
With-profits: traditional	17	46	23
Shareholder annuities	(49)	(24)	172
Other	—	3	—
Operating change in CSM	65	99	294

ⁱ Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for 30 June 2024 are presented on the new segment basis. PruFund UK and non-UK business were previously presented separately in 'Wealth' and 'Life' operating segments, respectively.

Earnings (continued)

Operating change in Contractual Service Margin (CSM) (continued)

With-profits: PruFund

The following table provides an analysis of the key drivers of the operating change in the CSM for PruFund:

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Expected real-world return	155	159	320
Release of CSM to adjusted operating profit	(110)	(103)	(221)
New business	45	34	71
Assumption changes and variances	7	(16)	(71)
With-profits: PruFund operating change in CSM	97	74	99

The expected real-world return on the CSM for PruFund business more than offsets the release of the CSM to adjusted operating profit, resulting in a net contribution to operating change in CSM of £45 million (30 June 2024: £56 million). The expected rate of return is determined at the start of the year and is applied to the Variable Fee¹. The expected rate of return decreased to 7.8% for 2025 (2024: 8.2%), driven by a reduction in the 1-year risk-free rate while the opening Variable Fee increased reflecting a rise in the longer-term yield curve in 2024, and this resulted in the expected real-world return being broadly stable.

PruFund new business contribution to the CSM increased to £45 million (30 June 2024: £34 million). The rise, relative to the six months ended 30 June 2024, is due to an increase in the projected future shareholder transfers driven by an increase in longer-term risk-free rates over 2024, with gross inflows into PruFund consistent with prior period.

Assumption changes and variances of £7 million (30 June 2024: £16 million loss) mainly relate to benefits from model improvements. 2024 included a loss from persistency experience compared to our long term assumptions.

With-profits: traditional

The following table provides an analysis of the key drivers of the operating change in the CSM for traditional with-profits:

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Expected real-world return	135	137	272
Release of CSM to adjusted operating profit	(107)	(90)	(198)
New business ⁱ	2	—	—
Assumption changes and variances	(13)	(1)	(51)
With-profits: traditional operating change in CSM	17	46	23

The expected real-world return more than offsets the release of the CSM to adjusted operating profit, resulting in a net contribution to operating CSM of £28 million (30 June 2024: £47 million). Similar to PruFund, the expected rate of return decreased to 7.8% for 2025 (2024: 8.2%), while the opening Variable Fee increased resulting in the expected real-world return being broadly stable at £135 million (30 June 2024: £137 million).

The loss from assumption changes and variances of £13 million (30 June 2024: £1 million) is primarily a result of improvements in prospective with-profits modelling for future bonus rates.

i Consists of increments on legacy business.

Shareholder annuities

The following table provides an analysis of the key drivers of the operating change in the CSM for shareholder annuities:

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Interest accreted on the CSM	17	16	37
Release of CSM to adjusted operating profit	(55)	(48)	(113)
New business	7	6	17
Assumption changes and variances	(18)	2	231
Shareholder annuities operating change in CSM	(49)	(24)	172

Interest accreted on the CSM is calculated based on the opening CSM including new business, assumption changes and variances. The interest rate is based on the forward curve 'locked in' at IFRS 17 transition date (1 January 2022) and has slightly reduced to 2.1% (2024: 2.3%) due to a small decrease in the five-year point on the curve. The impact of this reduction mostly offsets the slight increase in interest accreted following longevity assumption changes made in the second half of 2024 and results in a £1 million increase in interest accreted on the CSM.

The contribution from new business to the operating change in CSM includes the bulk annuity transactions completed and other top-ups on existing business in each year.

The loss from assumption changes and variances is £18 million (30 June 2024: £2 million gain) due to the impact of increased expense provisions which are partly offset by favourable longevity experience.

¹ The Variable Fee is the amount of the Group's share of the fair value of the underlying items less fulfillment cash flows that do not vary based on the returns on underlying items. Further information is provided in Note 1.5 Accounting policies of the 2024 Annual Report & Accounts.

Earnings (continued)

IFRS result after tax

The following table shows a reconciliation of adjusted operating profit before tax to IFRS result:

	For the six months ended 30 June		For the year ended
	2025	2024	31 December
	£m	£m	2024
			£m
Adjusted operating profit before tax	378	375	837
Short-term fluctuations in investment returns	(12)	(284)	(643)
Mismatches arising on application of IFRS 17	2	(119)	(333)
Amortisation and impairment of intangible assets acquired in business combinations	(11)	(19)	(115)
Profit on disposal of business and corporate transactions	5	11	11
Restructuring costs and other ⁱ	(37)	(29)	(106)
IFRS profit/(loss) before tax and non-controlling interests attributable to equity holders	325	(65)	(349)
IFRS profit attributable to non-controlling interests	8	8	17
IFRS profit/(loss) before tax attributable to equity holders	333	(57)	(332)
Tax (charge)/credit attributable to equity holders	(85)	1	(15)
IFRS profit/(loss) after tax attributable to equity holders	248	(56)	(347)

i Restructuring and other costs excluded from adjusted operating profit relate to transformation costs allocated to the shareholder. These differ to restructuring costs included in the analysis of administrative and other expenses in Note 6 which include costs allocated to the With-Profits Fund.

The IFRS result after tax attributable to equity holders for the six months ended 30 June 2025 is a profit of £248 million (30 June 2024: £56 million loss). Adjusted operating profit before tax has been marginally offset by losses on non-operating items.

Losses from short-term fluctuations in investment return significantly reduced in the six months to 30 June 2025 to £12 million (30 June 2024: £284 million). These losses primarily comprise £50 million (30 June 2024: £101 million) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rises in equity values in each period. There were also losses of £23 million (30 June 2024: £151 million) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates, driven by rises in longer-term risk-free rates in the six months ended 30 June 2025 which were lower than those experienced over 2024. The losses were largely offset by £37 million of foreign exchange gains (30 June 2024: £4 million losses) on USD denominated subordinated loan notes due to weakening of the currency against GBP over the six months ended 30 June 2025.

Mismatches on the application of IFRS 17 primarily relates to a mismatch which occurs in relation to non-profits business in the With-Profits Fund reduced to almost nil in the six months to 30 June 2025 (30 June 2024: £114 million loss). The mismatch increased in the six months to 30 June 2024 due to a revised fair value calibration of the business in the With-Profits Fund to allow for the UK reforms to Solvency II.

Amortisation and impairment of intangible assets arising on business combinations was £11 million (30 June 2024: £19 million). The six months to 30 June 2024 included an impairment of £12 million in relation to the M&G Wealth Platform business with no further impairment in 2025.

In the six months ended 30 June 2025, restructuring costs and other of £37 million (30 June 2024: £29 million) includes £11 million (30 June 2024: £10 million) in relation to actions taken to reduce our cost base, £8 million (30 June 2024: £8 million) of investment spend in building out capacity in our Asset Management business and £6 million (30 June 2024: £5 million) on transformation within the finance function.

The equity holders' tax charge for the six months ended 30 June 2025 is £85 million (30 June 2024: £1 million credit) representing an effective tax rate of 25.5% (30 June 2024: 1.8%). Excluding non-recurring items, the equity holders' effective tax rate is 26.1% (30 June 2024: 10.5%). This rate diverges from the anticipated tax benefit at the UK statutory effective rate of 25.0% (2024: 25.0%), mainly due to the adverse effects of non-deductible expenses and differences in the taxation of the life insurance business.

Capital and liquidity

Capital generation

Operating capital generation of £408 million (30 June 2024: £486 million), although reduced compared to the same period in 2024, continues to be strong with improved underlying capital generation of £331 million (30 June 2024: £297 million). Total capital generation was £354 million for the six months ended 30 June 2025 (30 June 2024: £813 million) with the six months to 30 June 2024 benefitting from the reversal of an eligible own funds restriction in the period.

The following table shows an analysis of total capital generation:

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Asset Management	136	118	261
Life ⁱ	289	283	616
Corporate Centre ⁱ	(94)	(104)	(233)
Underlying capital generation	331	297	644
Other operating capital generation	77	189	289
Operating capital generation	408	486	933
Market movements	(35)	27	(59)
Restructuring and other	(61)	(21)	(135)
Tax	42	105	153
Eligible own funds restriction	—	216	216
Total capital generation	354	813	1,108

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for 30 June 2024 for Life and Corporate Centre have been restated to reflect the revised segments and the adjustment of some advice-related costs.

Underlying capital generation

Underlying capital generation increased in the six months ended 30 June 2025 to £331 million (30 June 2024: £297 million) with improved results across all segments.

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Asset Management	136	118	261
Lifeⁱ	289	283	616
With-profits: PruFund	115	96	239
– In-force	126	134	264
– New business	(11)	(38)	(25)
With-profits: traditional	80	94	190
Shareholder annuities	99	96	197
Other life	(5)	(3)	(10)
Corporate Centreⁱ	(94)	(104)	(233)
Underlying capital generation	331	297	644

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre for 30 June 2024 have been restated to reflect the revised segments and the adjustment of some advice-related costs.

In Asset Management, underlying capital generation increased to £136 million (30 June 2024: £118 million) benefitting from higher revenue and a capital release in the six months ended 30 June 2025, mainly from reduced market risk.

Underlying capital generation from PruFund increased to £115 million (30 June 2024: £96 million). In-force business generated £126 million (30 June 2024: £134 million) reflecting the impact of reductions in the expected real-world return on the present value of shareholder transfers from 8.2% pa in 2024 to 7.8% pa in 2025 following a fall in 1-year risk-free rates over 2024. New business strain from the PruFund business has decreased to £11 million (30 June 2024: £38 million) mainly due to a reduction in new business expense overrun, with gross inflows consistent with prior period.

Traditional with-profits business generated underlying capital of £80 million, a decrease on the prior period (30 June 2024: £94 million). The decrease in underlying capital generation is driven by the impact of reductions in the expected real-world return on the present value of shareholder transfers, as noted for PruFund.

The contribution to underlying capital generation from shareholder annuities, was broadly in line with the same period last year at £99 million (30 June 2024: £96 million). The capital strain of writing new bulk purchase annuities reduced by £21 million to £13 million in 2025 (30 June 2024: £34 million) mostly offset by a reduction in the expected return due to lower surplus assets in the annuity portfolio and a lower expected rate of return.

Corporate Centre negative contribution has improved including the impact of a reduction in the debt coupon payments following the subordinated debt deleveraging actions announced in June 2024 and a release of capital held by our Treasury function in respect of market risk.

Capital and liquidity (continued)

Capital generation (continued)

Operating capital generation

Operating capital generation decreased to £408 million in the six months ended 30 June 2025 (30 June 2024: £486 million). An increase in underlying capital generation is more than offset by a reduction in other operating capital generation.

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Underlying capital generation	331	297	644
Model improvements	(6)	—	160
Assumption changes	(30)	—	163
Management actions and other (incl. experience variances)	113	189	(34)
Other operating capital generation	77	189	289
Operating capital generation	408	486	933

Other operating capital generation has decreased to £77 million (2024: £189 million) with benefits from management actions partly offset by losses from model improvements, experience variations and assumption changes.

Assumption changes of £(30) million (30 June 2024: £nil) reflect an increase in relation to investment management expense assumptions which reduces own funds.

Management actions and other largely reflect a £140 million benefit from increasing the level of equity hedging on the with-profits business, in line with increased equity exposure, and a £41 million beneficial impact following new longevity reinsurance on certain bulk purchase annuity business. This is partly offset by unfavourable non-market experience variances of £52 million (30 June 2024: £12 million) mainly in relation to expenses. Additionally, in the six month period to 30 June 2024 there was a £62 million benefit from distribution of excess surplus from the with-profits inherited estate.

Total capital generation

Total capital generation was £354 million for the six months ended 30 June 2025 (30 June 2024: £813 million).

Market movements over the six months to 30 June 2025 have resulted in a negative impact of £35 million (30 June 2024: £27 million gain). The main driver of market movements is a loss of £94 million (30 June 2024: £104 million gain) arising from a fall in the present value of shareholder transfers less equity hedges, due to the actual return achieved on the With-Profits Fund over the six months to 30 June 2025 being lower than the expected real-world return. Additionally there has been a loss on interest rate swaps, designed to protect the Solvency II capital position in a falling interest rate environment, of £23 million (30 June 2024: £151 million). These losses are partly offset by the movement in Solvency Capital Requirements and risk margin net of TMTP attributable to market movements which is a benefit of £64 million compared to £96 million in the six months ended 30 June 2024 driven by the lower than expected actual return on the With-Profits Fund.

There are limits, prescribed by the regulator, on the amount of different types of own funds that can be used to demonstrate solvency. While the capital remains available to the Group, where the sum of capital classed as Tier 2 and Tier 3 exceeds 50% of the regulatory Group Solvency Capital Requirement (SCR), own funds must be restricted by this amount to determine eligible own funds. In the six months to 30 June 2024 a pre-existing restriction of £216 million was released following the subordinated debt deleveraging actions announced in June 2024. There is no eligible own funds restriction at 30 June 2025 and 31 December 2024.

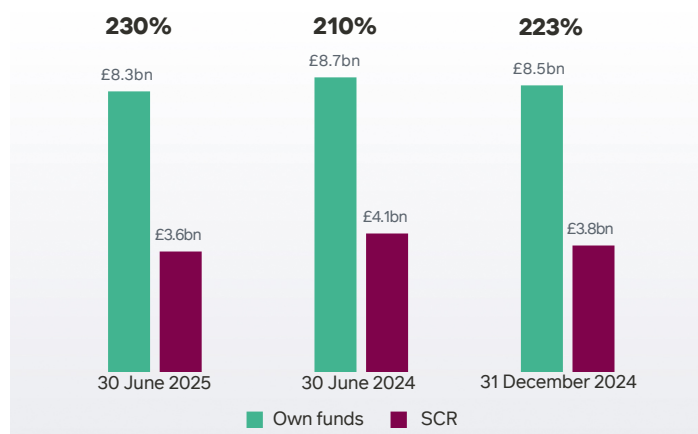
Restructuring costs and other movements loss of £61 million (30 June 2024: £21 million) have increased as the six months ended 30 June 2024 benefitted from the implementation of the Solvency UK reforms which resulted in a £53 million capital reduction. Restructuring costs have also increased by £8 million, as set out in the IFRS result after tax section.

Capital generation with respect to tax has reduced to £42 million over the six months to 30 June 2025 (30 June 2024: £105 million). Benefits from current tax credits of £29 million (30 June 2024: £8 million) and the loss absorbing capacity of deferred tax of £28 million (30 June 2024: £53 million) were partly offset by a reduction in net deferred tax assets of £15 million (30 June 2024: £23 million increase).

Capital and liquidity (continued)

Capital position

Shareholder Solvency II surplus and ratio



The Group's shareholder Solvency II coverage ratio increased to 230% (31 December 2024: 223%). Shareholder Solvency II surplus remained at £4.7 billion as at 30 June 2025 (31 December 2024: £4.7 billion), with a reduction in the SCR offsetting a decrease in eligible own funds. Eligible own funds includes Present Value of future Shareholder Transfers (PVST) of £4.2 billion (30 June 2024: £4.3 billion). The stable surplus reflects the total capital generation of £354 million offset by negative capital movements. These were mainly the payment of dividends to shareholders and the impact of a £89 million capital movement in relation to intangible assets acquired in the P Capital Partners acquisition. The reduction in SCR is largely driven by an increased level of equity hedging.

Our With-Profits Fund continues to have a substantial Solvency II surplus and a coverage ratio of 303% (31 December 2024: 284%). The increase in surplus and ratio reflects expected surplus from in-force business and positive market movements.

The regulatory Solvency II coverage ratio of the Group as at 30 June 2025 is 170% (31 December 2024: 168%). This view of solvency combines the shareholder position and the With-Profits Fund, but excludes all surplus within the With-Profits Fund.

Leverage Ratio

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Nominal value of subordinated debt ⁱ	2,754	2,784	2,788
Shareholder Solvency II own funds ⁱ	8,265	8,714	8,525
Leverage ratio	33%	32%	33%

The leverage ratio is defined as the nominal value of the debt as a percentage of the shareholder view of M&G plc's Solvency II available own funds, which excludes any eligible own funds restriction noted in the capital section above. Our leverage ratio has remained at 33% (31 December 2024: 33%).

ⁱ The £300m of subordinated debt redeemed on 20 July 2024 has been excluded from both the Nominal value and the own funds for 30 June 2024.

Capital and liquidity (continued)

Liquidity

The following table shows the movement in cash and liquid assets held by the Group's holding companies during the period:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Opening cash and liquid assets at the beginning of the period	730	977	977
Cash remittances from subsidiaries	432	541	909
Corporate costs	(70)	(59)	(121)
Interest paid on core structural borrowings	(83)	(98)	(188)
Debt repurchase and redemption ⁱ	—	(150)	(450)
Cash dividends paid to equity holders	(321)	(311)	(468)
Shares purchased by employee benefits trust	(15)	—	(4)
Acquisition of and capital injections into subsidiaries	(1)	(62)	(22)
Interest income ⁱⁱ	15	21	36
Other	28	32	61
Closing cash and liquid assets at the end of the periodⁱⁱⁱ	715	891	730

The cash and liquid assets held by the Group's holding companies of £715 million at 30 June 2025 has reduced only marginally since the start of the year. Cash remittances from subsidiaries reflect the underlying strength of their capital position and are £432 million in the six months to 30 June 2025 (30 June 2024: £541 million). The slightly higher remittances in 2024 facilitated, in part, the payment of the repurchase and redemption of £450 million of subordinated notes in June and July 2024. The impact of the lower subordinated debt also results in a reduction in interest paid on these structural borrowings to £83 million (30 June 2024: £98 million) while the reduced cash balances attracted lower interest income of £15 million (30 June 2024: £21 million).

Cash dividends paid to equity holders increased to £321 million (30 June 2024: £311 million) following the announcement of our progressive dividend policy and the higher dividend per share declared in March 2025.

Other movements in cash and liquid assets held by the holding companies represent the payments that arise in the normal course of business, including Group tax relief of £18 million (30 June 2024: £29 million).

i On 19 June 2024 the Group completed a repurchase of £161 million of 5.56% sterling fixed rate subordinated notes for a consideration of £150 million. On 20 July 2024, the Group redeemed, at par, all £300m 3.875% sterling fixed rate subordinated loan notes. See Note 13 for further information.

ii Closing cash and liquid assets at 30 June 2025 included a £660 million (£859 million as at 30 June 2024, £705 million as at 31 December 2024) intercompany loan asset with Prudential Capital plc, which acts as the Group's treasury function. Interest income is in relation to these loans.

Risk management statement

Overview of risk profile

The principal risks we are currently facing and to which we will continue to be exposed remain broadly unchanged from those detailed in the 2024 Annual Report and Accounts, which are: business environment and market forces; sustainability and ESG; financial (investment, credit, market, corporate liquidity and insurance); operational (including resilience, third party suppliers and technology); change; people; regulatory; reputational; and conduct risks.

The following is highlighted as notable in relation to our principal risks:

- The nature of financial crime threats is evolving, and there are continuing rigorous regulatory expectations. A dedicated Financial Crime programme, established in 2024, progresses with activities to strengthen, mature, and optimise our financial crime framework, processes and controls, as well as implement an enhanced target operating model.
- Positive progress on the risk and control environment continues across M&G plc in building on the risk and control foundations previously put in place. Management attention and implementation work is focused on embedding the Risk Management Framework, including driving further consistency in group-wide Key Control Assessments across the business.
- The investment and economic landscape remains challenging as a result of geopolitical and economic instability in many parts of the world. Recent global events have introduced a new level of macro-economic risk, which makes saving for the future more challenging. The drivers include market volatility; risk of economic downturns; and factors including monetary policy and geopolitics. Geopolitical risk remains elevated with the conflicts in the Middle East and Ukraine, risk of US tariffs impacting global economic growth, and ongoing tensions between China and the US. Within the UK market, there are ongoing fiscal and legislative risks, including potential changes in legislation resulting from the Government's stated intent to pursue leasehold reform.
- With respect to technology and artificial intelligence (AI), there are a range of emerging risks driven by the fast pace of technological advancement, including AI-enhanced malicious cyber-attacks, AI-assisted disinformation, and the opportunity costs of failing to optimise new technology to drive better outcomes for our clients and operational efficiency.
- The quantum of regulatory change and our business growth in new markets and products will impact our regulatory footprint. We remain focused on adapting to meet the expectations of our regulators, including on Consumer Duty and operational resilience.

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a true and fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The maintenance and integrity of the M&G plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the condensed consolidated interim financial statements since they were initially presented on the website.

The Directors of M&G plc are listed in the M&G plc annual report for 31 December 2024.

A list of current Directors is maintained on the M&G plc website: www.mandg.com.

By order of the board:

Andrea Rossi
Group Chief Executive Officer
2 September 2025

Kathryn McLeland
Chief Financial Officer
2 September 2025

Independent review report to M&G plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed M&G plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim financial report of M&G plc for the six month period ended 30 June 2025 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2025;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim financial report of M&G plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim financial report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim financial report, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim financial report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

2 September 2025

Condensed consolidated income statement (unaudited)

		For the six months ended 30 June		For the year ended 31 December
		2025	2024	2024
	Note	£m	£m	£m
Insurance revenue	4	1,986	1,978	4,095
Insurance service expenses		(1,451)	(1,425)	(2,971)
Net expenses from reinsurance contracts held		(21)	(15)	(28)
Insurance service result		514	538	1,096
Interest revenue from financial assets not measured at fair value through profit or loss (FVTPL)		291	340	683
Interest revenue from financial assets measured at FVTPL		1,517	1,272	2,666
Net change in investment contract liabilities without discretionary participation features (DPF)		(226)	(224)	(461)
Net credit impairment losses		—	(11)	(15)
Other investment return ⁱ		3,715	3,097	5,813
Investment return		5,297	4,474	8,686
Finance expenses from insurance contracts issued		(4,184)	(4,196)	(8,426)
Finance expenses from reinsurance contracts held		(25)	(50)	(10)
Net insurance finance expenses		(4,209)	(4,246)	(8,436)
Net insurance and investment result		1,602	766	1,346
Fee income	5	527	508	1,029
Other income		31	25	70
Administrative and other expenses	6	(1,394)	(1,147)	(2,566)
Finance costs	6	(68)	(50)	(121)
Movements in third party interest in consolidated funds		(148)	96	363
Share of profit from joint ventures and associates		9	11	24
Profit before taxⁱⁱ		559	209	145
Tax charge attributable to policyholders' returns	7	(226)	(266)	(477)
Profit/(loss) before tax attributable to equity holders		333	(57)	(332)
Total tax charge		(311)	(265)	(492)
Less tax charge attributable to policyholders' returns	7	226	266	477
Tax (charge)/credit attributable to equity holders	7	(85)	1	(15)
Profit/(loss) for the period		248	(56)	(347)
Profit/(loss) for the period:				
Attributable to equity holders of M&G plc		243	(62)	(360)
Attributable to non-controlling interests		5	6	13
Total profit/(loss) for the period		248	(56)	(347)
Earnings per share:				
Basic (pence per share)	8	10.1	(2.6)	(15.1)
Diluted (pence per share)	8	10.0	(2.6)	(15.1)

i Other investment return consists of dividend income of £1,031m (30 June 2024: £1,133m, 31 December 2024: £1,923m), net gains on financial assets measured at FVTPL of £2,115m (30 June 2024: £1,586m, 31 December 2024: £3,336m), rental income from investment properties of £454m (30 June 2024: £461m, 31 December 2024: £947m), net gains on investment properties of £452m (30 June 2024: £54m net losses, 31 December 2024: £340m net losses) and foreign exchange losses of £337m (30 June 2024: £29m, 31 December 2024: £53m).

ii Profit before tax comprises the pre-tax result attributable to equity holders and an amount equal and opposite to the tax charge attributable to policyholder returns. This is the formal measure of profit or loss before tax under IFRS, but it is not the result attributable to equity holders. This is principally because the corporate taxes of the Group include taxes borne by policyholders. These amounts are required to be included in the tax charge of the company under IFRS. The tax charge attributable to policyholder returns is removed from the Group's total profit/(loss) before tax in arriving at the Group's profit/(loss) before tax attributable to equity holders. As the net of tax profit attributable to policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge attributable to policyholders included in the total tax charge.

Condensed consolidated statement of comprehensive income (unaudited)

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Profit/(loss) for the period	248	(56)	(347)
Items that may be reclassified subsequently to profit or loss:			
Exchange movements arising on foreign operations ⁱ	2	(10)	(16)
Other comprehensive income/(loss) on items that may be reclassified subsequently to profit or loss	2	(10)	(16)
Items that will not be reclassified to profit or loss:			
Gain on remeasurement of defined benefit pension scheme	6	30	52
Tax on remeasurement of defined benefit pension scheme	(1)	(8)	(13)
Other comprehensive income on items that will not be reclassified to profit or loss	5	22	39
Other comprehensive income for the period, net of related tax	7	12	23
Total comprehensive income/(loss) for the period	255	(44)	(324)
Attributable to equity holders of M&G plc	251	(50)	(336)
Attributable to non-controlling interests	4	6	12
Total comprehensive income/(loss) for the period	255	(44)	(324)

i Of the exchange movements arising on foreign operations, £3m gain is attributable to equity holders of M&G plc (six months ended 30 June 2024: £10m loss, year ended 31 December 2024: £15m loss) and £1m loss is attributable to non-controlling interests (six months ended 30 June 2024: £nil, year ended 31 December 2024: £1m loss).

Condensed consolidated statement of financial position (unaudited)

		As at 30 June 2025	As at 31 December 2024
	Note	£m	£m
Assets			
Goodwill and intangible assets		1,754	1,714
Deferred acquisition costs		21	19
Defined benefit pension asset	10	44	45
Investment in joint ventures and associates accounted for using the equity method		270	284
Property, plant and equipment		1,495	1,654
Investment property		14,239	14,385
Deferred tax assets	7	449	487
Insurance contract assets	11	45	39
Reinsurance contract assets	11	1,020	1,043
Equity securities and pooled investment funds		66,167	64,890
Loans		4,474	4,135
Debt securities		64,492	69,775
Derivative assets		1,673	1,085
Deposits		18,202	15,794
Current tax assets		71	65
Accrued investment income and other debtors		3,082	2,506
Assets held for sale ⁱ		1,301	1,466
Cash and cash equivalents		5,283	4,838
Total assets		184,082	184,224
Equity			
Share capital		120	120
Share premium reserve		385	383
Shares held by employee benefit trusts		(16)	(9)
Treasury shares		(6)	(6)
Retained earnings		14,389	14,435
Other reserves		(11,643)	(11,642)
Equity attributable to equity holders of M&G plc		3,229	3,281
Non-controlling interests		40	42
Total equity		3,269	3,323
Liabilities			
Insurance contract liabilities	11	140,867	141,264
Reinsurance contract liabilities	11	295	280
Investment contract liabilities without discretionary participation features (DPF)	12	10,947	12,144
Third party interest in consolidated funds		9,343	9,484
Subordinated liabilities and other borrowings	13	6,352	6,486
Defined benefit pension liability	10	251	258
Deferred tax liabilities	7	710	705
Lease liabilities		404	425
Current tax liabilities		141	81
Derivative liabilities		2,622	3,202
Other financial liabilities		1,365	1,018
Provisions		99	114
Accruals, deferred income and other liabilities		6,220	4,367
Liabilities held for sale ⁱ		1,197	1,073
Total liabilities		180,813	180,901
Total equity and liabilities		184,082	184,224

i Assets held for sale as at 30 June 2025 includes £26m (31 December 2024: £92m) of seed capital classified as held for sale as it is expected to be divested within 12 months and £447m of investment property (31 December 2024: £468m). Additionally £793m (31 December 2024: £906m) of assets held for sale and £1,178m (31 December 2024: £1,073m) of liabilities held for sale are in relation to the Group's consolidated infrastructure capital private equity vehicles. Other assets held for sale total £35m (31 December 2024: £nil) and other liabilities held for sale total £19m (31 December 2024: £nil).

Condensed consolidated statement of changes in equity (unaudited)

	Share capital £m	Share premium £m	Shares held by employee benefit trusts £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non-controlling interests £m	Total equity £m
As at 1 January 2025	120	383	(9)	(6)	14,435	(11,642)	3,281	42	3,323
Profit for the period	—	—	—	—	243	—	243	5	248
Other comprehensive income for the period	—	—	—	—	5	3	8	(1)	7
Total comprehensive income for the period	—	—	—	—	248	3	251	4	255
Non-controlling interests arising through business combinations	—	—	—	—	—	—	—	5	5
Dividends paid to equity holders of M&G plc	—	—	—	—	(321)	—	(321)	—	(321)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(11)	(11)
Proceeds from shares issued to settle employee share option schemes	—	2	—	—	—	—	2	—	2
Shares distributed by employee trusts or from treasury shares	—	—	8	—	(8)	—	—	—	—
Vested employee share-based payments	—	—	—	—	32	(32)	—	—	—
Expense recognised in respect of share-based payments	—	—	—	—	—	25	25	—	25
Shares issued to, acquired by or transferred to employee trusts	—	—	(15)	—	—	—	(15)	—	(15)
Tax effect of items recognised directly in equity	—	—	—	—	3	3	6	—	6
Net increase/(decrease) in equity	—	2	(7)	—	(46)	(1)	(52)	(2)	(54)
As at 30 June 2025	120	385	(16)	(6)	14,389	(11,643)	3,229	40	3,269

	Share capital £m	Share premium £m	Shares held by employee benefit trusts £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non-controlling interests £m	Total equity £m
As at 1 January 2024	119	379	(26)	(21)	15,223	(11,633)	4,041	43	4,084
Loss for the period	—	—	—	—	(62)	—	(62)	6	(56)
Other comprehensive income for the period	—	—	—	—	22	(10)	12	—	12
Total comprehensive loss for the period	—	—	—	—	(40)	(10)	(50)	6	(44)
Dividends paid to equity holders of M&G plc	—	—	—	—	(311)	—	(311)	—	(311)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(11)	(11)
Proceeds from shares issued to settle employee share option schemes	—	2	—	—	—	—	2	—	2
Shares distributed by employee trusts or from treasury shares	—	—	30	—	(30)	—	—	—	—
Vested employee share-based payments	—	—	—	—	30	(30)	—	—	—
Expense recognised in respect of share-based payments	—	—	—	—	—	21	21	—	21
Shares issued to, acquired by or transferred to employee trusts	—	—	(16)	16	—	—	—	—	—
Tax effect of items recognised directly in equity	—	—	—	—	1	(3)	(2)	—	(2)
Net increase/(decrease) in equity	—	2	14	16	(350)	(22)	(340)	(5)	(345)
As at 30 June 2024	119	381	(12)	(5)	14,873	(11,655)	3,701	38	3,739

Condensed consolidated statement of changes in equity (unaudited) (continued)

	Share capital £m	Share premium £m	Shares held by employee benefit trusts £m	Treasury shares £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of M&G plc £m	Non- controlling interests £m	Total equity £m
As at 1 January 2024	119	379	(26)	(21)	15,223	(11,633)	4,041	43	4,084
Loss for the year	—	—	—	—	(360)	—	(360)	13	(347)
Other comprehensive income for the year	—	—	—	—	39	(15)	24	(1)	23
Total comprehensive loss for the year	—	—	—	—	(321)	(15)	(336)	12	(324)
Dividends paid to equity holders of M&G plc	—	—	—	—	(468)	—	(468)	—	(468)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(13)	(13)
Proceeds from shares issued to settle employee share option schemes	—	4	—	—	—	—	4	—	4
Shares distributed by employee trusts or from treasury shares	—	—	37	—	(37)	—	—	—	—
Vested employee share-based payments	—	—	—	—	33	(33)	—	—	—
Expense recognised in respect of share-based payments	—	—	—	—	—	40	40	—	40
Shares issued to, acquired by or transferred to employee trusts	1	—	(20)	15	—	—	(4)	—	(4)
Tax effect of items recognised directly in equity	—	—	—	—	5	(1)	4	—	4
Net increase/(decrease) in equity	1	4	17	15	(788)	(9)	(760)	(1)	(761)
As at 31 December 2024	120	383	(9)	(6)	14,435	(11,642)	3,281	42	3,323

Condensed consolidated statement of cash flows (unaudited)

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	Restated ⁱ 2024 £m	2024 £m
Cash flows from operating activities:			
Profit before tax	559	209	145
Non-cash and other movements in operating assets and liabilities included in profit before tax:			
Investments	(1,082)	348	4,167
Other non-investment and non-cash assets	(392)	(144)	837
Insurance and reinsurance contract liabilities	(401)	(464)	(930)
Investment contract liabilities	(1,189)	149	(370)
Other liabilities (including operational borrowings)	3,000	348	(3,041)
Interest income and expense and dividend income included in profit before tax	(2,559)	(2,425)	(4,773)
Other non-cash items	589	(152)	286
Operating cash items:			
Interest receipts	1,845	1,554	3,312
Interest payments	(158)	(168)	(359)
Dividend receipts	949	1,065	1,917
Tax paid ⁱⁱ	(198)	(224)	(514)
Net cash flows from operating activitiesⁱⁱⁱ	963	96	677
Cash flows from investing activities:			
Purchases of property, plant and equipment	(75)	(151)	(289)
Proceeds from disposal of property, plant and equipment	—	2	21
Net cash paid on acquisition of subsidiaries, joint ventures and associates ^{iv}	(33)	(9)	(31)
Divestment in subsidiaries by consolidated private equity vehicles ^v	112	300	451
Acquisition of additional interest in subsidiary	(13)	—	—
Net cash flows from investing activities	(9)	142	152
Cash flows from financing activities:			
Interest paid	(83)	(98)	(188)
Lease capital repayments	(25)	(12)	(28)
Repurchase of subordinated debt	—	(150)	(450)
Proceeds from shares issued	2	2	5
Dividends paid to equity holders of M&G plc	(321)	(311)	(468)
Dividends paid to non-controlling interests	(11)	(11)	(13)
Net cash flows from financing activities	(438)	(580)	(1,142)
Net increase/(decrease) in cash and cash equivalents	516	(342)	(313)
Cash and cash equivalents at 1 January	4,838	5,148	5,148
Effect of exchange rate changes on cash and cash equivalents	(71)	(1)	3
Cash and cash equivalents at end of period	5,283	4,805	4,838

i Following a review of the Group's presentation of cash and borrowings in certain consolidated investment funds, comparative amounts have been restated from those previously reported. The restatement has had no impact on the condensed consolidated income statement or profit for the six months ended 30 June 2024 or total equity attributable to shareholders as at 30 June 2024. See Note 1.1 for further information.

ii Tax paid for the six months ended 30 June 2025 includes £91m (30 June 2024: £138m, year ended 31 December 2024: £299m) paid on profit taxable at policyholder rather than shareholder rates.

iii Cash flows in respect of other borrowings of the With-Profits Fund, which principally relate to consolidated investment funds, are included within cash flows from operating activities.

iv Net cash paid on acquisition of subsidiaries, joint ventures and associates consists of £50m (30 June 2024: £12m, year ended 31 December 2024: £25m) of cash paid, net of £17m (30 June 2024: £3m, year ended 31 December 2024: £4m) cash acquired. Refer to Note 2.2 for further information on shareholder acquisitions made in the period. In the year ended 31 December 2024, £14m of cash paid related to the acquisition of subsidiaries, joint ventures and associates held by the With-Profit Fund, net of £4m cash acquired. No such amounts were paid or acquired in the six months to 30 June 2025 and the six months to 30 June 2024.

v Divestment in subsidiaries by consolidated private equity vehicles represents the amount received or paid in relation to the sale or purchase of underlying investee companies held by the Group's consolidated private equity vehicles. As at 30 June 2025, £112m (30 June 2024: £300m, year ended 31 December 2024: £451m) relates to divestment in these vehicles.

1 Basis of preparation and material accounting policies

1.1 Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2025 comprise the condensed consolidated financial statements of M&G plc ('the Company') and its subsidiaries (together referred to as 'the Group'). The condensed consolidated financial statements are unaudited but have been reviewed by our auditors, PricewaterhouseCoopers LLP.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting (IAS 34), as adopted by the United Kingdom, and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The accounting policies and the key sources of estimation uncertainty applied in the condensed consolidated financial statements are consistent with those that applied in the annual 2024 consolidated financial statements, except for the new standards, interpretations and amendments that became effective in the current period, as stated in Note 1.2 below.

The condensed consolidated financial statements are stated in million pounds sterling, the Group's presentation currency.

The condensed consolidated financial statements do not include all the information and disclosures required in the Group's annual consolidated financial statements and do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's 2024 Annual Report and Accounts for the year ended 31 December 2024 was delivered to the Registrar of Companies. The report of the auditors PricewaterhouseCoopers LLP on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Restatement of prior period information

The comparative condensed consolidated statement of financial position as at 30 June 2024 has been restated following a presentational change in cash and borrowings in certain consolidated investment funds which were disclosed incorrectly in the prior period. Negative cash balances in these funds were disclosed as overdraft positions, however it has been determined that this was notional in nature and should have been offset with positive cash balances in the same funds.

The restatement has had no impact on the condensed consolidated income statement or profit for the six months ended 30 June 2024 or total equity attributable to shareholders as at 30 June 2024.

The impact of the restatement on the condensed consolidated statement of financial position is set out in the table below:

	As at 30 June 2024 as previously reported £m	Adjustments £m	As at 30 June 2024 restated £m
Condensed consolidated statement of financial position:			
Assets:			
Cash and cash equivalents	5,400	(595)	4,805
Other	183,283	—	183,283
Total assets	188,683	(595)	188,088
Liabilities:			
Subordinated liabilities and other borrowings	8,094	(595)	7,499
Other	176,850	—	176,850
Total liabilities	184,944	(595)	184,349

In the condensed consolidated statement of cash flows, Cash and cash equivalents at 1 January 2024 has been reduced by £442m (see also Note 1.1 in the Group's 2024 Annual Report and Accounts for the year ended 31 December 2024) and at 30 June 2024 by £595m. The movement in other liabilities, net cash flows from operating activities and net increase/(decrease) in cash and cash equivalents have been adjusted by £153m.

Going concern

The Directors have reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the condensed consolidated financial statements.

To satisfy themselves of the appropriateness of the use of the going concern assumption in relation to the condensed consolidated financial statements, the Directors have considered the liquidity projections of the Group, including the impact of applying specific liquidity stresses. The Directors also considered the ability of the Group to access external funding sources and the management actions that could be used to manage liquidity.

In addition, the Directors also gave particular attention to the solvency projections of the Group under a base scenario and its sensitivity to various individual economic stresses and tested the resilience of the balance sheet to adverse scenarios using reverse stress testing.

1 Basis of preparation and material accounting policies (continued)

1.1 Basis of preparation (continued)

Going concern (continued)

The impact of the following individual stresses on solvency were considered as part of the assessment:

- 20% fall in equity prices;
- 20% fall in property prices;
- (50bps) parallel shift in nominal yields;
- 20% of the credit portfolio downgrading by one full letter; and
- +100bps spread widening (A-rated assets).

The results of the assessment demonstrated the ability of the Group to meet all obligations, including payments to shareholders and debt holders, and future business requirements for the foreseeable future. In addition, the assessment demonstrated that the Group was able to remain above its regulatory solvency requirements in a stressed scenario.

For this reason, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Presentation of risk and capital management disclosures

We have provided additional disclosures relating to the nature and extent of certain financial risks and capital management in the Supplementary Information section of this report.

1.2 New accounting pronouncements

The Group has adopted the following amendment which became effective from 1 January 2025:

- Lack of exchangeability (Amendments to IAS 21), issued in August 2023.

The above amendment does not have a material effect on these condensed consolidated financial statements.

In addition, the following standards have been issued which are effective for periods beginning on or after 1 January 2027 (subject to endorsement by the UK Endorsement Board):

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) – Issued in April 2024 and effective from 1 January 2027

IFRS 18 will replace IAS 1 Presentation in Financial Statements and introduces new requirements around:

- Categories and subtotals to be used in the statement of profit or loss;
- Specific disclosures for management-defined performance measures (MPMs); and
- Location, aggregation and disaggregation of financial information.

IFRS 18 will require an entity to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. Entities will also be required to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

IFRS 18 introduces the concept of MPMs which are metrics defined from the statement of profit or loss and are used to communicate management's views on financial performance externally. In the context of the Group, this would apply to our adjusted operating profit metric. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires further disclosures on how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18.

IFRS 18 also provides guidance on the location of information in the primary financial statements and the notes. It also requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics.

The adoption of the standard will have a significant impact on how the Group's income statement is presented and may potentially impact disclosures on our alternative performance measures. The Group is currently assessing the impact of adopting this standard.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19) – Issued in May 2024 and effective from 1 January 2027

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. This standard does not have any impact on these condensed consolidated financial statements.

Other amendments

Furthermore, the following amendments have been issued and are not yet effective:

- Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7), issued in May 2024 and effective from 1 January 2026; and
- Annual improvements to IFRS accounting standards— Volume 11, issued in July 2024 and effective from 1 January 2026.

These amendments are not expected to have a material impact on the Group.

2 Group structure and products

2.1 Group composition

An extract of the Group structure that gives an overview of the composition of the Group can be found in the notes to the Group's 2024 consolidated financial statements. M&G plc is the holding company of the Group.

2.2 Corporate transactions

BauMont Real Estate Capital Limited acquisition

On 29 October 2024, M&G Real Estate Limited (MGRE), a wholly owned subsidiary of the Group, acquired 65% of the entire issued share capital of BauMont Real Estate Capital Limited (BauMont), for a purchase consideration of £13m.

BauMont is now part of the Group's Asset Management segment, bolstering M&G's value-add capability, enabling us to drive growth through the expansion of our real estate client proposition, beyond core, residential and debt strategies. BauMont is based in Paris and London, and manages €1.5 billion of assets in European value-add real estate.

The Group retains call options over the remaining 35% holding where the exercise price has a fixed and variable element based on fair value at the exercise date. The Group has accounted for the transaction on the basis it controls 100% of BauMont from the date of acquisition of the initial 65% stake on 29 October 2024. A liability of £7m (31 December 2024: £7m) has been recognised in respect of the Group's obligation under the call option arrangement.

As at the acquisition date the consideration and net assets acquired and resulting Goodwill and intangible assets were as follows:

	£m
Total consideration	20
Net assets acquired:	
Accrued investment income and other debtors	3
Cash and cash equivalents	1
Total assets	4
Accruals, deferred income and other liabilities	(4)
Total liabilities	(4)
Intangible assets and related deferred tax liability arising on acquisition:	
Investment management agreements and co-investment contracts	8
Segregated client mandates	1
Deferred tax liability	(2)
Goodwill	13

The goodwill of £13m represents revenue synergies with BauMont expected to benefit from M&G's broader client network and investor related functions.

Intangible assets identified relate to BauMont's existing investment management agreements and co-investment contracts and existing segregated client mandates, recognised at fair values of £8m and £1m respectively. The valuations were based on the multi-period excess earnings method and the key assumptions used in measuring the fair value were the revenue projections, related profit margins and the discount rate.

The revenue and profit before tax included in the condensed consolidated income statement in respect of BauMont were £4m and £1m respectively.

P Capital Partners acquisition

On 3 June 2025, M&G FA Limited (MGFA), a wholly owned subsidiary of the Group, acquired 70% of the issued 'A' share capital of P Capital Partners (PCP), for a purchase consideration of £90m. The acquired shareholding gives MGFA 68% of voting equity interest in PCP.

PCP is now part of the Group's Asset Management segment, underpinning our strategic growth plans by broadening our client offering in the private and structured credit sector. PCP operates as an Alternative Investment Fund Manager, regulated in Sweden. The company offers private debt predominantly to non-sponsored and founder-led borrowers in northern Europe.

The purchase consideration includes £50m of cash consideration paid at the completion date and deferred consideration of £40m, payable in three tranches. On the first anniversary of the acquisition £26m will be paid, unconditionally. On or after the second anniversary of the acquisition, £10m contingent on a revenue hurdle being achieved, will be paid. Finally, a third deferred consideration estimated to be £4m is payable in relation to providing the PCP founder-sellers a share of benefit anticipated from the utilisation of tax losses built up prior to the acquisition date. The deferred consideration is recognised as a financial liability on the condensed consolidated statement of financial position.

The full purchase price allocation has yet to be finalised and will be disclosed in the consolidated financial statements for the year ended 31 December 2025. The proportionate goodwill method has been used to account for the transaction and therefore only a proportionate share in the recognised amounts of the net assets acquired are attributable to the non-controlling interest. Net assets acquired of £6m, as recognised on the acquiree's statement of financial position, are provisionally recognised. An amount of £89m is presented as goodwill within Goodwill and intangible assets on the condensed consolidated statement of financial position, in relation to the acquisition of PCP.

2 Group structure and products (continued)

2.2 Corporate transactions (continued)

The revenue and profit before tax included in the condensed consolidated income statement in respect of PCP were £1m and £nil respectively.

2.3 Insurance and investment products

A full description of the main contract types written by the Group's insurance entities can be found in the notes to the Group's 2024 consolidated financial statements.

3 Segmental analysis

The Group's operating segments are defined and presented in accordance with IFRS 8: Operating Segments on the basis of the Group's management reporting structure and its financial management information. The Group's primary reporting format is by product type. The Chief Operating Decision Maker for the Group is the Group Executive Committee.

The Group's operating segments were revised during 2024 to reflect a change in management structure. Our previous operating segments, 'Life' and 'Wealth' were replaced with one new operating segment: 'Life'. Comparatives for the six months ended 30 June 2024 are re-presented on the new segment basis.

3.1 Operating segments

The Group's operating segments are:

Asset Management

The Group's investment management capability is offered to both wholesale and institutional clients. The Group's wholesale clients invest through either UK domiciled OEICs or Luxembourg domiciled SICAVs and have access to a broad range of actively managed investment products, including Equities, Fixed Income and Multi-Asset. The Group serves these clients through its many business-to-business relationships both in the UK and overseas, which include independent financial advisers, high-street banks and wealth managers. The Group's institutional investors, include pension funds, insurance companies and banks from around the world, who invest through segregated mandates and pooled funds into a diverse range of Equities, Fixed Income and Real Estate investment products and services.

The Asset Management segment generates revenues by charging fees which are typically based on the level of assets under management. The Asset Management segment also earns investment management revenues from the management of a significant proportion of Life assets.

Life

The Life business operates in the savings and pensions market and includes corporate risk solutions, individual life and pensions, international solutions and advice.

Corporate risk solutions consists of our bulk purchase annuity (BPA) business along with workplace pensions. During 2023, the Life business re-entered the BPA market and transacted with certain schemes to secure the annuity benefits of immediate and deferred annuity members. This activity continues and included the completion of the Group's first Value Share BPA deal in November 2024.

Individual products include annuity contracts: level annuities, which provide a fixed annuity payment; fixed increase annuities, which incorporate a periodic automatic fixed increase in annuity payments; and inflation-linked annuities, which incorporate a periodic increase based on a defined inflation index. Some inflation-linked annuities have minimum and/or maximum increases relative to the corresponding inflation index. The life products are primarily whole of life assurance, endowment assurances, term assurance contracts, equity release mortgages, income protection, and critical illness products. Investment products include unit-linked contracts and the Prudential bond offering, which mainly consists of single-premium-invested whole of life policies, where the client has the option of taking ad hoc withdrawals, regular income or the option of fully surrendering their bond.

All of the Group's products that give access to the PruFund investment proposition are included in Life. The PruFund investment proposition gives customers access to savings contracts with smoothed investment returns and a wide choice of investment profiles. Unlike the conventional and accumulating with-profits contracts, no regular or final bonuses are declared. Instead, policyholders participate in profits by means of an increase in their investment, which grows in line with an expected growth rate.

International solutions include our savings businesses based in Ireland and Poland (Prudential International Assurance plc). The Group's products which give non-UK clients access to the PruFund investment proposition are also included.

Advice provides access to a range of retirement, savings and investment management solutions to its clients. These products are distributed to clients through intermediaries and advisers, and include the Retirement Account (a combined individual pension and income drawdown product), individual pensions, ISAs, collective investments, protection plans and a range of on-shore and off-shore bonds.

Some of the Group's products written through conventional and accumulating with-profits contracts, in the PAC with-profits sub-funds, provide returns to policyholders through 'regular' and 'final' bonuses that reflect a smoothed investment return.

Corporate Centre

Corporate Centre includes central corporate costs and debt costs.

3 Segmental analysis (continued)

3.2 Adjusted operating profit before tax methodology

Adjusted operating profit before tax is one of the Group's non-GAAP alternative performance measures, which complements IFRS GAAP measures and is key to decision-making and the internal performance management of operating segments.

Details of the methodology are presented below and should be read in conjunction with the accounting policies in the Annual Report and Accounts:

Fee based business

For the Group's fee based business written by Asset Management and Life segments, adjusted operating profit before tax includes fees received from clients and operating costs for the business including overheads, expenses required to meet regulatory requirements and regular business development/restructuring and other costs. Costs associated with fundamental Group-wide restructuring and transformation are not included in adjusted operating profit before tax.

Business written in the With-Profits Fund

For the Group's business written in the With-Profits Fund in the Life segment, adjusted operating profit before tax includes the release of the risk adjustment and the expected release of the CSM for the period. The expected CSM release for the period is calculated as the CSM at the start of the period, updated to reflect long-term expected investment returns including the CSM generated on expected new business over the period, multiplied by the expected amortisation factor for the period.

- The long-term expected investment returns are calculated on the assumption of real-world investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets held to back the asset shares. In the calculation of the expected CSM release for with-profits business, the long-term expected investment returns for 2025 are 7.8% pa (2024: 8.2% pa).
- The expected amortisation factor for the period reflects the expected pattern of release of the CSM for the with-profits business over the life of the contracts. The expected amortisation factor varies for PruFund and Traditional business due to differing maturity profiles; for PruFund the factor used for 2025 is 11.1% pa (2024: 10.9% pa) and for Traditional is 13.1% (2024: 12.8% pa).

Adjusted operating profit before tax for the Group's business written in the With-Profits Fund also includes the expected investment return for the shareholder's share of the IFRS value of the excess assets in the Fund. For 2025, the expected return is 6.2% pa (2024: 6.8% pa).

Adjusted operating profit for the Life segment does not include the impact of any margins on investment management fee earned by other Group entities. These are recognised in the Asset Management segment as they emerge.

The application of IFRS 17 to non-profit contracts in the With-Profits Fund results in a mismatch due to the difference between their value under the IFRS 17 General Measurement Model (GMM) accounting for these contracts (primarily annuities) and how these contracts are treated in determining their fair value when assessing current and future with-profits contracts under the Variable Fee Approach (VFA). Although the impact of this mismatch balances over the life of the current and future with-profit contracts as the CSM under the VFA is set up and released, results for the period do not reflect the long-term economics of the transaction. Therefore, the impact of the mismatch has been excluded from adjusted operating profit before tax.

Shareholder annuity business

For the Group's shareholder annuity products written by the Life segment, adjusted operating profit before tax includes the release of the CSM and the risk adjustment for the period. Adjusted operating profit before tax also includes the returns on surplus assets in excess of IFRS 17 liabilities based on long-term expected investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets. For 2025, the long-term expected investment returns for shareholder annuities are 5.2% pa (2024: 5.6% pa). The net effect of changes to the valuation rate of interest due to asset trading and portfolio rebalancing, and experience variances are also included in adjusted operating profit before tax.

The results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC in 2023 are included in adjusted operating profit before tax as this generates economic value for the Group.

Adjusted operating profit before tax for shareholder annuities excludes the impact of the mismatch resulting from the measurement of fulfilment cash flows using current interest rates and any changes to CSM being measured using locked-in rates.

For Value Share BPAs, the adjusted operating profit before tax reflects the net results of the underlying BPA and the reinsurance arrangement after removing the impact of any mismatches that arise on the accounting for these transactions as stated below. The resulting impact mainly represents the contribution of the intermediary fee earned on this arrangement.

3 Segmental analysis (continued)

3.2 Adjusted operating profit before tax methodology (continued)

Corporate Centre

For the Corporate Centre adjusted operating profit before tax is the expense incurred to run the head office and the actual investment return on treasury activities and debt costs.

Key adjusting items between IFRS profit before tax and adjusted operating profit before tax

Certain adjustments that are considered to be non-recurring or strategic, or due to short-term movements not reflective of longer-term performance are made to IFRS profit or loss before tax to determine adjusted operating profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, mismatches arising on the application of IFRS 17, impairment and amortisation in respect of acquired intangibles, costs associated with fundamental Group-wide restructuring and transformation, profit or loss arising on business and corporate transactions and profit or loss before tax from any discontinued operations.

Short-term fluctuations in investment returns

The adjustment for short-term fluctuations in investment returns represents:

- Difference between actual CSM release for the period and expected CSM release for the period for with-profit contracts. For non-profit business in the With-Profits Fund it is the CSM release for the period;
- Movements in the fair value of instruments held to manage equity risk in the future with-profits shareholder transfer and to mitigate interest rate risk for the optimisation of the Group's capital position on a Solvency II basis;
- Difference between actual and long-term expected investment return on surplus assets backing the shareholder annuity capital and shareholders' share of excess assets in the With-Profits Fund measured on an IFRS basis;
- Foreign exchange movements on the US dollar subordinated debt held in the Corporate Centre;
- Fair value movements on strategic investments;
- Impact of short-term credit risk provisioning and experience variances on the measurement of best estimate liabilities, specifically:
 - The impact of credit risk provisioning for short-term adverse credit risk experience;
 - The impact of credit risk provisioning for actual upgrade and downgrade experience during the year. This is calculated by reference to current interest rates;
 - Credit experience variance relative to long-term assumptions, reflecting the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring; and
 - The impact of market movements on bond portfolio weightings and the subsequent impact on credit provisions.
- The elimination on consolidation of the results of the intercompany buy-in transaction executed between the trustees of M&GGPS and PAC in 2023.

Mismatches arising on the application of IFRS 17

The application of IFRS 17 results in the following mismatches in valuation basis being recognised in total profit/loss before tax. For the purposes of calculating adjusted operating profit before tax the impact of these mismatches has been excluded.

- Difference between the value under IFRS 17 GMM for non-profit contracts (primarily annuities) written in the With-Profits Fund and how these contracts are treated in determining their fair value when assessing current and future with-profits contracts under the VFA;
- Mismatch resulting from measurement of fulfilment cash flows for shareholder non-profit business (primarily annuities) using current interest rates while related changes to the CSM are measured using locked-in rates; and
- Mismatches resulting from measurement differences arising on the accounting for Value Share BPAs related to the definition of the insurance service for the annuity contracts compared to the reinsurance contract and the discount rate used for each type of contract.

Amortisation and impairment of intangible assets acquired in business combinations

Amortisation and impairment of intangible assets (including goodwill) acquired in business combinations are excluded from adjusted operating profit before tax.

Profit/(loss) on disposal of businesses and corporate transactions

Certain additional items are excluded from adjusted operating profit before tax where those items are considered to be non-recurring or strategic, or considered to be one-off, due to their size or nature, and therefore not indicative of the long-term operating performance of the Group, including profits or losses arising on corporate transactions (including any liabilities that arise from matters that arose prior to any acquisition by the Group) and profits or losses on discontinued operations.

Restructuring costs and other

Restructuring costs and other primarily reflect the shareholder allocation of costs associated with the transformation of our business. These costs represent fundamental Group-wide restructuring and transformation and are therefore excluded from adjusted operating profit before tax.

3 Segmental analysis (continued)

3.3 Analysis of Group adjusted operating profit before tax by segment

	For the six months ended 30 June		For the year ended 31 December
	2025	2024 ⁱ	2024
	£m	£m	£m
Asset Management	128	129	289
Life	344	340	746
Corporate Centre	(94)	(94)	(198)
Total segmented adjusted operating profit before tax	378	375	837
Short term fluctuations in investment returns ⁱⁱ	(12)	(284)	(643)
Mismatches arising on application of IFRS 17 ⁱⁱⁱ	2	(119)	(333)
Amortisation and impairment of intangible assets acquired in business combinations	(11)	(19)	(115)
Profit on disposal of business and corporate transactions	5	11	11
Restructuring costs and other ^{iv}	(37)	(29)	(106)
IFRS profit/(loss) before tax and non-controlling interests attributable to equity holders	325	(65)	(349)
IFRS profit attributable to non-controlling interests ^v	8	8	17
IFRS profit/(loss) before tax attributable to equity holders^{vi}	333	(57)	(332)

- i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for the six months ended 30 June 2024 are presented on new segment basis.
- ii Losses from short-term fluctuations in investment return significantly reduced in the six months to 30 June 2025. These losses primarily comprise £50m (30 June 2024: £101m, 31 December 2024: £98m) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rises in equity values in each period. There were also losses of £23m (30 June 2024: £151m, 31 December 2024: £227m) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates, driven by rises in longer-term risk free rates in the six months ended 30 June 2025 which were lower than those experienced over 2024. The losses were largely offset by £37m of foreign exchange gains (30 June 2024: £4m losses, 31 December 2024: £8m losses) on USD denominated subordinated loan notes due to weakening of the currency against GBP over the six months ended 30 June 2025.
- iii Mismatches arising on application of IFRS 17 primarily relates to a mismatch which occurs in relation to non-profits business in With-Profits Fund reduced to almost nil in the six months to 30 June 2025 (30 June 2024: £114m loss, 31 December 2024: £239m loss). The mismatch increased in the six months ended 30 June 2024 due to a revised fair value calibration of the business in the With-Profits Fund to allow for the UK reforms to Solvency II and further in the year ended 31 December 2024 following longevity assumption changes.
- iv Restructuring costs and other excluded from adjusted operating profit includes costs that relate to the transformation of our business which are allocated to the shareholder. These differ to Restructuring costs presented in the analysis of administrative and other expenses in Note 6 which include costs allocated to the With-Profits Fund. In the six months to 30 June 2025, restructuring costs and other of £37m (30 June 2024: £29m, 31 December 2024: £106m) includes £11m (30 June 2024: £10m, 31 December 2024: £44m) in relation to actions taken to reduce our cost base, £8m (30 June 2024: £8m, 31 December 2024: £21m) of investment spend in building out capacity in our Asset Management business and £6m (30 June 2024: £5m, 31 December 2024: £17m) on transformation within the finance function.
- v Excludes non-controlling interests in relation to amortisation of intangible assets acquired in business combinations which is presented net within amortisation and impairment of intangible assets acquired in business combinations.
- vi The tax charge attributable to equity holders of £85m (30 June 2024: £1m credit, 31 December 2024: £15m charge) results in an IFRS profit for the period of £248m (30 June 2024: £56m loss, 31 December 2024: £347m loss) as presented in condensed consolidated income statement.

3.4 Analysis of Group revenue by segment

The following table shows revenue by segment for the Group:

	For the six months ended 30 June		For the year ended 31 December
	2025	Restated ^{i, ii} 2024	Restated ⁱⁱ 2024
	£m	£m	£m
Life	1,986	1,978	4,095
Total insurance revenue	1,986	1,978	4,095
Asset Management ⁱⁱⁱ	442	429	864
Life	85	79	165
Total fee income	527	508	1,029
Total	2,513	2,486	5,124

- i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for the six months ended 30 June 2024 are presented on new segment basis.
- ii Following a review of the presentation of Group revenue by segment, comparative amounts for the six months ended 30 June 2024 and the year ended 31 December 2024 have been restated from those previously reported. Interest revenue is no longer included, and fee income is presented on a consolidated basis, net of inter-segment fee income.
- iii Asset management fee income is net of inter-segment fee income of £79m (30 June 2024: £83m, 31 December 2024: £179m).

The Group has a widely diversified client base. There are no clients whose revenue represents greater than 10% of fee income.

4 Insurance revenue

The Group's exposure to risks arising from insurance assets and liabilities is different for each component of the Group's business. The Group's insurance revenue is presented below for the different components of business.

	For the six months ended 30 June 2025			
	With-profits £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	769	17	608	1,394
Change in the risk adjustment for non-financial risk for the risk expired	13	—	17	30
CSM recognised in profit or loss for the services provided	280	5	84	369
Revenue recognised for incurred policyholder tax	147	4	—	151
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	25	—	17	42
Total insurance revenue	1,234	26	726	1,986

	For the six months ended 30 June 2024			
	With-profits £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	769	19	581	1,369
Change in the risk adjustment for non-financial risk for the risk expired	11	—	17	28
CSM recognised in profit or loss for the services provided	266	4	71	341
Revenue recognised for incurred policyholder tax	202	3	—	205
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	19	—	16	35
Total insurance revenue	1,267	26	685	1,978

	For the year ended 31 December 2024			
	With-profits £m	Unit-linked liabilities £m	Annuity and other long-term business £m	Total £m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	1,623	34	1,196	2,853
Change in the risk adjustment for non-financial risk for the risk expired	25	1	36	62
CSM recognised in profit or loss for the services provided	568	8	169	745
Revenue recognised for incurred policyholder tax	356	4	—	360
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	43	—	32	75
Total insurance revenue	2,615	47	1,433	4,095

Insurance revenue is recognised as services under the group of insurance contracts are provided to policyholders. This is at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services but excludes investment components.

The amount of CSM recognised in profit or loss in the period is based on coverage units provided during the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage period.

Services provided to insurance contracts include insurance coverage and, for all direct participating contracts, investment services for managing underlying items on behalf of policyholders (investment-related services). In addition, insurance contracts without direct participation features may also provide investment services for generating an investment return for the policyholder (investment-return service). The number of coverage units is a quantification of services provided under the contracts in the group.

5 Fee income

The following table disaggregates management fee revenue by segment:

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 ⁱ £m	2024 £m
Management fees	447	436	876
Rebates	(7)	(10)	(18)
Performance fees and carried interest	2	3	6
Total Asset Management fee income	442	429	864
Investment contracts without DPF	18	19	37
Platform fees	15	16	32
Advice fees	52	44	96
Total Life fee income	85	79	165
Total fee income	527	508	1,029

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for the six months ended 30 June 2024 are presented on new segment basis.

6 Administrative and other expenses

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Staff and employment costs	454	465	939
Acquisition costs incurred:			
Investment contracts without DPF	8	9	16
Other contracts	83	70	151
Acquisition costs deferred:			
Other contracts	(8)	(1)	(7)
Amortisation of deferred acquisition costs:			
Investment contracts without DPF	—	—	4
Other contracts	6	5	7
Depreciation of property, plant and equipment	71	79	164
Impairment of property, plant and equipment ⁱ	214	35	76
Amortisation of intangible assets	13	16	26
Impairment of goodwill and intangible assets ⁱⁱ	67	27	149
Restructuring costs	69	58	180
Interest expense	147	132	298
Commission expense	80	77	149
Investment management fees	62	55	141
Property-related costs	113	102	222
Other expenses	392	375	852
	1,771	1,504	3,367
Less amounts directly attributable to insurance results:			
Expenses attributed to insurance acquisition cash flows incurred during the year	(75)	(67)	(140)
Other directly attributable expenses	(302)	(290)	(661)
Total administrative and other expenses	1,394	1,147	2,566

i Consists of impairment of certain property, plant and equipment, including property, plant and equipment classified as held for sale, held through the Group's infrastructure capital private equity vehicles of £214m (30 June 2024: £35m, 31 December 2024: £76m).

ii Includes impairment of certain goodwill and intangible assets held through the Group's infrastructure capital private equity vehicles of £65m (30 June 2024: £14m, 31 December 2024: £38m).

In addition to the interest expense shown above of £147m (30 June 2024: £132m, 31 December 2024: £298m), the interest expense incurred in respect of subordinated liabilities for the six months ended 30 June 2025 was £68m (30 June 2024: £50m, year ended 31 December 2024: £121m, both net of a £29m gain attributable to the cancellation of the 5.56% subordinated notes in June 2024). This is shown as finance costs in the condensed consolidated income statement.

7 Tax

7.1 Tax charged/(credited) to the consolidated income statement

7.1.1 Income statement tax charge/(credit)

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Total current tax charge	263	249	504
Total deferred tax charge/(credit)	48	16	(12)
Total tax charge	311	265	492

7.1.2 Allocation of profit/(loss) before tax and tax charge between equity holders and policyholders

The profit before tax reflected in the condensed consolidated income statement for the six months ended 30 June 2025 of £559m (30 June 2024: £209m, year ended 31 December 2024: £145m) comprises the pre-tax result attributable to equity holders and an amount equal and opposite to the tax charge attributable to policyholder returns. This is the formal measure of profit or loss before tax under IFRS but it is not the result attributable to equity holders.

This is principally because the corporate taxes of the Group include those on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the Company under IAS 12. Consequently, this measure of profit before all taxes is not representative of pre-tax profits attributable to equity holders.

The tax charge attributable to policyholder returns is removed from the Group's total profit/(loss) before tax in arriving at the Group's profit/(loss) before tax attributable to equity holders. As the net of tax profit attributable to policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge attributable to policyholders included in the total tax charge/(credit).

	For the six months ended 30 June						For the year ended 31 December			
	2025			2024			2024			
	Equity holders £m	Policyholders £m	Total £m	Equity holders £m	Policyholders £m	Total £m	Equity holders £m	Policyholders £m	Total £m	
Profit/(loss) before tax	333	226	559	(57)	266	209	(332)	477	145	
Tax (charge)/credit	(85)	(226)	(311)	1	(266)	(265)	(15)	(477)	(492)	
Profit/(loss) for the period	248	—	248	(56)	—	(56)	(347)	—	(347)	

7.1.3 Equity holders' effective tax rate

The equity holders' tax charge for the six months ended 30 June 2025 was £85m (30 June 2024: £1m tax credit, 31 December 2024: £15m tax charge) representing an effective tax rate of 25.5% (30 June 2024: 1.8%, 31 December 2024: (4.5)%). The equity holders' effective tax rate of 25.5% is close to the UK statutory rate of 25.0% (30 June 2024: 25.0%, 31 December 2024: 25.0%) and any difference is primarily due to the detrimental impact arising from non-deductible expenses and difference in the taxation of life insurance business.

7.1.4 Factors that may impact the future tax rate

The majority of the Group's profits are generated in the UK. Taking into account recurring tax adjusting items, the underlying effective tax rate for equity holders' portion of profits is expected to be marginally higher than the statutory rate in the UK of 25% (effective from 1 April 2023).

The Group has unused tax losses carried forward in relation to UK capital losses of £626m (30 June 2024: £448m, 31 December 2024: £636m), on which no deferred tax is recognised. Should appropriate taxable profits arise in future periods it will result in tax benefits thereby reducing the future effective tax rate in the relevant periods.

The Group is subject to the global minimum top-up tax under Pillar Two legislation enacted in the UK and effective for the year ended 31 December 2024. The Group has assessed the top-up tax to be booked for the six months ended 30 June 2025 to be £nil. A credit of £1m has been included in the tax charge at 30 June 2025 (30 June 2024: £nil, 31 December 2024: £1m charge) to adjust the amount being provided for in relation to prior years. The Group has applied a temporary mandatory exclusion from deferred tax accounting for the impacts of top-up tax.

As the compliance, reporting and/or notification obligations become clear in the UK or other relevant countries where M&G plc is the relevant taxpayer, M&G plc shall take appropriate steps to ensure compliance with any consequent relevant obligations under Pillar Two as enacted in the UK.

7 Tax (continued)

7.2 Current tax assets and liabilities

One of the Group's subsidiaries, The Prudential Assurance Company Limited (PAC), is the lead litigant in a combined group action against HM Revenue and Customs (HMRC) concerning the correct historical tax treatment applying to dividends received from overseas portfolio investments of its With-Profits Fund.

In February 2018, the Supreme Court heard HMRC's appeal against the earlier Court of Appeal decision in PAC's favour. The decision of the Supreme Court, released in July 2018, upheld the main point of dispute in PAC's favour but reversed the decisions of the lower courts on some practical points of how to apply that principle. The Supreme Court issued its order giving effect to its decision in October 2019, stating any remaining issues of computation be remitted back to the High Court. PAC and HMRC are working through the mechanics of implementing the Supreme Court decisions. To date, this work has led to a reduction in the estimate for policyholder tax credit recoverable, and the associated estimate of interest receivable.

As at 30 June 2025, PAC has recognised a total policyholder tax credit of £114m (31 December 2024: £114m) in respect of its claim against HMRC. Of this amount, £40m (31 December 2024: £40m) has been paid by HMRC leaving a tax recoverable balance of £74m (31 December 2024: £74m) recorded as an amount of tax due from HMRC. PAC will be entitled to interest on the tax repaid. The settlement is now expected to be finalised during the second half of 2025 at which point PAC should receive full and final payment.

7.3 Deferred tax assets and liabilities

Under IAS 12, deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period. Deferred tax assets are recognised as recoverable to the extent that, on the basis of all available evidence, it is regarded as probable there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted or tax losses utilised. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

The table below shows the closing deferred tax assets and liabilities. The asset and liability balances are different from those disclosed on the condensed consolidated statement of financial position as the below amounts are presented before offsetting asset and liability balances where there is a legal right to set off and an intention to settle on a net basis.

	For the six months ended 30 June 2025	For the year ended 31 December 2024
	£m	£m
Unrealised gains on investments	(697)	(697)
Balance relating to insurance and investments contracts	(154)	(147)
Other short-term timing differences	75	79
Deferred acquisition costs	12	18
Defined benefit pensions	(27)	(28)
Capital allowances	17	18
Tax losses carried forward	489	516
Share based payments and deferred compensation	24	23
Net deferred tax liability	(261)	(218)
Assets	959	998
Liabilities	(1,220)	(1,216)
Net deferred tax liability	(261)	(218)

The net deferred tax liability at 30 June 2025 of £261m has increased by £43m during the period from £218m at 31 December 2024. The increase is predominantly due to a decrease in the deferred tax asset on tax losses carried forward during the period and an increase in balances relating to insurance and investment contracts. The losses carried forward of £489m (31 December 2024: £516m) relate primarily to PAC and M&G plc. A deferred tax asset has been recognised on the full excess losses, trade losses and shareholder losses and a proportion of the capital losses on the basis that the Group considers it is probable that sufficient future taxable profits and UK capital gains will be available against which these losses can be utilised. It is estimated the losses on which a deferred tax asset have been recognised will be utilised in less than 14 years. The deferred tax asset on losses is measured at the tax rates that are expected to apply to the period when the asset is realised.

7.3.1 Unrecognised deferred tax

At the end of the reporting period, the Group has unused tax losses of £634m (30 June 2024: £456m, 31 December 2024: £644m) for which no deferred tax asset is being recognised. The Group's unused tax losses primarily relate to capital losses in the UK of £626m (30 June 2024: £448m, 31 December 2024: £636m). No deferred tax asset is recognised on these losses as it is considered not probable that future taxable UK capital gains or other appropriate profits will be available against which they can be utilised. Under UK law, capital losses and trade losses can be carried forward indefinitely.

8 Earnings per share

Basic earnings per share (EPS) for the six months ended 30 June 2025 was 10.1p (30 June 2024: (2.6)p, 31 December 2024: (15.1)p) and diluted EPS was 10.0p (30 June 2024: (2.6)p, 31 December 2024: (15.1)p). Basic EPS is based on the weighted average ordinary shares in issue after deducting treasury shares and shares held by the employee benefit trust. Diluted EPS is based on the potential future shares outstanding resulting from exercise of options under the various share-based payment schemes in addition to the weighted average ordinary shares outstanding.

The following table shows details of basic and diluted EPS:

	For the six months ended 30 June		For the year ended
	2025	2024	31 December
	£m	£m	2024 £m
Profit/(loss) attributable to equity holders of M&G plc	243	(62)	(360)
	For the six months ended 30 June		For the year ended
	2025	2024	31 December
	Millions	Millions	2024 Millions
Weighted average number of ordinary shares outstanding	2,398	2,382	2,388
Dilutive effect of share options and awards	39	—	—
Weighted average number of diluted ordinary shares outstanding	2,437	2,382	2,388
	For the six months ended 30 June		For the year ended
	2025	2024	31 December
	Pence per share	Pence per share	2024 Pence per share
Basic earnings/(loss) per share	10.1	(2.6)	(15.1)
Diluted earnings/(loss) per share	10.0	(2.6)	(15.1)

As the Group made a loss attributable to equity holders of the Company for the six months ended 30 June 2024 and the year ended 31 December 2024, the diluted EPS is the same as the basic EPS as it is not permissible for the diluted EPS to be greater than the basic EPS.

9 Dividends

	For the six months ended 30 June				For the year ended 31 December	
	2025		2024		2024	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Dividends relating to reporting period:						
First interim dividend - Ordinary	6.7	161	6.6	157	6.6	157
Second interim dividend - Ordinary	—	—	—	—	13.5	321
Total	6.7	161	6.6	157	20.1	478
Dividends paid in reporting period:						
Prior year's second interim dividend - Ordinary	13.5	321	13.2	311	13.2	311
First interim dividend - Ordinary	—	—	—	—	6.6	157
Total	13.5	321	13.2	311	19.8	468

Subsequent to 30 June 2025, the Board has declared a first interim dividend for 2025 of 6.7 pence per ordinary share, an estimated £161m in total. The dividend is expected to be paid on 17 October 2025 and will be recorded as an appropriation of retained earnings in the Parent Company's financial statements at the time that it is paid.

10 Defined benefit pension schemes

The Group operates three defined benefit pension schemes, which historically have been funded by the Group. The largest defined benefit scheme as at 30 June 2025 is the Prudential Staff Pension Scheme (PSPS), which accounts for 83% (31 December 2024: 83%) of the present value of the defined benefit pension obligation. The Group also operates two smaller defined benefit pension schemes that were originally established by the M&G Group Limited (M&GGPS) and Scottish Amicable (SASPS) businesses.

On 18 September 2023, M&GGPS Trustees executed a buy-in transaction with PAC covering all deferred and pensioner member liabilities. A premium of £329m was transferred to PAC as part of the transaction. The assets transferred to PAC as premium were recognised in the relevant line within financial assets in the consolidated statement of financial position. As a result of the buy-in the relevant plan assets transferred were replaced with a single line insurance policy reimbursement right asset which is eliminated on consolidation. This reimbursement right asset, although available to the scheme does not constitute a plan asset under IAS 19. The value of this insurance policy at 30 June 2025 was £253m (31 December 2024: £261m).

Subsequent to the transfer of active members from M&GGPS to PSPS, transacted at the same time as the buy-in, a portion (11% at 30 June 2025) of the net economic pension surplus of PSPS is attributable to M&G FA Limited, a subsidiary of the Group, and is attributable to the shareholders. The remainder is then attributed 70% to the With-Profits Fund and 30% to the Group's shareholders.

Under IAS 19: Employee Benefits and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, the Group can only recognise a surplus to the extent that it is able to access the surplus either through an unconditional right of refund or through reduced future contributions relating to ongoing service of active members. The Group has no unconditional right of refund to any surplus in PSPS. Accordingly, PSPS's net economic pension surplus is restricted up to the present value of the Group's economic benefit, which is calculated as the difference between the estimated future cost of service for active members and the estimated future ongoing contributions. The level of the restriction is set out in the tables that follow.

In contrast, the Group is able to access the surplus of SASPS and M&GGPS through an unconditional right of refund. Therefore, the surplus resulting from the schemes (if any) would be recognised in full. As at 30 June 2025 the SASPS scheme is in surplus and the M&GGPS scheme is in deficit based on the IAS 19 valuation.

M&GGPS is in a net economic surplus position but in deficit on an IAS 19 basis as a result of the elimination of the reimbursement right asset recognised in respect of the buy-in of the Scheme by PAC as explained above. The Scheme also has investments in insurance policies issued by Prudential Pensions Limited (PPL), a subsidiary of the Group, through which it invests in certain pooled funds. Under IAS 19, non-transferable insurance policies issued by a related party do not qualify as plan assets and these are eliminated.

The gross economic position of M&GGPS which includes the PPL policies and reimbursement right asset is reflected in the financial statements of M&G FA Limited.

The SASPS net economic pension surplus is attributed 40% to the With-Profits Fund and 60% to the Group's shareholders. Both the policyholder and shareholder allocation of SASPS is reflected in the financial statements of PAC.

In June 2023, the UK High Court passed a judgment in the Virgin Media Limited v NTL Pension Trustees II Limited case which stated that certain historical amendments in respect of contracted-out defined benefit schemes in the period from 6 April 1997 to 5 April 2016 would be invalid if not accompanied at the time by a relevant actuarial confirmation. The judgment was subject to an appeal in July 2024 where the Court of Appeal upheld the decision of the High Court and concluded that the initial judgment applied to amendments to both future and past service.

The Group has undertaken an impact assessment which includes the review of available historical records and relevant enquiries. Based on the Group's assessment, no adjustments are expected to be required to the defined benefit obligations of the Group's pension schemes in respect of the case as at the reporting date. On 5 June 2025, the UK Government announced that it will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Once this legislation is effective, any remaining uncertainty around the matter will be removed. The Group will continue to monitor developments in relation to the matter.

10 Defined benefit pension schemes (continued)

The pension assets and liabilities for the defined benefit pension schemes are as follows:

	As at 30 June 2025			
	PSPS £m	SASPS £m	M&GGPS £m	Total £m
Fair value of plan assets	3,951	514	267	4,732
Present value of defined benefit obligation	(3,649)	(476)	(253)	(4,378)
Effect of restriction on surplus	(296)	—	—	(296)
Net economic pension surplusⁱ	6	38	14	58
Non-qualifying insurance policies	—	—	(12)	(12)
Elimination of reimbursement right asset on consolidation	—	—	(253)	(253)
Net pension surplus/(deficit)	6	38	(251)	(207)

	As at 30 June 2025			
	PSPS £m	SASPS £m	M&GGPS £m	Total £m
Attributable to:				
Shareholder-backed business	2	23	(251)	(226)
With-Profits Fund	4	15	—	19
Net pension surplus/(deficit)	6	38	(251)	(207)

	As at 31 December 2024			
	PSPS £m	SASPS £m	M&GGPS £m	Total £m
Fair value of plan assets	4,034	524	274	4,832
Present value of defined benefit obligation	(3,725)	(486)	(261)	(4,472)
Effect of restriction on surplus	(302)	—	—	(302)
Net economic pension surplusⁱ	7	38	13	58
Non-qualifying insurance policies	—	—	(10)	(10)
Elimination of reimbursement right asset on consolidation	—	—	(261)	(261)
Net pension surplus/(deficit)	7	38	(258)	(213)

	As at 31 December 2024			
	PSPS £m	SASPS £m	M&GGPS £m	Total £m
Attributable to:				
Shareholder-backed business	3	23	(258)	(232)
With-Profits Fund	4	15	—	19
Net pension surplus/(deficit)	7	38	(258)	(213)

ⁱ The economic basis reflects the position of the defined benefit schemes from the perspective of the pension schemes, adjusted for the effect of IFRIC 14 for the derecognition of PSPS's unrecognisable surplus and before adjusting for any non-qualifying assets.

11 Insurance liabilities

11.1 Insurance, investment with discretionary participation features and reinsurance contracts

The breakdown of groups of insurance, investment with DPF and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

2025				
		Shareholder-backed funds and subsidiaries		
	With-profits ¹	Unit-linked liabilities	Annuity and other long-term business	Total
As at 30 June	£m	£m	£m	£m
Insurance contract liabilities				
Insurance contract liabilities	27,968	4,142	13,550	45,660
Investment contracts with DPF liabilities	94,967	—	240	95,207
	122,935	4,142	13,790	140,867
Insurance contract assets				
Insurance contract assets	—	—	45	45
	—	—	45	45
Reinsurance contracts				
Reinsurance contract assets	16	6	998	1,020
Reinsurance contract liabilities	1	20	274	295
2024				
		Shareholder-backed funds and subsidiaries		
	With-profits ¹	Unit-linked liabilities	Annuity and other long-term business	Total
As at 31 December	£m	£m	£m	£m
Insurance contract liabilities				
Insurance contract liabilities	28,777	4,108	13,686	46,571
Investment contracts with DPF liabilities	94,467	—	226	94,693
	123,244	4,108	13,912	141,264
Insurance contract assets				
Insurance contract assets	—	—	39	39
	—	—	39	39
Reinsurance contracts				
Reinsurance contract assets	15	4	1,024	1,043
Reinsurance contract liabilities	1	22	257	280

i Includes non-profit business written in the with-profits sub-funds.

The IFRS 17 disclosures have been disaggregated based on the following lines of business:

- With-profits business
- Unit-linked business
- Annuities and other business

This reflects the level of granularity at which the assumptions are set and the insurance contract liabilities calculated.

All lines of business mentioned below form part of the Life segment.

11.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business

Further information on the different types of insurance and investment contracts written in each line of business is presented in Note 2.3 in the notes to the Group's 2024 consolidated financial statements. The contracts are disclosed according to management's view of the business. A description relating to the determination of the policyholder and reinsurance contract balances with the key assumptions for each component of business is set out in the notes below:

11.2.1 Discount rates

Cash flows relating to insurance and reinsurance contracts issued and reinsurance contracts held are discounted using risk-free yield curves adjusted to reflect the liquidity characteristics of the contracts. The Group determines the adjustment for illiquidity using either a top-down approach (for non-profit annuity contracts) or a bottom-up approach (for all other contracts, including with-profits).

For with-profits contracts, the illiquidity premium is determined at each reporting date by applying a weighting of 75% to the illiquidity premium for the reference portfolio of fixed interest assets. The illiquidity premium included in the discount rate as at 30 June 2025 was 41bps (31 December 2024: 39bps). The assumed investment returns are consistent with the discount rates applied to the cash flows. The volatility of investment returns is set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

11 Insurance liabilities (continued)

11.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

11.2.1 Discount rates (continued)

The unit-linked contracts are considered to be highly liquid as they can be surrendered at any time by the policyholder for a surrender value which is the value of the units less any surrender charge. Therefore the cash flows are discounted using rates derived from the risk-free yield curve without addition of an illiquidity premium. The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows.

For non-profit annuity contracts, the illiquidity premium is derived from the yield of a reference portfolio of assets which is adjusted to eliminate any factors that are not relevant to the annuity contracts. The implied illiquidity premium at 30 June 2025 was 145bps (31 December 2024: 149bps) for shareholder-backed annuities and 137bps (31 December 2024: 143bps) for annuities in the With-Profits Fund. There is no requirement to adjust the yield curve for any differences in the liquidity characteristics of the insurance contracts and the reference portfolio. The reference portfolios chosen for in-force annuities are the assigned portfolios used to determine the Solvency II matching adjustment. These are considered to be suitable as reference portfolios for IFRS 17 reporting because their objective is to closely match the liability cash flows and there is strong governance around their management. The discount rates at the inception of each contract are based on the yields within a reference portfolio of assets which the Group expects to acquire to back the portfolio of new insurance contracts (the 'target portfolio'). A weighted average of these discount rate curves is determined for the purpose of locking-in and calculating movements in the CSM relating to each group of contracts. The point of sale discount rate curves are weighted by the premiums in each group. On subsequent measurement of the fulfilment cash flows the yield at the valuation date on the reference portfolio is adjusted, where necessary, in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio. Typically, this period of transition can be up to 12 months but may be dependent on the volume of new business. For the Value Share transaction written in 2024 the period of transition can be up to 24 months.

The largest adjustment made to reference portfolio yield is in relation to credit risk. IFRS 17 is not prescriptive as to how the adjustment for credit risk should be determined other than that it should reflect market risk premiums for credit risk. The credit risk allowance comprises an amount for long-term best estimate defaults and downgrades, a provision for credit risk premium and, where appropriate, an additional short-term overlay to reflect the prospective outlook for experience over the coming period, including uncertainty in the outlook. It incorporates allowances for expected and unexpected credit events, including internal and external views on the outlook for credit risk, and considers the relationship between credit risk and yield spreads. The allowance for credit risk within the discount rate for shareholder-backed annuities as at 30 June 2025 was 52bps (31 December 2024: 53bps). The allowance for credit risk within the discount rate for annuities in the With-Profits Fund as at 30 June 2025 was 55bps (31 December 2024: 56bps).

The derivation of the discount rates include consideration of any potential future legislative change in respect of residential ground rents (further explained in note 14.8) and the resulting impact on the portfolio yield.

The derivation of the discount rates for the Value Share BPA insurance contract is as described above. The derivation of the discount rates for the Value Share reinsurance arrangement is as described above except that the reference portfolio of assets is the pool of assets that backs the Value Share BPA liabilities.

The tables below show the discount rates used as at 30 June 2025 and 31 December 2024.

Discount rates as at 30 June 2025

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	4.21%	4.08%	4.45%	4.78%	4.95%	5.01%	4.98%
Unit-linked contracts	3.80%	3.66%	4.04%	4.36%	4.54%	4.60%	4.57%
Non-profit annuities – shareholder-backed	5.24%	5.11%	5.48%	5.81%	5.98%	6.04%	6.01%
Non-profit annuities – in the With-Profits Fund	5.17%	5.03%	5.40%	5.73%	5.90%	5.96%	5.94%

Discount rates as at 31 December 2024

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	4.85%	4.43%	4.46%	4.62%	4.70%	4.69%	4.62%
Unit-linked contracts	4.46%	4.04%	4.07%	4.23%	4.30%	4.30%	4.23%
Non-profit annuities – shareholder-backed	5.95%	5.53%	5.56%	5.72%	5.79%	5.79%	5.72%
Non-profit annuities – in the With-Profits Fund	5.89%	5.47%	5.50%	5.66%	5.73%	5.72%	5.66%

11 Insurance liabilities (continued)

11.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

11.2.1 Discount rates (continued)

The tables below show the credit risk allowances for annuity business as at 30 June 2025 and 31 December 2024.

Credit risk allowances as at 30 June 2025

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	52 bps	55 bps
Credit risk allowance as proportion of spread over swaps	25.45%	25.40%
Net of reinsurance credit reserve (£m)	432	145

Credit risk allowances as at 31 December 2024

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	53 bps	56 bps
Credit risk allowance as proportion of spread over swaps	25.67%	25.56%
Net of reinsurance credit reserve (£m)	454	157

11.2.2 Persistency and expense assumptions

The table below summarises the range of lapse rate assumptions used as at 30 June 2025 and 31 December 2024. These exclude assumptions related to retirement rates for pension contracts, which may be as high as 100% at certain ages. The lapse rate assumptions remain the same as at 31 December 2024 and will be reviewed ahead of the 31 December 2025 valuation.

Lapse rate assumptions

	30 June 2025	31 December 2024
With-profits contracts	0% - 30%	0% - 30%
Unit-linked contracts	0% - 16%	0% - 16%
Non-profit annuities – shareholder-backed	N/A	N/A
Non-profit annuities – in the With-Profits Fund	N/A	N/A

Maintenance expense assumptions (per policy)

The table below summarises the range of maintenance expense assumptions used as at 30 June 2025 and 31 December 2024, before allowance for future inflationary increases. The maintenance expense assumptions remain the same as at 31 December 2024 and will be reviewed ahead of the 31 December 2025 valuation.

	30 June 2025 £ pa	31 December 2024 £ pa
With-profits contracts	8 - 199	8 - 199
Unit-linked contracts ⁱ	44 - 186	44 - 186
Non-profit annuities – shareholder-backed	36 - 68	36 - 68
Non-profit annuities – in the With-Profits Fund	37	37

ⁱ For Prudential International Assurance plc, maintenance expenses assumptions are modelled as a percentage of assets under management and not included in the range for 30 June 2025. For 30 June 2025 and 31 December 2024, the range was 0.12% - 0.13% of assets under management.

11.2.3 Risk adjustment

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is determined as the increase in the discounted value of the future cash flows derived from non-financial assumptions set at the target confidence level instead of unbiased non-financial assumptions. The table below shows the confidence level used to determine the risk adjustment for with-profits contracts, unit-linked contracts, annuities and other long-term business:

	30 June 2025	31 December 2024
Confidence level (percentile of the Group's one year risk distributions)	75th	75th
Confidence level (percentile of the risk distributions over the remaining lifetime)	60th	60th

11.2.4 With-profits business

The With-Profits Fund mainly contains with-profits contracts but also contains some non-profit business (annuities, unit-linked, and term assurances).

The with-profits contracts are a combination of insurance contracts, investment contracts with DPF and investment contracts without DPF. The investment contracts without DPF are within the scope of IFRS 9 and are presented in Note 12.

11 Insurance liabilities (continued)

11.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

11.2.4 With-profits business (continued)

For the with-profits contracts the insurance contract liability is the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- The fair value of the underlying items for in-force contracts, ie the value of the asset shares and the expected future additions to asset shares, plus the present value of future costs less charges;
- The allowance for ‘mutualisation’ on in-force business;
- The risk adjustment for non-financial risk;
- The CSM; and
- The historical allowance for ‘mutualisation’ (based on the underlying items for the additional amounts expected to be paid to current or future policyholders).

These items are described further below.

Future costs less charges

The future costs include a market-consistent valuation of the costs of guarantees, options and smoothing and this amount is determined using stochastic modelling techniques. The main assumptions used to value the future costs less charges are listed below:

- Assumptions relating to persistency (see Note 11.2.2) and the take-up of options offered on certain with-profits contracts are set based on the results of the most recent experience analysis looking at the experience over recent years of the relevant business, and supplemented by expert judgement within the business. In line with legislative changes, including pension freedoms, the Group expects all policyholders of pension contracts to choose alternative post-vesting options;
- Management actions under which the With-Profits Fund is managed in different scenarios. During 2024 the modelling of the fund was fully reviewed and updated. As part of the rebuild, changes were made to the modelling of policyholder taxation within prospective investment returns with other less significant changes in relation to insurance contract liabilities;
- Maintenance and, for some classes of business, termination expense assumptions are expressed as per policy amounts (see Note 11.2.2). They are set based on forecast expense levels, including an allowance for ongoing investment management expenses, and are allocated between entities and product groups in accordance with the Group’s internal cost allocation model. They reflect the costs incurred by the Group which may differ from the internal charges to companies within the Group;
- Expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve;
- The contract liabilities for with-profits business also require assumptions for mortality. These are set based on the results of recent experience analysis. Mortality experience over 2020 and 2021 was significantly higher than previous years as a result of the COVID-19 pandemic. In line with broader industry approach, no weight has been given to pandemic experience; and
- Future investment return assumptions and discount rates are set at a risk-free yield curve plus an illiquidity premium (as set out in Note 11.2.1).

Allowances for mutualisation

The allowance for mutualisation on in-force business is the policyholders’ share, which is assumed to be 90% (consistent with the division of profits permitted by the Articles of Association), of the expected future surpluses arising from with-profits contracts, which are determined as:

- The discounted value of the amounts that will be charged to policies;
- Less: the discounted value of future shareholder transfers, gross of tax;
- Less: the discounted value of other costs directly attributable to the group of insurance contracts; and
- Less: the amount of any additional tax attributable to the above items.

The allowance for mutualisation on in-force business is included in the liabilities of the groups of insurance contracts.

The historical allowance for mutualisation is the policyholders’ share of the surpluses that have arisen in the past, which are determined as the policyholders’ share of the fair value of the underlying items for the additional amounts expected to be paid to current or future policyholders less, if required, an allowance for any further tax balances that should be apportioned between policyholders and shareholders. The policyholders’ share is assessed on a prospective basis and is assumed to be 90%, consistent with the division of profits permitted by the Articles of Association. The fair value of the underlying items reflects, among other things, the fair value of the non-profit contracts in the With-Profits Fund. The fair value is measured as the sum of the best estimate of the liability, determined using a discounted cash flow technique and assumptions used for Solvency II reporting; and the compensation a market participant would require for taking on the obligation, over and above the best estimate liability, determined using a cost of capital approach.

The historical allowance for mutualisation is separate from the liabilities of the groups of insurance contracts (in accordance with IFRS 17 paragraph B71) and the Group has chosen to present this as part of the liability for remaining coverage.

With-profits options and guarantees

Certain policies written in the Group’s With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders’ discretion.

11 Insurance liabilities (continued)

11.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

11.2.4 With-profits business (continued)

With-profits options and guarantees (continued)

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For pensions products, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, guarantees apply at the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter.

The main types of options and guarantees offered for with-profits contracts are as follows:

- For conventional with-profits contracts, including endowment assurance contracts and whole of-life assurance contracts, payouts are guaranteed at the sum assured together with any declared regular bonus;
- Conventional with-profits deferred annuity contracts have a basic annuity per annum to which bonuses are added. At maturity, the cash claim value will reflect the current cost of providing the deferred annuity. Regular bonuses when added to with-profits contracts usually increase the guaranteed amount;
- For unitised with-profits contracts and cash accumulation contracts the guaranteed payout is the initial investment (adjusted for any withdrawals, where appropriate), less charges, plus any regular bonuses declared. If benefits are taken at a date other than when the guarantee applies, a market value reduction may be applied to reflect the difference between the accumulated value of the units and the market value of the underlying assets;
- For certain unitised with-profits contracts and cash accumulation contracts, policyholders have the option to defer their retirement date when they reach maturity, and the terminal bonus granted at that point is guaranteed;
- For with-profits annuity contracts, there is a guaranteed minimum annuity payment below which benefit payments cannot fall over the lifetime of the policies; and
- Certain pensions products have guaranteed annuity options at retirement, where the policyholder has the option to take the benefit in the form of an annuity at a guaranteed conversion rate.

CSM

The Variable Fee Approach (VFA) is used to measure the CSM for with-profits business.

For contracts that provide both insurance coverage and investment-related services the amount of the services provided in any given period is measured as the greater of the asset shares and the amounts payable on death during that period.

11.2.5 Unit-linked business

Only unit-linked contracts that transfer significant insurance risk are within the scope of IFRS 17. For these contracts the insurance contract liability is the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- The fair value of the underlying items, ie the value of the unit funds, plus the present value of future costs less charges;
- The risk adjustment for non-financial risk; and
- The CSM.

Future cash flows

The present value of future costs less charges is determined using best estimate assumptions for the non-financial risks of mortality, on a basis that is appropriate for the policyholder profile, expenses and persistency (see Note 11.2.2). The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows (see Note 11.2.1).

Certain parts of the unit-linked business are reinsured externally by way of fund reinsurance. Where this is the case, the fair value of the underlying asset and liability is equal to the unit value obligation.

CSM

The VFA is used to measure the CSM for unit-linked business.

The amount of the services provided in any given period is measured as the greater of the unit funds and the amounts payable on death during that period.

11.2.6 Annuities and other long-term business

The majority of the policyholder liabilities in the 'annuities and other long-term business' component relate to annuity contracts, for which some of the risk has been reinsured to external third parties. The annuity insurance contract liabilities are calculated as the sum of the liability for incurred claims and the liability for remaining coverage, which comprises:

- The expected value of future annuity payments and expenses;
- The risk adjustment for non-financial risk; and
- The CSM.

Future cash flows

The key assumptions used to value the future cash flows for annuity contracts, both insurance contracts issued and reinsurance contracts held, are described below.

11 Insurance liabilities (continued)

11.2 Determination of insurance, investment with DPF and reinsurance contract balances for different components of business (continued)

11.2.6 Annuities and other long-term business (continued)

Mortality

Mortality assumptions for annuity business are set in light of recent population and internal experience, with an allowance for expected future mortality improvements. Given the long-term nature of annuity business, annuitant mortality remains a significant assumption in determining insurance liabilities. The assumptions used reference recent England & Wales population mortality data, consistent with the CMI mortality projections model with specific risk factors applied on a per policy basis to reflect the features of the Group's portfolio.

An increase in mortality rates was observed over 2020 and 2021 due to the COVID-19 pandemic, however over 2022 and 2023 rates were observed to be more consistent with pre-pandemic levels. There remains significant uncertainty following the pandemic and the longer-term implications for mortality rates among the annuitant population will continue to be monitored by the Group.

For current mortality, the longevity model has been recalibrated to account for updated population data following the 2021 Census and to include mortality experience data from 2022 and 2023, while continuing to place zero weight on 2020 and 2021 data. This has resulted in a slight weakening of assumptions and a reduction in future cash outflows.

The mortality improvements assumption was fully reviewed in 2022 following the COVID-19 pandemic and drivers which could impact future mortality have been continually monitored. Best-estimate assumptions have been updated for 2024 to reflect new data and information on the key drivers of changes in future mortality. This update results in lower levels of future improvements than the previous year and a reduction in future cash outflows.

The 2024 mortality improvements assumption is expressed in terms of the CMI 2022 model, updated from the CMI 2021 used in 2023. Zero weight has been given to 2020 and 2021 experience, in line with the broader industry approach, however some allowance has been made for 2022 data (15% in line with the CMI model calibration) as 2022 mortality is likely to be partially reflective of future mortality.

No changes have been made to best-estimate assumptions for current mortality or mortality improvements in the six months ended 30 June 2025.

The mortality improvement assumptions used are summarised in the table below, with all other assumptions reflecting the core CMI projection:

Period ended	Model version ^{i, ii}	Long-term improvement rate ⁱⁱⁱ	Smoothing parameter (Sk) ^{iv}
30 June 2025	CMI 2022	For males: 1.60% pa For females: 1.60% pa	For males: 7.25 For females: 7.25
31 December 2024	CMI 2022	For males: 1.60% pa For females: 1.60% pa	For males: 7.25 For females: 7.25

i A parameter in the model to reflect socio-economic differences between the portfolio and population experience is also utilised. This adjusts initial mortality improvement rates, varying by age and gender. This is unchanged at all ages relative to 31 December 2024.

ii The weighting parameter has been set at 15% at 30 June 2025 and 31 December 2024.

iii The tapering of improvements to zero is set to occur between ages 90-110.

iv The smoothing parameter controls the amount of smoothing by calendar year when determining the level of initial mortality improvements.

The mortality assumptions for in-force vested annuities also cover annuities in deferment.

Discount rates

See Note 11.2.1. The same approach is also used to derive the discount rates applied to reinsurance cash flows.

Expenses

Maintenance expense assumptions are expressed as per policy amounts (see Note 11.2.2). They are set based on forecast expense levels, including an allowance for ongoing investment management expenses and are allocated between entities and product groups in accordance with the Group's internal cost allocation model. They reflect the costs incurred by the Group which may differ from the internal charges to companies within the Group. Expense inflation assumptions are set consistent with the economic basis and based on the inflation swap spot curve. These assumptions therefore take recent increases in inflation into account, and allow for the market-driven long-term view of future inflation. Increases in costs that are expected to follow an inflation index are considered by the Group to relate to financial risk.

Value Share reinsurance cash flows

Payments made to or received from the reinsurer are dependent on the relationship between the value of the assets backing the BPA liabilities and the value of the liabilities determined in accordance with a specified basis. These cash flows are estimated by projecting the assets and liabilities and comparing their values on the calculation dates prescribed in the reinsurance contract. The assumed investment returns on the assets are the same as the discount rates used for the Value Share reinsurance arrangement (see Note 11.2.1).

CSM

The General Measurement Model is used to measure the CSM for annuities and other long-term business. For annuities in payment the amount of the services provided in any given period is the annualised amount of income.

11 Insurance liabilities (continued)

11.3 Movements in insurance, investment with DPF and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance, investment with DPF and reinsurance contracts in each group of insurance contracts issued, and reinsurance contracts held, changed during the period as a result of cash flows and amounts recognised in the consolidated income statement.

The tables presented analyse changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

11.3.1 Insurance contracts

Analysis by measurement component

	For the six months ended 30 June 2025						
	Contractual service margin						Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non- financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	
Opening insurance contract liabilities	134,216	613	1,908	3,943	584	6,435	141,264
Opening insurance contract assets	(94)	4	—	14	37	51	(39)
Net opening balance	134,122	617	1,908	3,957	621	6,486	141,225
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(109)	(223)	(37)	(369)	(369)
Change in the risk adjustment for non-financial risk for the risk expired	—	(30)	—	—	—	—	(30)
Revenue recognised for incurred policyholder tax	(151)	—	—	—	—	—	(151)
Experience adjustments	9	—	—	—	—	—	9
	(142)	(30)	(109)	(223)	(37)	(369)	(541)
Changes that relate to future services							
Contracts initially recognised in the period	(82)	9	—	—	73	73	—
Changes in estimates reflected in the CSM	(21)	(5)	(99)	123	2	26	—
Changes in estimates that result in onerous contract losses or reversal of those losses	6	—	—	—	—	—	6
	(97)	4	(99)	123	75	99	6
Changes that relate to past services							
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Insurance service result	(239)	(26)	(208)	(100)	38	(270)	(535)
Finance expense from insurance contracts issued	4,003	5	62	87	27	176	4,184
Total changes in the income statement	3,764	(21)	(146)	(13)	65	(94)	3,649
Cash flows							
Premiums received	3,247	—	—	—	—	—	3,247
Incurred claims paid and other insurance service expenses paid including investment component	(7,220)	—	—	—	—	—	(7,220)
Insurance acquisition cash flows	(79)	—	—	—	—	—	(79)
Total cash flows	(4,052)	—	—	—	—	—	(4,052)
Net closing balance	133,834	596	1,762	3,944	686	6,392	140,822
Closing insurance contract liabilities	133,938	592	1,762	3,929	646	6,337	140,867
Closing insurance contract assets	(104)	4	—	15	40	55	(45)
Net closing balance	133,834	596	1,762	3,944	686	6,392	140,822

11 Insurance liabilities (continued)

11.3 Movements in insurance, investment with DPF and reinsurance contract balances (continued)

11.3.1 Insurance contracts (continued)

Analysis by measurement component (continued)

	For the year ended 31 December 2024						
	Contractual service margin						Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non- financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	
Opening insurance contract liabilities	135,738	632	1,747	3,609	409	5,765	142,135
Opening insurance contract assets	(93)	4	—	12	33	45	(44)
Net opening balance	135,645	636	1,747	3,621	442	5,810	142,091
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(241)	(441)	(63)	(745)	(745)
Change in the risk adjustment for non-financial risk for the risk expired	—	(62)	—	—	—	—	(62)
Revenue recognised for incurred policyholder tax	(360)	—	—	—	—	—	(360)
Experience adjustments	3	—	—	—	—	—	3
	(357)	(62)	(241)	(441)	(63)	(745)	(1,164)
Changes that relate to future services							
Contracts initially recognised in the period	(186)	31	—	—	155	155	—
Changes in estimates reflected in the CSM	(897)	(19)	289	582	45	916	—
Changes in estimates that result in onerous contract losses or reversal of those losses	39	(2)	—	—	—	—	37
	(1,044)	10	289	582	200	1,071	37
Changes that relate to past services							
Adjustments to liabilities for incurred claims	3	—	—	—	—	—	3
	3	—	—	—	—	—	3
Insurance service result	(1,398)	(52)	48	141	137	326	(1,124)
Finance expense from insurance contracts issued	8,043	33	113	195	42	350	8,426
Total changes in the income statement	6,645	(19)	161	336	179	676	7,302
Cash flows							
Premiums received	6,988	—	—	—	—	—	6,988
Incurred claims paid and other insurance service expenses paid including investment component	(14,991)	—	—	—	—	—	(14,991)
Insurance acquisition cash flows	(165)	—	—	—	—	—	(165)
Total cash flows	(8,168)	—	—	—	—	—	(8,168)
Net closing balance	134,122	617	1,908	3,957	621	6,486	141,225
Closing insurance contract liabilities	134,216	613	1,908	3,943	584	6,435	141,264
Closing insurance contract assets	(94)	4	—	14	37	51	(39)
Net closing balance	134,122	617	1,908	3,957	621	6,486	141,225

11 Insurance liabilities (continued)

11.3 Movements in insurance, investment with DPF and reinsurance contract balances (continued)

11.3.2 Reinsurance contracts

Analysis by measurement component

	For the six months ended 30 June 2025						
	Contractual service margin						Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non- financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	
Opening reinsurance contract liabilities	621	(94)	—	(232)	(15)	(247)	280
Opening reinsurance contract assets	(793)	(44)	(5)	(14)	(187)	(206)	(1,043)
Net opening balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	—	11	2	13	13
Change in the risk adjustment for non-financial risk for the risk expired	—	5	—	—	—	—	5
Experience adjustments	5	—	—	—	—	—	5
	5	5	—	11	2	13	23
Changes that relate to future services							
Contracts initially recognised in the period	15	(19)	—	—	4	4	—
Changes in estimates reflected in the CSM	(16)	1	—	9	6	15	—
	(1)	(18)	—	9	10	19	—
Changes that relate to past services							
Asset for incurred claims	(2)	—	—	—	—	—	(2)
	(2)	—	—	—	—	—	(2)
Insurance service result	2	(13)	—	20	12	32	21
Net finance income from reinsurance contracts	26	3	—	(2)	(2)	(4)	25
Total changes in the income statement	28	(10)	—	18	10	28	46
Cash flows							
Premiums and similar expenses paid	(244)	—	—	—	—	—	(244)
Amounts recovered	236	—	—	—	—	—	236
Total cash flows	(8)	—	—	—	—	—	(8)
Net closing balance	(152)	(148)	(5)	(228)	(192)	(425)	(725)
Closing reinsurance contract liabilities	626	(107)	—	(213)	(11)	(224)	295
Closing reinsurance contract assets	(778)	(41)	(5)	(15)	(181)	(201)	(1,020)
Net closing balance	(152)	(148)	(5)	(228)	(192)	(425)	(725)

11 Insurance liabilities (continued)

11.3 Movements in insurance, investment with DPF and reinsurance contract balances (continued)

11.3.2 Reinsurance contracts (continued)

Analysis by measurement component (continued)

	For the year ended 31 December 2024						
	Contractual service margin						Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non- financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under the fair value transition approach £m	Other contracts £m	Total CSM £m	
Opening reinsurance contract liabilities	581	(94)	—	(129)	(1)	(130)	357
Opening reinsurance contract assets	(847)	(55)	(5)	(8)	(184)	(197)	(1,099)
Net opening balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	—	22	6	28	28
Change in the risk adjustment for non-financial risk for the risk expired	—	14	—	—	—	—	14
Experience adjustments	14	—	—	—	—	—	14
	14	14	—	22	6	28	56
Changes that relate to future services							
Contracts initially recognised in the period	26	(11)	—	—	(15)	(15)	—
Changes in estimates reflected in the CSM	125	4	—	(125)	(4)	(129)	—
Changes in the fulfilment cash flows that do not adjust the CSM for the group of underlying contracts	(25)	—	—	—	—	—	(25)
	126	(7)	—	(125)	(19)	(144)	(25)
Changes that relate to past services							
Asset for incurred claims	(3)	—	—	—	—	—	(3)
	(3)	—	—	—	—	—	(3)
Insurance service result	137	7	—	(103)	(13)	(116)	28
Net finance income from reinsurance contracts	16	4	—	(6)	(4)	(10)	10
Total changes in the income statement	153	11	—	(109)	(17)	(126)	38
Cash flows							
Premiums and similar expenses paid	(528)	—	—	—	—	—	(528)
Amounts recovered	469	—	—	—	—	—	469
Total cash flows	(59)	—	—	—	—	—	(59)
Net closing balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)
Closing reinsurance contract liabilities	621	(94)	—	(232)	(15)	(247)	280
Closing reinsurance contract assets	(793)	(44)	(5)	(14)	(187)	(206)	(1,043)
Net closing balance	(172)	(138)	(5)	(246)	(202)	(453)	(763)

11 Insurance liabilities (continued)

11.4 Expected recognition of the contractual service margin

	As at 30 June 2025		As at 31 December 2024	
	Insurance contracts issued £m	Reinsurance contracts held £m	Insurance contracts issued £m	Reinsurance contracts held £m
Number of years until expected to be recognised:				
0 to 1 year	613	(21)	642	(25)
1 to 2 years	570	(21)	576	(24)
2 to 3 years	531	(22)	528	(23)
3 to 4 years	484	(22)	482	(23)
4 to 5 years	440	(21)	439	(22)
5 to 10 years	1,647	(94)	1,652	(100)
10 to 15 years	968	(75)	984	(79)
15 to 20 years	538	(54)	554	(57)
20 to 25 years	287	(36)	299	(38)
Over 25 years	314	(59)	330	(62)
Total	6,392	(425)	6,486	(453)

The insurance contracts issued represents the run off of the net of insurance assets and insurance liabilities CSM. The amounts presented in the table represent the current discounted value of the CSM amortisation expected to be recognised in the insurance service result in future periods. The actual CSM amortisation in future periods will differ from that presented due to the impacts of future new business, recalibrations of the CSM, changes in estimates reflected in the CSMs and changes in the future coverage units.

The reinsurance contracts held represents the run off of the net of reinsurance asset and reinsurance liabilities CSM.

12 Investment contract liabilities without discretionary participation features (DPF)

Investment contract liabilities without DPF comprise unit-linked contracts that contain little or no insurance risk and certain contracts invested in PruFund with a low level of discretion (detailed below). For the former, the assets and liabilities arising under the contracts are distinguished between those that relate to the financial instrument liability, and the deferred acquisition costs and deferred income that relate to the component of the contract that relates to investment management. Deferred acquisition costs and deferred income are recognised in line with the level of service provision.

Certain contracts invested in PruFund which are sold via wholesale distribution agreements with certain European financial institutions and that are not considered to have DPF are also included in investment contract liabilities without DPF. Accordingly, the contracts are measured at FVTPL under IFRS 9. The carrying value of these liabilities as at 30 June 2025 is £351m (31 December 2024: £316m).

The table below presents the analysis of change in investment contract liabilities without DPF:

	30 June 2025 £m	31 December 2024 £m
At start of period	12,144	12,535
Premiums	167	382
Surrenders	(1,532)	(1,144)
Maturities/deaths	(28)	(138)
Total net flows	(1,393)	(900)
Switches	24	11
Investment-related items and other movements ⁱ	180	519
Foreign exchange differences	(8)	(21)
At end of period	10,947	12,144

ⁱ Investment-related items and other movements and foreign exchange differences closely align to the net change in investment contract liabilities without DPF income statement amount. The difference between the values relates to policyholder tax, reclassifications and annual management charges.

Certain parts of the unit-linked business are reinsured externally by way of fund reinsurance. Where this is the case, the fair value of the underlying asset and liability is equal to the unit value obligation.

13 Subordinated liabilities and other borrowings

	As at 30 June 2025 £m	As at 31 December 2024 £m
Subordinated liabilities	3,125	3,176
Operational borrowings	30	2
Borrowings attributable to With-Profits Fund	3,197	3,308
Total subordinated liabilities and other borrowings	6,352	6,486

13.1 Subordinated liabilities

The Group's subordinated liabilities consist of subordinated notes which were transferred from Prudential plc on 18 October 2019 and were recorded at fair value on initial recognition. The transfer of the subordinated liabilities was achieved by substituting the Company in place of Prudential plc as issuer of the debt, as permitted under the terms and conditions of each applicable instrument. All costs related to the transaction were borne by Prudential plc.

	As at 30 June 2025		As at 31 December 2024	
	Principal amount	Carrying amount £m	Principal amount	Carrying amount £m
5.625% Sterling fixed rate due 20 October 2051	£750m	817	£750m	823
6.25% Sterling fixed rate due 20 October 2068	£500m	599	£500m	600
6.50% US Dollar fixed rate due 20 October 2048	\$500m	392	\$500m	433
6.34% Sterling fixed rate due 19 December 2063	£700m	834	£700m	836
5.56% Sterling fixed rate due 20 July 2055	£439m	483	£439m	484
Total subordinated liabilities		3,125		3,176

Subordinated notes issued by the Company rank below its senior obligations and ahead of any preference shares and ordinary share capital.

A description of the key features of each of the Group's subordinated notes as at 30 June 2025 is as follows:

	5.625% Sterling fixed rate	6.25% Sterling fixed rate	6.50% US Dollar fixed rate	6.34% Sterling fixed rate	5.56% Sterling fixed rate
Principal amount	£750m	£500m	\$500m	£700m	£439m ⁱ
Issue dateⁱⁱ	3 October 2018	3 October 2018	3 October 2018	16 December 2013 (amended 10 June 2019)	9 June 2015 (amended 10 June 2019)
Maturity date	20 October 2051	20 October 2068	20 October 2048	19 December 2063	20 July 2055
Callable at par at the option of the Company from	20 October 2031 (and each semi-annual interest payment date thereafter)	20 October 2048 (and each semi-annual interest payment date thereafter)	20 October 2028 (and each semi-annual interest payment date thereafter)	19 December 2043 (and each semi-annual interest payment date thereafter)	20 July 2035 (and each semi-annual interest payment date thereafter)
Solvency II own funds treatment	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2

ⁱ On 19 June 2024 the Group completed a repurchase of £161m of 5.56% sterling fixed rate subordinated notes for a consideration of £150m.

ⁱⁱ The subordinated notes were originally issued by Prudential plc rather than by the Company.

As at 30 June 2025, the principal amount of all subordinated liabilities has a contractual maturity of more than 12 months and accrued interest of £32m (31 December 2024: £33m) is expected to be settled within 12 months.

13 Subordinated liabilities and other borrowings (continued)

13.1 Subordinated liabilities (continued)

The following table reconciles the movement in subordinated liabilities in the period:

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
At 1 January	3,176	3,676	3,676
Amortisation ⁱ	(14)	(44)	(58)
Foreign exchange movements	(37)	4	8
Repurchases and redemptions	—	(150)	(450)
At end of period	3,125	3,486	3,176

ⁱ Included within amortisation for the six months ended 30 June 2024 and the year ended 31 December 2024 is £29m attributable to the cancellation of the £161m of 5.56% sterling fixed rate subordinated notes repurchased on 19 June 2024 for a consideration of £150m.

On 19 June 2024 the Group completed a repurchase of £161m of 5.56% sterling fixed rate subordinated notes for a consideration of £150m. On 20 July 2024, the Group redeemed, at par, £300m 3.875% sterling fixed rate subordinated loan notes. These notes were issued on 10 July 2019 with a maturity date of 20 July 2049.

The amortisation of premium on the subordinated notes based on an Effective Interest Rate (EIR) and the foreign exchange movement on the translation of the subordinated liabilities denominated in US dollar are both non-cash items.

14 Fair value methodology

14.1 Determination of fair value hierarchy

The fair values of assets and liabilities for which fair valuation is required under IFRS are determined by the use of current market bid prices for exchange-quoted investments, by using quotations from independent third parties such as brokers and pricing services, or by using appropriate valuation techniques. Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction.

To provide further information on the approach used to determine and measure the fair value of certain assets and liabilities, the following fair value hierarchy categorisation has been used. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 1 principally includes exchange-listed equities, mutual funds with quoted prices, exchange-traded derivatives such as futures and options, and national government bonds, unless there is evidence that trading in a given instrument is so infrequent that the market could not be considered active. It also includes other financial instruments where there is clear evidence that the year-end valuation is based on a traded price in an active market.

Level 2 - inputs other than quoted prices included within level 1 that are observable either directly (ie as prices) or indirectly (ie derived from prices)

Level 2 principally includes corporate bonds and other national and non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts and non-quoted investment funds valued with observable inputs. It also includes investment contract liabilities without DPF valued with observable inputs.

Level 3 - significant inputs for the asset or liability are not based on observable market data (unobservable inputs)

Level 3 principally includes investments in private equity funds, directly held investment properties and investments in property funds which are exposed to bespoke properties or risks and investments which are internally valued or subject to a significant number of unobservable assumptions. It also includes debt securities and loans, which are rarely traded or traded only in privately negotiated transactions and hence where it is difficult to assert that their valuations have been based on observable market data.

14.2 Valuation approach for level 2 assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other national and non-national government debt securities. These assets, in line with market practice, are generally valued using independent pricing services or quotes from third party brokers. These valuations are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades.

Pricing services, where available, are used to obtain third party broker quotes. When prices are not available from pricing services, quotes are sourced directly from brokers. The Group seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability.

Where quotes are sourced directly from brokers, the price used in the valuation is normally selected from one of the quotes based on a number of factors, including the timeliness and regularity of the quotes and the accuracy of the quotes considering the spreads provided. The selected quote is the one which best represents an executable quote for the security at the measurement date.

14 Fair value methodology (continued)

14.3 Level 3 assets and liabilities

Valuation approach for level 3

Investments valued using valuation techniques include financial investments which by nature do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions eg market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option-adjusted spread models and, if applicable, enterprise valuation. These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

Where certain debt securities are valued using broker quotes, adjustments may be required in limited circumstances. This is generally where it is determined that the third-party valuations obtained do not reflect fair value (eg either because the value is stale and/or the values are extremely diverse in range). These are usually securities which are distressed or that could be subject to a debt restructure, or where reliable market prices are no longer available due to an inactive market or market dislocation. In these instances, prices are derived using internal valuation techniques including those described below with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date. The techniques used require a number of assumptions relating to variables such as credit risk and interest rates. Examples of such variables include credit spreads taken from appropriate public comparables. The input assumptions are determined based on the best available information at the measurement dates. Securities valued in such manner are classified as level 3 where these significant inputs are not based on observable market data.

Certain debt securities and commercial loans were valued based on the credit quality of the underlying borrower and allocating an internal credit rating which is unobservable. These debt securities are priced by taking the credit spreads on comparable quoted public debt securities and applying these to the equivalent debt securities, factoring in a specified illiquidity premium. The selection of comparable quoted public debt securities used to determine the credit spread takes into account the internal credit rating, maturity, sector and currency of the debt security.

The fair value estimates are made at a specific point in time, based upon any available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time a significant volume of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses from selling the financial instrument being fair valued. In some cases, the disclosed value cannot be realised in immediate settlement of the financial instrument. In accordance with the Group Risk Framework, the estimated fair value of derivative financial instruments valued internally using standard market practices are subject to assessment against external counterparties' valuations.

The Group's investment properties are valued by professionally qualified external valuers, in accordance with Royal Institution of Chartered Surveyors (RICS) valuation standards, which also reflect considerations within the RICS Guidance Note "Sustainability and ESG in commercial property valuation and strategic advice". An income capitalisation technique is predominantly applied, which calculates the value through the yield and rental value depending on factors such as the lease length, building quality, covenants and location. Typically, the variables used by the external valuers in the valuation are compared to recent transactions with similar features to those being valued, and effectively represent proxies for a range of factors which includes climate risk. For example, the trend is towards greener buildings achieving better rents and yields than comparable buildings, all other factors being equal.

Analysis of internally valued level 3 financial instruments

Level 3 financial assets, net of financial liabilities, which were internally valued as at 30 June 2025 were £6,081m (31 December 2024: £6,510m), representing 4.8% of the total fair-valued financial assets net of financial liabilities (31 December 2024: 5.0%).

Internal valuations are inherently more subjective than external valuations. These internally valued net assets and liabilities primarily consist of the following items:

- Debt securities of £6,894m as at 30 June 2025 (31 December 2024: £7,085m), of which £5,123m (31 December 2024: £5,205m) were valued using discounted cash flow models with an internally developed discount rate. These include senior and junior notes backed by residential ground rents with a carrying value of £1,046m (31 December 2024: £1,077m). The remaining debt securities were valued using other valuation methodologies such as enterprise valuation and estimated recovery.
- Private equity investments in both debt and equity securities of £232m as at 30 June 2025 (31 December 2024: £275m) were valued internally using a discounted cash flow model. The most significant inputs to the valuation are the forecast cash flows of the underlying business, internally derived discount rate, and terminal value assumption, all of which involve significant judgement. The valuation is performed in accordance with International Private Equity and Venture Capital Association valuation guidelines. These investments are held by the Group's consolidated private equity infrastructure funds.
- Equity release mortgage loans of £932m as at 30 June 2025 (31 December 2024: £952m) and a corresponding liability of £217m (31 December 2024: £221m), which were valued internally using discounted cash flow models. The inputs that are most significant to the valuation of these loans are the internally derived discount rate, the current property value, the assumed future property growth and the assumed future annual property rental yields.

14 Fair value methodology (continued)

14.3 Level 3 assets and liabilities (continued)

Analysis of internally valued level 3 financial instruments (continued)

- Liabilities of £4,562m as at 30 June 2025 (31 December 2024: £4,707m), for the third party interest in consolidated funds in respect of the consolidated investment funds, which are non-recourse to the Group. These liabilities were valued by reference to the underlying assets.

Governance of level 3

The Group's valuation policies, procedures and analyses for instruments categorised as level 3 are overseen by management committees as part of the Group's wider governance processes. The procedures undertaken include approval of valuation methodologies, verification processes, and resolution of significant or complex valuation issues. In undertaking these activities, the Group makes use of the extensive expertise of its asset management function. In addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified.

14.4 Fair value hierarchy for assets measured at fair value in the condensed consolidated statement of financial position

The tables below present the Group's assets measured at fair value by level of the fair value hierarchy for each component of business:

	As at 30 June 2025			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
With-profits:				
Investment property	—	—	13,490	13,490
Equity securities and pooled investment funds	37,784	1,340	15,536	54,660
Loans	—	802	2,450	3,252
Debt securities	26,439	17,368	4,567	48,374
Derivative assets	123	1,217	—	1,340
Total with-profits	64,346	20,727	36,043	121,116
Unit-linked:				
Investment property	—	—	102	102
Equity securities and pooled investment funds	10,571	375	83	11,029
Debt securities	1,801	1,604	33	3,438
Derivative assets	8	5	—	13
Total unit-linked	12,380	1,984	218	14,582
Annuity and other long-term business:				
Investment property	—	—	647	647
Equity securities and pooled investment funds	186	84	2	272
Loans	—	—	1,222	1,222
Debt securities	3,501	4,489	3,871	11,861
Derivative assets	—	171	26	197
Total annuity and other long-term business	3,687	4,744	5,768	14,199
Other:				
Equity securities and pooled investment funds	145	—	61	206
Debt securities	590	229	—	819
Derivative assets	—	123	—	123
Total other	735	352	61	1,148
Group:				
Investment property	—	—	14,239	14,239
Equity securities and pooled investment funds	48,686	1,799	15,682	66,167
Loans	—	802	3,672	4,474
Debt securities	32,331	23,690	8,471	64,492
Derivative assets	131	1,516	26	1,673
Total assets at fair value	81,148	27,807	42,090	151,045

14 Fair value methodology (continued)**14.4 Fair value hierarchy for assets measured at fair value in the condensed consolidated statement of financial position (continued)**

	As at 31 December 2024			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
With-profits:				
Investment property	—	—	13,738	13,738
Equity securities and pooled investment funds	35,666	1,373	16,343	53,382
Loans	—	713	2,160	2,873
Debt securities	22,606	25,057	4,484	52,147
Derivative assets	47	707	—	754
Total with-profits	58,319	27,850	36,725	122,894
Unit-linked:				
Investment property	—	—	—	—
Equity securities and pooled investment funds	10,552	430	61	11,043
Debt securities	1,915	2,685	9	4,609
Derivative assets	—	—	—	—
Total unit-linked	12,467	3,115	70	15,652
Annuity and other long-term business:				
Investment property	—	—	647	647
Equity securities and pooled investment funds	180	91	3	274
Loans	—	—	1,262	1,262
Debt securities	3,723	4,629	3,827	12,179
Derivative assets	—	172	26	198
Total annuity and other long-term business	3,903	4,892	5,765	14,560
Other:				
Equity securities and pooled investment funds	128	—	63	191
Debt securities	587	253	—	840
Derivative assets	—	133	—	133
Total other	715	386	63	1,164
Group:				
Investment property	—	—	14,385	14,385
Equity securities and pooled investment funds	46,526	1,894	16,470	64,890
Loans	—	713	3,422	4,135
Debt securities	28,831	32,624	8,320	69,775
Derivative assets	47	1,012	26	1,085
Total assets at fair value	75,404	36,243	42,623	154,270

14 Fair value methodology (continued)

14.5 Fair value hierarchy for liabilities measured at fair value in the condensed consolidated statement of financial position

The table below presents the Group's liabilities measured at fair value by level of the fair value hierarchy:

	As at 30 June 2025			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment contract liabilities without discretionary participation features	—	10,947	—	10,947
Third party interest in consolidated funds	4,196	222	4,925	9,343
Derivative liabilities	50	2,561	11	2,622
Accruals, deferred income and other liabilities	—	—	217	217
Total liabilities at fair value	4,246	13,730	5,153	23,129

	As at 31 December 2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment contract liabilities without discretionary participation features	—	12,144	—	12,144
Third party interest in consolidated funds	4,272	199	5,013	9,484
Derivative liabilities	151	3,039	12	3,202
Accruals, deferred income and other liabilities	—	—	221	221
Total liabilities at fair value	4,423	15,382	5,246	25,051

14.6 Transfers between levels

The Group's policy is to recognise transfers into and transfers out of levels as at the end of each half-year reporting period, except for material transfers, which are recognised as of the date of the event or change in circumstances that caused the transfer. Transfers are deemed to have occurred when there is a material change in the observed valuation inputs or a change in the level of trading activities of the securities.

	For the six months ended 30 June 2025			
	Transfers between levels			
	Equity securities and pooled investments £m	Loans £m	Debt securities £m	Total £m
From level 1 to level 2 ^{i, ii}	—	—	2,048	2,048
From level 1 to level 3 ⁱ	—	—	—	—
From level 2 to level 1 ^{i, ii, iii}	1,163	—	7,263	8,426
From level 2 to level 3 ⁱ	—	2	203	205
From level 3 to level 2 ⁱ	—	31	166	197

	For the year ended 31 December 2024			
	Transfers between levels			
	Equity securities and pooled investments £m	Loans £m	Debt securities £m	Total £m
From level 1 to level 2 ^{i, ii}	70	—	3,652	3,722
From level 1 to level 3 ⁱ	15	—	90	105
From level 2 to level 1 ^{i, ii}	148	—	10,136	10,284
From level 2 to level 3 ⁱ	85	5	606	696
From level 3 to level 2 ⁱ	2	26	768	796

i The transfers in debt securities are in line with the Group's levelling policy during the six months ended 30 June 2025 and year ended 31 December 2024.

ii The transfers in debt securities from level 2 to 1 and level 1 to 2 are primarily driven by movements in liquidity in the bond markets towards the end of the financial period.

iii During the six months ended 30 June 2025, additional information was identified in relation to a number of debt securities with a value of £773m now reflected within level 1.

14 Fair value methodology (continued)

14.7 Reconciliation of movements in level 3 assets and liabilities

The movements during the year of level 3 assets and liabilities held at fair value, excluding assets and liabilities held for sale, are analysed in the tables below:

	For the six months ended 30 June 2025										
	At 1 Jan	Total gains/(losses) recorded in income statement	Foreign exchange	Purchases/other	Sales/other	Transfer to held for sale	Settled	Issued	Transfers into level 3	Transfers out of level 3	At 30 June
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Level 3 assets:											
Investment property	14,385	452	(315)	391	(534)	(140)	—	—	—	—	14,239
Equity securities and pooled investment funds	16,470	196	(778)	900	(1,106)	—	—	—	—	—	15,682
Loans	3,422	86	(108)	605	(304)	—	—	—	2	(31)	3,672
Debt securities	8,320	(147)	(51)	711	(399)	—	—	—	203	(166)	8,471
Derivative assets	26	1	—	—	—	—	(1)	—	—	—	26
Total level 3 assets	42,623	588	(1,252)	2,607	(2,343)	(140)	(1)	—	205	(197)	42,090
Level 3 liabilities:											
Third-party interest in consolidated funds	5,013	(163)	(261)	—	—	—	(166)	464	38	—	4,925
Derivative liabilities	12	(1)	—	—	—	—	—	—	—	—	11
Other financial liabilities	221	2	—	—	—	—	(6)	—	—	—	217
Total level 3 liabilities	5,246	(162)	(261)	—	—	—	(172)	464	38	—	5,153

	For the year ended 31 December 2024										
	At 1 Jan	Total gains/(losses) recorded in income statement	Foreign exchange	Purchases/other	Sales/other	Transfer to held for sale	Settled	Issued	Transfers into level 3	Transfers out of level 3	At 31 December
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Level 3 assets:											
Investment property	15,422	(340)	22	1,083	(1,320)	(482)	—	—	—	—	14,385
Equity securities and pooled investment funds	15,135	(25)	67	1,567	(372)	—	—	—	100	(2)	16,470
Loans	3,161	(71)	12	826	(485)	—	—	—	5	(26)	3,422
Debt securities	8,725	(445)	10	1,630	(1,528)	—	—	—	696	(768)	8,320
Derivative assets	32	(3)	—	—	—	—	(3)	—	—	—	26
Total level 3 assets	42,475	(884)	111	5,106	(3,705)	(482)	(3)	—	801	(796)	42,623
Level 3 liabilities:											
Third party interest in consolidated funds	5,077	(375)	(145)	—	(6)	—	(522)	691	293	—	5,013
Derivative liabilities	13	(1)	—	—	—	—	—	—	—	—	12
Other financial liabilities	239	(5)	—	—	—	—	(13)	—	—	—	221
Total level 3 liabilities	5,329	(381)	(145)	—	(6)	—	(535)	691	293	—	5,246

14 Fair value methodology (continued)

14.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs

Level 3 asset inputs

Where possible, the Group assesses the sensitivity of the fair value of level 3 assets to reasonably possible changes in the most significant unobservable inputs. The most significant unobservable inputs in determining the fair value of level 3 assets are presented within the tables below:

Real estate:

	Property type	Geographical location	Estimated rental value range ⁱ		Equivalent yield range	
			30 June 2025	31 December 2024	30 June 2025	31 December 2024
Investment property	Industrial	UK	£4 to £29	£4 to £29	4.61% to 9.76%	4.67% to 10.64%
		Asia/Pacific	\$82 to \$305	\$68 to \$284	3.10% to 7.50%	3.08% to 7.50%
	Office	UK	£12 to £86	£10 to £64	4.73% to 9.99%	4.73% to 10.52%
		Asia/Pacific	\$435 to \$1,187	\$396 to \$1,096	2.89% to 7.50%	2.87% to 7.50%
		North America	\$47	\$48	8.51%	8.00%
	Residential	UK	£19 to £96	£8 to £97	4.25% to 6.02%	4.25% to 8.00%
		Europe	€203 to €329	€209 to €329	3.65% to 4.90%	3.65% to 4.90%
		Asia/Pacific	\$220 to \$877	\$197 to \$266	3.47% to 8.25%	3.46% to 4.55%
	Retail	UK	£8 to £47	£10 to £55	4.74% to 8.00%	4.73% to 10.52%
		Asia/Pacific	\$353 to \$1,974	\$328 to \$1,808	6.75% to 8.50%	6.75% to 8.50%
	Other ⁱⁱ	UK	£14 to £168	£8 to £168	5.50% to 6.42%	5.49% to 6.50%
		Asia/Pacific	\$186 to \$203	\$180 to \$194	8.00%	8.00%

i The average estimated rental value for the UK and North America is quoted per square foot, whilst the average estimated rental value for Europe and Asia/Pacific is quoted per square metre in line with local practice.

ii Property type other represents hotels and student accommodation.

Other assets:

	Unobservable input	30 June 2025	31 December 2024
Retail income strips	Discount rate	2.22% to 6.67%	2.11% to 6.41%
	Illiquidity premium	2.96%	2.76%
Equity release mortgages	Total portfolio property value	£2.7bn	£2.8bn
	Assumed property growth rate	Risk free + 1.10%	Risk free + 1.10%
Private placement loans ⁱ	<i>Credit risk premium:</i>		
	AAA to BBB+	0.49% to 3.06%	0.32% to 3.07%
	BBB to BB	0.45% to 5.66%	0.45% to 6.11%
Infrastructure fund investments	Discount rate	10.00% to 12.00%	9.30% to 12.00%

i Note on residential ground rent assets.

Included within private placement loans are senior and junior notes backed by residential ground rents with a carrying value of £1,046m (31 December 2024: £1,077m), of which £721m are held in the shareholder-backed fund (31 December 2024: £743m).

As noted in the Draft Leasehold and Commonhold Reform Bill included in the King's Speech on 17 July 2024, potential future legislative change may result in a significant reduction in the cash flows that can be generated from these assets, although the eventual outcome is still uncertain. Furthermore, there is ongoing legislative and legal uncertainty around the abolition of marriage values (the linking of ground rents to increase in property values).

These uncertainties have been captured in the valuation through the application of probability weightings to plausible scenarios relevant to the matter, and in prior periods through the downgrade of certain senior notes. The credit ratings of the portfolio range between A+ and BBB (31 December 2024: A+ and BBB). In addition, an incremental illiquidity spread of 0.30% (31 December 2024: 0.30%) above the comparable spread implied by the rating has been applied to reflect the compensation that a market participant would require at the reporting date due to the uncertainty in future values.

14 Fair value methodology (continued)

14.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs (continued)

The table below provides a breakdown of assets within the level 3 fair value hierarchy by investment type, the sensitivity of the fair value to the possible changes in the most significant unobservable inputs, and the impact on IFRS profit/(loss) after tax and shareholders' equity for those held within the shareholder-backed funds.

As at 30 June 2025							
	Fair value £m	Held in shareholder-backed funds £m	Valuation technique	Most significant unobservable input	Sensitivity	Change in fair value £m	Impact on IFRS profit after tax and shareholders' equity ⁱ £m
Investment property							
Property in use	14,055	747	Income capitalisation and other ⁱⁱⁱ	Equivalent yield	Increase by 50bps	(1,219)	(50)
					Decrease by 50bps	1,518	62
				Estimated rental value	Increase by 10%	1,173	48
					Decrease by 10%	(1,133)	(46)
Property under development	184	1		Development cost	Increase by 10%	55	—
					Decrease by 10%	(55)	—
Loans							
Equity release mortgages ^{iv}	932	932	Discounted cash flow ^v	Illiquidity premium	Increase by 50bps	(45)	(34)
					Decrease by 50bps	48	36
				Current property value	Increase by 10%	31	23
					Decrease by 10%	(40)	(30)
				Assumed annual property growth rate	Increase by 100bps	60	45
					Decrease by 100bps	(87)	(65)
				Assumed annual property rental yield	Increase by 100bps	(50)	(37)
					Decrease by 100bps	43	32
Other mortgage and retail loans	738	—	Broker quotes ^{vi}	Broker quotes	Increase by 10%	74	—
					Decrease by 10%	(74)	—
Other commercial loans	2,002	291	Broker quotes ^{vi}	Broker quotes	Increase by 10%	200	22
					Decrease by 10%	(200)	(22)
Equity securities and pooled investment funds	15,562	146	Net asset statements	Net asset value	Increase by 10%	1,556	11
					Decrease by 10%	(1,556)	(11)
Infrastructure fund investments ^{vii}	232	—	Discounted cash flow ^{viii}	Discount rate	Increase by 10%	(20)	—
					Decrease by 10%	27	—
Debt securities							
Private placement loans ^{ix}	4,855	2,828	Discounted cash flow ^x	Discount rate	Increase by 50bps	(218)	(95)
					Decrease by 50bps	237	103
Retail income strips	268	234	Discounted cash flow ^x	Discount rate	Increase by 50bps	(15)	(10)
					Decrease by 50bps	17	11
Unquoted corporate bonds	3,236	842	Broker quotes ^{vi} , enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	324	63
					Decrease by 10%	(324)	(63)
Derivative assets	26	26	Discounted cash flow	Discount rate	Increase by 50bps	—	—
					Decrease by 50bps	—	—
Total level 3	42,090	6,047					

14 Fair value methodology (continued)

14.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs (continued)

As at 31 December 2024								
	Fair value £m	Held in shareholder-backed funds £m	Valuation technique	Most significant unobservable input	Sensitivity	Change in fair value £m	Impact on IFRS profit after tax and shareholders' equity¹ £m	
Investment property								
Property in use (restated)ⁱⁱ	14,199	647	Income capitalisation and otherⁱⁱⁱ	Equivalent yield	Increase by 50bps	(1,227)	(43)	
					Decrease by 50bps	1,489	52	
				Estimated rental value	Increase by 10%	1,141	40	
					Decrease by 10%	(1,107)	(39)	
Property under development (restated)ⁱⁱ	186	—		Development cost	Increase by 10%	53	—	
					Decrease by 10%	(53)	—	
Loans								
Equity release mortgagesⁱᵛ	952	952	Discounted cash flowᵛ	Illiquidity premium	Increase by 50bps	(49)	(36)	
					Decrease by 50bps	52	39	
				Current property value	Increase by 10%	31	24	
					Decrease by 10%	(41)	(30)	
				Assumed annual property growth rate	Increase by 100bps	65	49	
					Decrease by 100bps	(95)	(71)	
				Assumed annual property rental yield	Increase by 100bps	(53)	(39)	
					Decrease by 100bps	46	35	
Other mortgage and retail loans	826	—	Broker quotesⁱᵛ	Broker quotes	Increase by 10%	83	—	
					Decrease by 10%	(83)	—	
Other commercial loans	1,644	311	Broker quotesⁱᵛ	Broker quotes	Increase by 10%	164	23	
					Decrease by 10%	(164)	(23)	
Equity securities and pooled investment funds		16,359	127	Net asset statements	Net asset value	Increase by 10%	1,636	10
						Decrease by 10%	(1,636)	(10)
Infrastructure fund investmentsⁱᵛⁱ		275	—	Discounted cash flowⁱᵛⁱⁱ	Discount rate	Increase by 10%	(26)	—
						Decrease by 10%	31	—
Debt securities								
Private placement loansⁱˣ	4,942	2,912	Discounted cash flowˣ	Discount rate	Increase by 50bps	(242)	(107)	
					Decrease by 50bps	302	133	
Retail income strips	263	227	Discounted cash flowˣ	Discount rate	Increase by 50bps	(12)	(8)	
					Decrease by 50bps	14	9	
Unquoted corporate bonds	2,951	696	Broker quotesⁱᵛ, enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	295	52	
					Decrease by 10%	(295)	(52)	
Derivative assets		26	26	Discounted cash flow	Discount rate	Increase by 50bps	—	—
						Decrease by 50bps	—	—
Total level 3		42,623	5,898					

i Of the £6,047m (31 December 2024: £5,898m) of level 3 assets held in shareholder-backed funds, £218m (31 December 2024: £70m) is held by unit-linked business. These assets are included in the analysis presented however, as the investment risk is borne by the unit-linked policyholders, there is no impact on IFRS profit/(loss) after tax and shareholder's equity.

ii Following a review of the categorisation of investment property as at 31 December 2024, £340m of property previously recognised in property under development has been reclassified to property in use, to better reflect the nature of the property. There was no impact on balances held in shareholder-backed funds.

iii Property in use which is valued using a valuation technique other than income capitalisation is not considered to be material.

iv The equity release mortgages have a no-negative equity guarantee (NNEG) that caps the loan repayment in the event of death, or entry into long-term care, to be no greater than the proceeds from the sale of the property that the loans are secured against. The value of the NNEG, which is recognised as a deduction from the value of the loans, is based on a Black-Scholes option pricing valuation utilising a real-world approach and is estimated using assumptions, including future property growth rate and property price volatility.

14 Fair value methodology (continued)

14.8 Sensitivity of the fair value of level 3 instruments to changes in significant inputs (continued)

- v The equity release mortgage loans of £932m as at 30 June 2025 (31 December 2024: £952m) and a corresponding liability of £217m (31 December 2024: £221m) were valued internally using discounted cash flow models. Future cash flows are estimated based on assumptions, including prepayment, death and entry into long-term care, and discounted using an appropriate discount rate, which references market rates for equity release mortgage loans.
- vi Quotes received from an external pricing service.
- vii Infrastructure fund investments comprises £120m (31 December 2024: £111m) of equity securities and pooled investment funds and £112m (31 December 2024: £164m) of debt securities. These investments are valued in accordance with the International Private Equity and Venture Association valuation guidelines (latest edition December 2022). Valuations are also benchmarked against comparable infrastructure fund transactions. The discount rate is made up of cash flows from dividends due in respect of the equity investments and principal and interest from loan notes in respect of debt investments.
- viii These investments are valued in accordance with the International Private Equity and Venture Association valuation guidelines (latest edition December 2022). Valuations are also benchmarked against comparable infrastructure transactions. The discount rate is made up of cash flows from dividends due in respect of the equity investments and principal and interest from loan notes in respect of debt investments.
- ix Included within private placement loans is senior and junior notes backed by residential ground rent assets with a carrying value of £1,046m of which £721m were held in the shareholder-backed fund (31 December 2024: £1,077m of which £743m in the shareholder-backed fund) which may be impacted by potential future legislative change as mentioned in other assets level 3 inputs.
- x The discount rate is made up of a risk-free rate and a credit spread. The risk-free rate is taken from an appropriate gilt of comparable duration and the spread is taken from a basket of comparable securities.

14.9 Unrealised gains and losses in respect of level 3 assets and liabilities

Unrealised gains and losses recognised in the condensed consolidated income statement in relation to assets and liabilities classified as level 3 are analysed as follows:

	For the six months ended 30 June		For the year ended 31 December
	2025	Restated ⁱ 2024	2024
	£m	£m	£m
Investment property	410	(56)	(317)
Equity securities and pooled investment funds ⁱ	362	(48)	219
Loans	71	10	(70)
Debt securities	(127)	(151)	(581)
Third party interest in consolidated funds ⁱ	163	197	371
Derivatives	1	(5)	(5)
Other financial liabilities	(2)	4	5
Total	878	(49)	(378)

- i Following a review of the Group's presentation on the levelling of equity securities and pooled investment funds and third party interest in consolidated funds, comparative amounts have been restated from those previously reported. The restatement results in a £37m reduction in equity securities and pooled investment funds and a £12m reduction in third party interest in consolidated funds.

14.10 Fair value of assets and liabilities at amortised cost

The tables below show the fair value of assets and liabilities carried at amortised cost on the condensed consolidated statement of financial position where the fair value does not approximate the carrying value:

	As at 30 June 2025			Total fair value £m	Total carrying value £m
	Level 1 £m	Level 2 £m	Level 3 £m		
Liabilities:					
Subordinated liabilities and other borrowings	—	5,577	305	5,882	6,352

	As at 31 December 2024			Total fair value £m	Total carrying value £m
	Level 1 £m	Level 2 £m	Level 3 £m		
Liabilities:					
Subordinated liabilities and other borrowings	—	5,608	339	5,947	6,486

The estimated fair value of subordinated liabilities are based on the quoted market offer price. The fair value of other borrowings in the tables above have been estimated from the discounted cash flows expected to be received or paid. Where appropriate, an observable market interest rate has been used and the assets and liabilities are classified within level 2. Otherwise, they are included as level 3.

15 Contingencies and related obligations

15.1 Litigation, tax and regulatory matters

In addition to the matters set out in Note 7.2 regarding the portfolio dividend tax litigation, the Group is involved in various litigation and regulatory issues. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Directors believe that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

15.2 Guarantees

Guarantee funds provide for payments to be made to policyholders on behalf of insolvent life insurance companies and are financed by payments levied on solvent insurance companies based on location, volume and types of business. The estimated reserve for future guarantee fund assessments is not significant, and adequate reserves are available for all anticipated payments for known insolvencies.

M&G plc acts as guarantor for certain property leases where a Group company is a lessee. The most material of these is the guarantee provided in respect of the 10 Fenchurch Avenue lease between Saxon Land B.V. and M&G Corporate Services Limited.

The Group has also received guarantees in respect of subleasing arrangements, entered into in the normal course of business.

On acquisition of a controlling interest in MandG Investments Southern Africa (Pty) Limited (MGSA), M&G Group Limited provided a guarantee in respect of an existing loan facility between Thesele, the seller of MGSA, and Nedbank, a third party bank amounting to ZAR 220m. The guarantee is secured on 7% of the shares that Thesele retains in MGSA.

M&G Group Regulated Entity Holding Company Limited is guarantor for the obligations of M&G Corporate Services Limited to make payments under the Scottish Amicable Staff Pension Scheme.

The Group has also provided other guarantees and commitments to third parties entered into in the normal course of business, but the Group does not consider that these would result in a significant unprovisioned loss.

15.3 Support for the With-Profits Fund by shareholders

PAC is liable to meet its obligations to with-profits policyholders even if the assets of the with-profits sub-funds are insufficient to do so. The assets in excess of amounts expected to be paid for future terminal bonuses and related shareholder transfers ('the excess assets') in the with-profits sub-funds could be materially depleted over time by, for example, a significant or sustained equity market downturn. In the unlikely circumstance that the depletion of the excess assets within the with-profits sub-funds was such that the Group's ability to satisfy policyholders' reasonable expectations was adversely affected, it might become necessary to restrict the annual distribution to shareholders or to contribute shareholders' funds to the with-profits sub-funds to provide financial support.

There are a number of additional arrangements between the shareholder and the With-Profits Fund as follows:

- The With-Profits Fund contributed to the costs of establishing the Polish branch of PAC, and receives repayment through income from charges levied on the business. There is an obligation on the shareholders to ensure that the With-Profits Fund will be repaid in full with interest, and an amount is recognised for the estimated cost to the shareholder of any shortfall at the end of the term of the agreement. The policyholders' share of the impact is included in the insurance contract liabilities for the With-Profits Fund, with changes in value recognised in finance expenses from insurance contracts issued in the condensed consolidated income statement. The amount held within insurance contract liabilities is £26m as at 30 June 2025 (31 December 2024: £55m).
- Part of the acquisition costs incurred in the early years of M&G Wealth Advice Limited were funded by the With-Profits Fund. In return, M&G Wealth Advice Limited is required to deliver cost savings to the With-Profits Fund. In the event of closure of M&G Wealth Advice Limited or, the cost savings not being delivered and M&G Wealth Advice Limited stops writing new business, the shareholder will reimburse the With-Profits Fund for any remaining shortfall. The time period for repayment is not defined.
- Transformation costs associated with with-profits new business will be recovered in the pricing of future new business (subject to a shareholder underpin whereby the shareholder will compensate the With-Profits Fund if any of these costs are not fully recovered at the end of the term of the agreement). The policyholders' share of the impact is included in the insurance contract liabilities for the With-Profits Fund, with changes in value recognised in finance income or expenses from insurance contracts issued in the condensed consolidated income statement. The amount held within insurance contract liabilities is £15m as at 30 June 2025 (31 December 2024: £15m).
- PAC undertook a project to rationalise fund structures (The Target Investment Model programme) by combining existing, smaller funds with the main with-profits asset share fund in a fund umbrella structure. This initiative was expected to yield withholding tax benefits for the business over time. If the expected benefits did not materialise to the With-Profits Fund, the shareholder was committed to compensating the fund for any implementation costs borne that were not fully recouped. The assessment period for the underpin arrangement was five years, running to the end of 2025. As at 31 December 2024, the underpin ceased as the benefits have now materialised, however a review will be required until the end of 2028 to determine if the recognised tax benefits have been reversed, potentially necessitating the reactivation of the underpin.
- PAC has priced new with-profits business on a basis that is expected to be financially self-supporting or, where this has not been the case, the shareholder is required to cover the cost (known as the New Business Supportability Test (NBST)). The policyholders' share of the impact is included in the insurance contract liabilities, with changes in value recognised in finance expenses from insurance contracts issued in the condensed consolidated income statement. The amount held within insurance contract liabilities is £5m as at 30 June 2025 (31 December 2024: £13m).

15 Contingencies and related obligations (continued)

15.3 Support for the With-Profits Fund by shareholders (continued)

The following matters are of relevance with respect to the With-Profits Fund:

15.3.1 Pension mis-selling review

The Pensions mis-selling review covers customers who were sold personal pensions between 29 April 1988 and 30 June 1994, and who were advised to transfer out, not join, or opt out of their employer's Defined Benefit Pension Scheme. During the initial review some customers were issued with guarantees that redress will be calculated on retirement or transfer of their policies. The provision continues to cover these clients. The expense to cover these customers is recognised within insurance contract liabilities.

While PAC believed it met the requirements of the FSA (the UK insurance regulator at that time) to issue offers of redress to all impacted customers by 30 June 2002, there is a population of customers who, while an attempt was made at the time to invite them to participate in the review, may not have received their invitation. These customers have been re-engaged, to ensure they have the opportunity to take part in the review. The liability also covers this population. Currently, an expense amounting to £115m as at 30 June 2025 (31 December 2024: £122m) is being held in relation to this within insurance contract liabilities.

The key assumptions underlying the liability are:

- Average cost of redress per customer; and
- Proportion of liability (reserve rate) held for soft close cases (where all reasonable steps have been taken to contact the customer but the customer has not engaged with the review).

Sensitivities of the value of the liability to a change in assumptions are as follows:

Assumption	Change in assumption	As at 30 June 2025	As at 31 December 2024
		£m	£m
Average cost of redress	Increase/decrease by 10%	+/-5	+/-5
Reserve rate for soft closed cases	Increase/decrease by 10%	+/-31	+/-31

Changes in the value of the pension mis-selling liability would not immediately impact profit or loss as the changes would be offset by changes in the allowance for mutualisation and the CSM.

Costs arising from this review are met by the excess assets of the With-Profits Sub-Fund (WPSF) and hence have not been charged to the asset shares used in the determination of policyholder bonus rates. An assurance was given that these deductions from excess assets would not impact PAC's bonus or investment policy for policies within the WPSF that were in force at 31 December 2003. This assurance does not apply to new business since 1 January 2004. In the unlikely event that such deductions would affect the bonus or investment policy for the relevant policies, the assurance provides that support would be made available to the sub-fund from PAC's shareholder resources for as long as the situation continued, so as to ensure that PAC's policyholders were not disadvantaged. PAC's comfort in its ability to make such support available was supported by related intra-group arrangements between Prudential plc and PAC, which formalised the circumstances in which capital support would be made available to PAC by Prudential plc. These intra-group arrangements terminated on 21 October 2019, following the demerger of M&G plc from Prudential plc, at which time intra-group arrangements formalising the circumstances in which M&G plc would make capital support available to PAC became effective.

15.3.2 With-profits options and guarantees

Certain policies within the With-Profits Fund give potentially valuable guarantees to policyholders, or options to change policy benefits which can be exercised at the policyholders' discretion. These options and guarantees are valued as part of the policyholder liabilities. Please refer to Note 11 for further details on these options and guarantees.

16 Related party transactions

The nature of the related party transactions of the Group has not changed from those described in the Group's consolidated financial statements as at 31 December 2024.

There have been no related party transactions in the six months to 30 June 2025 which have had a material effect on the results or financial position of the Group.

17 Post balance sheet events

There have been no significant events after the reporting period.

Supplementary information

Supplementary information

S.1 Alternative performance measures

Overview of the Group's key performance measures

The Group measures its financial performance using a number of key performance measures (KPMs). The Group also uses a number of alternative performance measures (APMs), which are most commonly derived from the financial statements prepared in accordance with the IFRS financial reporting framework or the Solvency II requirements, but are not defined under IFRS or Solvency II. The APMs are used to complement and not to substitute the disclosures prepared in accordance with IFRS and Solvency II, and provide additional information on the long-term performance of the Group.

A list of the APMs used by the Group along with their definitions and how they can be reconciled to the nearest IFRS or Solvency II measure, where applicable, is provided in the table below. All information included in this section does not form part of the independent review performed by the external auditors. The Group's KPMs are summarised below, along with which of these measures are considered APMs by the Group.

Key performance measure	Type	Definition
Assets under management and administration (AUMA)	APM, KPM	<p>Closing AUMA represents the total market value of all assets managed, administered or advised on behalf of clients at the end of each financial period and is a key indicator of the scale of the business. Assets managed by the Group include those managed on behalf of our institutional and wholesale clients.</p> <p>Assets administered by the Group include assets for which we provide investment management services, in addition to assets we administer where the client has elected to invest in a third party investment manager.</p> <p>Assets under advice are advisory portfolios where clients receive investment recommendations such as strategic asset allocation and model portfolios but retain discretion over executing the advice.</p> <p>AUMA includes assets recognised on the condensed consolidated statement of financial position, together with certain assets managed and/or administered by the Group belonging to external clients not included within the consolidated statement of financial position and, as a result, this measure is not directly reconcilable to the financial statements.</p>
Net flows from open business	APM, KPM	<p>Net flows from open business consists of net client flows from Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business.</p>
Adjusted operating profit before tax	APM, KPM	<p>Adjusted operating profit (AOP) before tax is one of the Group's non-GAAP alternative performance measures, which complement the IFRS GAAP measures, and is useful as it allows a deeper understanding of performance over time. It is therefore key to decision-making and the internal performance management of our operating segments.</p> <p>Certain adjustments that are considered to be non-recurring or strategic, or due to short-term movements not reflective of longer-term performance, are made to the IFRS result before tax to determine adjusted operating profit before tax. Adjustments are in respect of short-term fluctuations in investment returns, mismatches arising on the application of IFRS 17, costs associated with fundamental Group-wide restructuring and transformation, profits or losses arising on corporate transactions, impairment and amortisation in respect of acquired intangible assets, and, where relevant, profit/(loss) from discontinued operations. Included in AOP before tax are the results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC which are eliminated from the IFRS result before tax on consolidation. AOP before tax for the Life segment does not include the impact of any margins on investment management fee earned by other Group entities and these are recognised in the Asset Management segment as they emerge.</p> <p>The AOP methodology is described in Note 3.2, along with a reconciliation of AOP before tax to the IFRS result after tax.</p>

Supplementary information (continued)

S.1 Alternative performance measures (continued)

Overview of the Group's key performance measures (continued)

Key performance measure	Type	Definition
Operating change in Contractual Service Margin (CSM)	APM, KPM	<p>Operating change in CSM is an APM introduced on the adoption of IFRS 17 in 2023 and supplements the AOP metric for the Life segment.</p> <p>Operating change in CSM represents changes resulting from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches arising on the adoption of IFRS 17 and restructuring costs. The impact on these items also includes the intercompany buy-in transaction, consistent with AOP.</p> <p>For the Variable Fee Approach business, operating change in CSM does not include the variance between long-term expected returns and actual returns and the impact of the mismatch arising on the application of the General Measurement Model to the non-profit business written in the With-Profits Fund, similar to the methodology for AOP.</p> <p>The APM is a useful measure of economic value generated as it includes the impact of new business and management actions taken during the year, which are not included in AOP.</p>
IFRS result after tax	KPM	IFRS result after tax demonstrates to our shareholders the financial performance of the Group during the relevant period on an IFRS basis.
Underlying capital generation	APM	For insurance entities and their underlying subsidiaries, underlying capital generation includes the expected Solvency II surplus capital generated from in-force business and the impact of writing new life insurance business. For non-insurance entities, underlying capital generation is equal to adjusted operating profit before tax, with certain adjustments made in respect of items that do not reflect the underlying result. It also includes other items such as head office expenses and debt interest costs that contribute to the underlying capital position of the business.
Operating capital generation	APM, KPM	Operating capital generation is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs. Management use this as an indicator on the longer-term components of the movements in the Group's surplus capital as it is less affected by short-term market volatility and non-recurring items as total capital generation.
Total capital generation	APM, KPM	Total capital generation measures the change in surplus capital during the period, before dividends and capital movements, and capital generated from discontinued operations. Management consider it to be integral to the running and monitoring of the business, our decisions on capital allocation and investment, and ultimately our dividend policy. Surplus capital is the amount by which eligible own funds exceed SCR under Solvency II.
Shareholder Solvency II coverage ratio	APM, KPM	<p>Management focuses on a shareholder view of the Solvency II coverage ratio, which is considered to provide a more useful reflection of the capital strength of the Group. The shareholder view includes future with-profits shareholder transfers, but excludes the shareholders' share of the ring-fenced with-profits estate.</p> <p>The regulatory Solvency II capital position considers the Group's overall own funds and solvency capital requirement (SCR).</p> <p>The shareholder Solvency II coverage ratio is the ratio of own funds to SCR, excluding the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund. Own funds assume transitional measures on technical provisions which have been recalculated using management's estimate of the impact of operating and market conditions at the valuation date. Both the shareholder view and the regulatory view reflect eligible own funds, in line with the thresholds set by the regulator that set out how much capital of each tier can be used to demonstrate solvency.</p>

Supplementary information (continued)

S.2 Adjusted operating profit before tax

(i) Reconciliation of adjusted operating profit/(loss) before tax by segment to IFRS profit before tax

	For the six months ended 30 June		For the year ended 31 December
	2025	2024 ⁱ	2024
	£m	£m	£m
Asset Management	128	129	289
Life	344	340	746
Corporate Centre	(94)	(94)	(198)
Total segmented adjusted operating profit before tax	378	375	837
Short-term fluctuations in investment returns	(12)	(284)	(643)
Mismatches arising on application of IFRS 17	2	(119)	(333)
Amortisation and impairment of intangible assets acquired in business combinations	(11)	(19)	(115)
Profit on disposal of business and corporate transactions	5	11	11
Restructuring costs and other	(37)	(29)	(106)
IFRS profit/(loss) before tax and non-controlling interests attributable to equity holders	325	(65)	(349)
IFRS profit attributable to non-controlling interests	8	8	17
IFRS profit/(loss) before tax attributable to equity holders	333	(57)	(332)

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre for the six months ended 30 June 2024 have been restated to reflect the revised segments and the adjustment of some advice-related costs.

(ii) Adjusted operating profit/(loss) before tax by segment and source

	For the six months ended 30 June		For the year ended 31 December
	2025	2024 ⁱ	2024
	£m	£m	£m
Fee-based revenue	521	512	1,043
Asset Management operating expenses	(388)	(388)	(774)
Investment return	3	13	36
Adjusted operating profit attributable to non-controlling interests	(8)	(8)	(16)
Total Asset Management	128	129	289
With-profits: PruFund	112	98	226
With-profits: traditional	120	108	222
Shareholder annuities	113	132	308
Other Life	(1)	2	(10)
Total Life	344	340	746
Corporate Centre	(94)	(94)	(198)
Adjusted operating profit before tax	378	375	837

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre for the six months ended 30 June 2024 have been restated to reflect the revised segments and the adjustment of some advice-related costs.

Supplementary information (continued)

S.2 Adjusted operating profit before tax (continued)

(ii) Adjusted operating profit/(loss) before tax by segment and source (continued)

Adjusted operating profit/(loss) before tax arising from with-profits business is further analysed below:

	For the six months ended 30 June				For the year ended 31 December	
	2025		2024		2024	
	Traditional £m	PruFund £m	Traditional £m	PruFund £m	Traditional £m	PruFund £m
CSM release ⁱ	107	110	90	103	198	221
Expected return on excess assets	15	5	18	9	36	18
Other	(2)	(3)	—	(14)	(12)	(13)
With-profits	120	112	108	98	222	226

i The CSM release for the with-profits business is included on an expected basis, calculated as the CSM at start of the period updated to reflect long-term expected investment returns, including the CSM generated on expected new business over the period, multiplied by the expected amortisation factor for the period.

Adjusted operating profit/(loss) before tax arising from shareholder annuities is further analysed in the table below:

	For the six months ended 30 June		For the year ended 31 December
	2025	2024	2024
	£m	£m	£m
Expected return on excess assets	61	74	147
CSM release	55	48	113
Risk adjustment unwind	10	9	21
Asset trading and portfolio management actions	6	3	—
Experience variances	(19)	(2)	2
Other provisions and reserves	—	—	25
Shareholder annuities	113	132	308

S.3 Operating change in Contractual Service Margin (CSM)

The CSM balances disclosed in Note 11 include the CSM attributable to policyholders arising from non-profit annuities written in the With-Profits Fund and the CSM in respect of M&G Group Limited (MGG) future profits from the management of PAC assets that arises on consolidation of the Group entities. The change during the period in the CSM attributable to policyholders and the CSM from the MGG future profits from the management of PAC assets is not included in operating change in CSM and is included in non-operating and other changes in the CSM.

The CSM arising on the underlying products based on the actual investment management charges applied to the policies and excluding the CSM attributable to policyholders is shown in the tables below. The amortisation factor for the CSM release each year is applied to the CSM in the table. Operating change in CSM and reconciliation to total CSM is further analysed in the tables below:

	With-profits: PruFund	With-profits: Traditional	Shareholder annuities	Other Life	Total (before policyholder and group adjustments)	Policyholder and group adjustments	Total
	2025	2025	2025	2025	2025	2025	2025
	£m	£m	£m	£m	£m	£m	£m
For the six months ended 30 June							
Opening CSM	1,771	1,588	1,380	175	4,914	1,119	6,033
Interest accreted on the CSM	72	72	17	3	164	—	164
Expected return in excess of risk-free on CSM	83	63	—	—	146	—	146
Release of CSM to adjusted operating profit	(110)	(107)	(55)	(8)	(280)	—	(280)
New business ⁱ	45	2	7	5	59	—	59
Assumption changes and variances	7	(13)	(18)	—	(24)	—	(24)
Operating change in CSM	97	17	(49)	—	65	—	65
Market and other impacts ⁱⁱ	(75)	(35)	(2)	13	(99)	41	(58)
Release of CSM to non-operating	(2)	(9)	—	(3)	(14)	(59)	(73)
Non-operating and other changes in CSM	(77)	(44)	(2)	10	(113)	(18)	(131)
Closing CSM	1,791	1,561	1,329	185	4,866	1,101	5,967

Supplementary information (continued)

S.3 Operating change in Contractual Service Margin (CSM) (continued)

	With- profits: PruFund	With- profits: Traditional	Shareholder annuities	Other Life	Total (before policyholder and group adjustments)	Policyholder and group adjustments	Total
	2024	2024	2024	2024	2024	2024	2024
For the six months ended 30 June	£m	£m	£m	£m	£m	£m	£m
Opening CSM	1,721	1,342	1,221	187	4,471	1,012	5,483
Interest accreted on the CSM	71	71	16	4	162	—	162
Expected return in excess of risk-free on CSM	88	66	—	—	154	—	154
Release of CSM to adjusted operating profit	(103)	(90)	(48)	(8)	(249)	—	(249)
New business ⁱ	34	—	6	6	46	—	46
Assumption changes and variances	(16)	(1)	2	1	(14)	—	(14)
Operating change in CSM	74	46	(24)	3	99	—	99
Market and other impacts ⁱⁱ	107	105	(5)	1	208	59	267
Release of CSM to non-operating	(13)	(15)	—	(3)	(31)	(53)	(84)
Non-operating and other changes in CSM	94	90	(5)	(2)	177	6	183
Closing CSM	1,889	1,478	1,192	188	4,747	1,018	5,765

	With- profits: PruFund	With- profits: Traditional	Shareholder annuities	Other Life	Total (before policyholder and group adjustments)	Policyholder and group adjustments	Total
	2024	2024	2024	2024	2024	2024	2024
For the year ended 31 December	£m	£m	£m	£m	£m	£m	£m
Opening CSM	1,721	1,342	1,221	187	4,471	1,012	5,483
Interest accreted on the CSM	143	140	37	7	327	—	327
Expected return in excess of risk-free on CSM	177	132	—	—	309	—	309
Release of CSM to adjusted operating profit	(221)	(198)	(113)	(17)	(549)	—	(549)
New business ⁱ	71	—	17	12	100	—	100
Assumption changes and variances	(71)	(51)	231	(2)	107	—	107
Operating change in CSM	99	23	172	—	294	—	294
Market and other impacts ⁱⁱ	(32)	244	(13)	(6)	193	231	424
Release of CSM to non-operating	(17)	(21)	—	(6)	(44)	(124)	(168)
Non-operating and other changes in CSM	(49)	223	(13)	(12)	149	107	256
Closing CSM	1,771	1,588	1,380	175	4,914	1,119	6,033

i With-profits: Traditional new business consists of increments on legacy business.

ii Market and other impacts includes measurement mismatches relating to accounting for reinsurance contracts. Note, the year ended 31 December 2024 also includes £144m reallocation from With-profits PruFund to Traditional due to a refinement of the CSM across the two sub-segments.

Supplementary information (continued)

S.4 Assets under management and administration (AUMA) and net client flows

(i) Net client flows

	Net flows from open business			Net flows other			Total net client flows		
	For the six months ended 30 June		For the year ended 31 December	For the six months ended 30 June		For the year ended 31 December	For the six months ended 30 June		For the year ended 31 December
	2025 £bn	2024 £bn	2024 £bn	2025 £bn	2024 £bn	2024 £bn	2025 £bn	2024 £bn	2024 £bn
Institutional Asset Management	1.9	(0.5)	(0.9)	—	—	—	1.9	(0.5)	(0.9)
Wholesale Asset Management	0.7	—	—	—	—	—	0.7	—	—
Total Asset Management	2.6	(0.5)	(0.9)	—	—	—	2.6	(0.5)	(0.9)
With-profits: PruFund	(0.6)	(0.6)	(0.9)	—	—	—	(0.6)	(0.6)	(0.9)
With-profits: traditional	—	—	—	(2.3)	(2.3)	(4.8)	(2.3)	(2.3)	(4.8)
Shareholder annuities	(0.3)	(0.2)	(0.2)	—	—	—	(0.3)	(0.2)	(0.2)
Other Life	0.4	0.2	0.1	(2.3)	(1.3)	(2.8)	(1.9)	(1.1)	(2.7)
Total Life	(0.5)	(0.6)	(1.0)	(4.6)	(3.6)	(7.6)	(5.1)	(4.2)	(8.6)
Corporate assets	—	—	—	—	—	—	—	—	—
Total	2.1	(1.1)	(1.9)	(4.6)	(3.6)	(7.6)	(2.5)	(4.7)	(9.5)

(ii) Detailed AUMA and net client flows

	As at 1 January 2025 £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market/ Other movements £bn	As at 30 June 2025 £bn
For the period ended						
Institutional Asset Management	96.1	9.2	(7.3)	1.9	4.9	102.9
Wholesale Asset Management	62.8	9.5	(8.8)	0.7	1.7	65.2
Other Asset Management	0.9	—	—	—	(0.2)	0.7
Asset Management	159.8	18.7	(16.1)	2.6	6.4	168.8
With-profits: PruFund	64.0	2.8	(3.4)	(0.6)	1.3	64.7
With-profits: traditional	61.6	0.2	(2.5)	(2.3)	5.5	64.8
Shareholder annuities	15.1	0.2	(0.5)	(0.3)	0.4	15.2
Other Life	44.4	1.4	(3.3)	(1.9)	(2.4)	40.1
Lifeⁱ	185.1	4.6	(9.7)	(5.1)	4.8	184.8
Corporate assets	1.0	—	—	—	—	1.0
Totalⁱⁱ	345.9	23.3	(25.8)	(2.5)	11.2	354.6

	As at 1 January 2024 £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market/ Other movements £bn	As at 30 June 2024 £bn
For the period ended						
Institutional Asset Management	98.2	6.8	(7.3)	(0.5)	0.1	97.8
Wholesale Asset Management	55.0	9.5	(9.5)	—	1.1	56.1
Other Asset Management	1.0	—	—	—	—	1.0
Asset Management	154.2	16.3	(16.8)	(0.5)	1.2	154.9
With-profits: PruFund	61.2	2.8	(3.4)	(0.6)	2.3	62.9
With-profits: traditional	65.0	0.1	(2.4)	(2.3)	1.0	63.7
Shareholder annuities	15.8	0.3	(0.5)	(0.2)	(0.4)	15.2
Other Life	46.0	1.9	(3.0)	(1.1)	3.4	48.3
Lifeⁱ	188.0	5.1	(9.3)	(4.2)	6.3	190.1
Corporate assets	1.3	—	—	—	(0.2)	1.1
Total^{ii, iii}	343.5	21.4	(26.1)	(4.7)	7.3	346.1

Supplementary information (continued)

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(ii) Detailed AUMA and net client flows (continued)

	As at 1 January 2024	Gross inflows	Gross outflows	Net client flows	Market/ Other movements	As at 31 December 2024
For the year ended	£bn	£bn	£bn	£bn	£bn	£bn
Institutional Asset Management	98.2	12.7	(13.6)	(0.9)	(1.2)	96.1
Wholesale Asset Management	55.0	17.7	(17.7)	—	7.8	62.8
Other Asset Management	1.0	—	—	—	(0.1)	0.9
Asset Management	154.2	30.4	(31.3)	(0.9)	6.5	159.8
With-profits: PruFund	61.2	5.6	(6.5)	(0.9)	3.7	64.0
With-profits: traditional	65.0	0.2	(5.0)	(4.8)	1.4	61.6
Shareholder annuities	15.8	0.9	(1.1)	(0.2)	(0.5)	15.1
Other Life	46.0	3.6	(6.3)	(2.7)	1.1	44.4
Lifeⁱ	188.0	10.3	(18.9)	(8.6)	5.7	185.1
Corporate assets	1.3	—	—	—	(0.3)	1.0
Totalⁱⁱ	343.5	40.7	(50.2)	(9.5)	11.9	345.9

i £155.6bn of AUMA of Life is managed internally by the Group's Asset Management business (£158.7bn as at 30 June 2024, £156.1bn as at 31 December 2024), includes £nil net transfers to Asset Management (£nil as at 30 June 2024, £3.6bn as at 31 December 2024).

ii £18.4bn of total AUMA relates to assets under advice (30 June 2024: £17.1bn, 31 December 2024: £18.0bn).

iii Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. Comparatives for the six months ended 30 June 2024 are presented on the new segment basis. PruFund includes both UK and non-UK.

(iii) AUMA by asset class

	As at 30 June 2025								
	On-balance sheet AUMA					External AUMA			Total
	With- profits £bn	Unit- linked £bn	Shareholder backed annuities & other long- term business £bn	Corporate assets £bn	Total on- balance sheet £bn	Wholesale £bn	Institutional £bn	Total external £bn	Total AUMA £bn
Investment property	8.8	—	0.6	—	9.4	—	14.7	14.7	24.1
Reinsurance contract assets	—	0.1	1.2	—	1.3	—	—	—	1.3
Equity securities and pooled investment funds	78.5	11.3	0.1	0.1	90.0	37.3	15.6	52.9	142.9
Loans	0.5	—	1.2	—	1.7	—	8.8	8.8	10.5
Debt securities	30.2	1.3	11.9	0.9	44.3	26.2	60.8	87.0	131.3
of which: Corporate	17.8	0.7	8.4	0.9	27.8	14.4	36.3	50.7	78.5
of which: Government	11.6	0.6	3.0	—	15.2	12.0	9.6	21.6	36.8
of which: asset-backed securities (ABS)	0.8	—	0.5	—	1.3	(0.2)	14.9	14.7	16.0
Derivatives ⁱ	0.6	—	(1.4)	0.1	(0.7)	0.2	(0.7)	(0.5)	(1.2)
Deposits ⁱⁱ	8.7	1.5	1.7	—	11.9	—	—	—	11.9
Cash and cash equivalents	1.1	0.3	0.6	0.5	2.5	1.5	3.7	5.2	7.7
Other	1.1	0.1	0.1	0.1	1.4	—	—	—	1.4
Other AUMA	—	—	—	—	—	—	—	24.7	24.7
Totalⁱⁱⁱ	129.5	14.6	16.0	1.7	161.8	65.2	102.9	192.8	354.6

Supplementary information (continued)

S.4 Assets under management and administration (AUMA) and net client flows (continued)

(iii) AUMA by asset class (continued)

	As at 31 December 2024								
	On-balance sheet AUMA					External AUMA			Total
	With-profits £bn	Unit-linked £bn	Shareholder backed annuities & other long-term business £bn	Corporate assets £bn	Total on-balance sheet £bn	Wholesale £bn	Institutional £bn	Total external £bn	Total AUMA £bn
Investment property	8.7	—	0.6	—	9.3	0.1	15.0	15.1	24.4
Reinsurance contract assets	—	0.1	1.2	—	1.3	—	—	—	1.3
Equity securities and pooled investment funds	77.8	11.4	0.1	0.1	89.4	34.9	13.2	48.1	137.5
Loans	0.5	—	1.2	—	1.7	—	8.4	8.4	10.1
Debt securities	31.9	2.5	12.1	0.8	47.3	26.4	55.4	81.8	129.1
<i>of which: Corporate</i>	19.0	1.5	8.4	0.8	29.7	14.2	34.6	48.8	78.5
<i>of which: Government</i>	12.1	1.0	3.2	—	16.3	12.9	9.3	22.2	38.5
<i>of which: ABS</i>	0.8	—	0.5	—	1.3	(0.7)	11.5	10.8	12.1
Derivatives ⁱ	(0.7)	—	(1.4)	(0.1)	(2.2)	(0.1)	(0.6)	(0.7)	(2.9)
Deposits ⁱⁱ	8.2	1.2	1.5	—	10.9	—	—	—	10.9
Cash and cash equivalents	0.8	0.1	0.5	0.8	2.2	1.5	4.7	6.2	8.4
Other	1.1	0.1	0.2	0.3	1.7	—	—	—	1.7
Other AUMA	—	—	—	—	—	—	—	25.4	25.4
Totalⁱⁱⁱ	128.3	15.4	16.0	1.9	161.6	62.8	96.1	184.3	345.9

i Derivative assets are shown net of derivative liabilities.

ii Deposits are shown net of unsettled reverse repurchase agreements.

iii Included in total AUMA of £354.6bn (31 December 2024: £345.9bn) is £18.4bn (31 December 2024: £18.0bn) of assets under advice.

(iv) AUMA by geography

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
UK	250.6	260.5	250.2
Rest of Europe	75.9	59.0	67.9
Asia-Pacific	13.9	13.2	14.1
Middle East and Africa	11.3	10.8	11.0
Americas	2.9	2.6	2.7
Total AUMAⁱ	354.6	346.1	345.9

i £18.4bn of total AUMA relates to assets under advice (30 June 2024: £17.1bn, 31 December 2024: £18.0bn).

Supplementary information (continued)

S.5 Solvency II capital position

Solvency II overview

The Group is supervised as an insurance group by the Prudential Regulation Authority (PRA). Individual insurance undertakings within the Group are also subject to the supervision of the PRA (or other supervisory authorities) on a solo basis under the Solvency II regime.

The Solvency II surplus represents the aggregated capital (own funds) held by the Group less the Solvency Capital Requirement (SCR). Own funds is the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. Available own funds reflect all capital available to the Group and eligible own funds are net of restrictions applied in line with the thresholds set by the regulator that limit the amount of each tier of capital that can be used to demonstrate solvency. The SCR is calculated using the Group's Internal Model, which calculates the SCR as the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to.

Estimated reconciliation of IFRS shareholders' equity to Group Solvency II own funds

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
IFRS shareholders' equity	3.3	3.7	3.3
Deduct goodwill and intangible assets	(1.5)	(1.5)	(1.4)
Net impact of policyholder liabilities and reinsurance assets valued on Solvency II basis	12.7	12.0	12.4
Impact of introducing Solvency II risk margin (net of transitional measures)	(0.3)	(0.3)	(0.3)
Impact of measuring assets and liabilities in line with Solvency II principles	0.9	1.1	1.0
Other	—	0.1	(0.1)
Solvency II excess of assets over liabilities	15.1	15.1	14.9
Subordinated debt capital	2.5	2.5	2.5
Ring-fenced fund restrictions	(6.2)	(6.8)	(5.8)
Solvency II eligible own funds	11.4	10.8	11.6

The key items in the reconciliation are explained below:

- Goodwill and intangible assets: these assets are not recognised under Solvency II as they are not readily available to meet emerging losses;
- Policyholder liability and reinsurance asset valuation differences: there are significant differences in the valuation of technical provisions between IFRS 17 and Solvency II. One of the key drivers of the difference between IFRS shareholders' equity and Solvency II eligible own funds is the requirement to hold a CSM and risk adjustment under IFRS 17; these are removed under Solvency II. In addition, IFRS 17 captures the shareholder share of surplus assets on the With-Profits Fund in shareholders' equity whereas 100% of with-profits surplus assets are captured in Solvency II excess of assets over liabilities, however this is subsequently restricted by the ring-fenced fund restrictions. These are partially offset by differences in the liability discount rate; the IFRS 17 discount rate includes an illiquidity premium whereas Solvency II uses a risk-free rate for with-profits business and applies a matching adjustment for annuity business;
- Solvency II risk margin (net of transitional measures): the risk margin is a significant component of technical provisions required to be held under Solvency II. These additional requirements are partially mitigated by transitional measures which allow the impact to be gradually introduced over a period of 16 years from the introduction of Solvency II on 1 January 2016;
- Subordinated debt capital: subordinated debt is treated as a liability in the IFRS financial statements and in determining the excess of assets over liabilities in the Solvency II balance sheet. However, for Solvency II own funds, the debt can be treated as capital; and
- Ring-fenced fund restrictions: any excess of the own funds over the solvency capital requirement from the With-Profits Fund is restricted as these amounts are not available to meet losses elsewhere in the Group.

Supplementary information (continued)

S.5 Solvency II capital position (continued)

The Group's total estimated own funds are analysed by Tier as follows:

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
Tier 1 (unrestricted)	8.4	7.7	8.6
Tier 2	2.5	2.5	2.5
Tier 3	0.5	0.6	0.5
Total eligible own funds	11.4	10.8	11.6

The Group's Tier 2 capital consists of subordinated debt instruments. The terms of these instruments allow them to be treated as capital for the purposes of Solvency II. The instruments were originally issued by Prudential plc, and subsequently substituted to the Parent Company, as permitted under the terms and conditions of each applicable instrument, prior to demerger. The details of the Group's subordinated liabilities are shown in Note 13. The Solvency II value of the debt differs to the IFRS carrying value due to a different basis of measurement on the respective balance sheets.

The Group's Tier 3 capital of £0.5bn (31 December 2024: £0.5bn) relates to deferred tax asset balances.

There are limits, prescribed by the regulator, on the amount of different types of own funds that can be used to demonstrate solvency. While the capital remains available to the Group, where the sum of capital classed as Tier 2 and Tier 3 exceeds 50% of the regulatory Group Solvency Capital Requirement, own funds must be restricted by this amount to determine eligible own funds. At 30 June 2025, 30 June 2024 and 31 December 2024 the sum of capital classed as Tier 2 and Tier 3 has not breached the limit and there is no eligible own funds restriction.

Estimated shareholder view of the Solvency II capital position

The Group focuses on a shareholder view of the Solvency II capital position, which is considered to provide a more relevant reflection of the capital strength of the Group.

The estimated shareholder Solvency II capital position for the Group is shown below:

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
Shareholder Solvency II eligible own funds	8.3	8.7	8.5
Shareholder Solvency II SCR ⁱ	(3.6)	(4.1)	(3.8)
Shareholder Solvency II surplus	4.7	4.6	4.7
Shareholder Solvency II coverage ratioⁱⁱ	230%	210%	223%

i Included in the SCR at 30 June 2025 is an amount of £175m (30 June 2024: £175m, 31 December 2024: £175m) held in respect of any potential future legislative change which would impact our residential ground rent portfolio.

ii Shareholder Solvency II coverage ratio has been calculated using unrounded figures.

The Group's shareholder Solvency II capital position excludes the contribution to own funds and SCR from the ring-fenced With-Profits Fund. Further information on the ring-fenced With-Profits Fund's capital position is provided in the 'Estimated With-Profits Fund view of the Solvency II capital position' section below. In accordance with the Solvency II requirements, these results include:

- A Solvency Capital Requirement which has been calculated using the Group's Internal Model;
- Transitional measures, which are presented assuming a recalculation as at the valuation date, using management's estimate of the impact of operating and market conditions;
- A matching adjustment for non-profit annuities, based on approval from the PRA; and
- M&G Group Limited and other undertakings carrying out financial activities consolidated under local sectoral or notional sectoral capital requirements.

Supplementary information (continued)

S.5 Solvency II capital position (continued)

Estimated shareholder view of the Solvency II capital position (continued)

Breakdown of the shareholder Solvency II SCR by risk type

The shareholder undiversified capital requirement is presented by risk type below.

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
Equity	1.5	1.7	1.6
Property	0.7	0.8	0.7
Interest rate	0.3	0.4	0.3
Credit	1.3	1.3	1.3
Currency	1.0	1.1	1.0
Longevity	0.9	1.1	1.0
Lapse	0.5	0.5	0.5
Operational & expense	2.1	2.2	2.1
Sectoral ⁱ	0.5	0.6	0.5
Total undiversified	8.8	9.7	9.0
Diversification, deferred tax, and other	(5.2)	(5.6)	(5.2)
Shareholder SCR	3.6	4.1	3.8

ⁱ Includes entities included within the Group's Solvency II capital position on a sectoral or notional sectoral basis, the most material of which is M&G Group Limited.

Sensitivity analysis of the Group's Solvency II surplus and shareholder Solvency II coverage ratio

The estimated sensitivity of the Group's shareholder Solvency II coverage ratio to significant changes in market conditions are shown below. All sensitivities are presented after an assumed recalculation of transitional measures on technical provisions and recalculation of the eligible own funds restriction. The sensitivity results demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there may be a correlation between the risks.

	As at 30 June 2025		As at 30 June 2024		As at 31 December 2024	
	Surplus	Shareholder coverage ratio	Surplus	Shareholder coverage ratio	Surplus	Shareholder coverage ratio
		%		%		%
	£bn		£bn		£bn	
Base (as reported)	4.7	230%	4.6	210%	4.7	223%
20% instantaneous fall in equity markets	4.2	219%	4.0	198%	4.1	212%
20% instantaneous fall in property markets	4.3	218%	4.2	201%	4.3	214%
50bp reduction in interest rates	4.6	224%	4.5	205%	4.7	219%
100bp widening in credit spreads	4.5	227%	4.4	208%	4.6	220%
20% credit asset downgrade ⁱ	4.5	224%	4.4	206%	4.6	219%

ⁱ Average impact of one full letter downgrade across 20% of assets exposed to credit risk.

Supplementary information (continued)

S.5 Solvency II capital position (continued)

Estimated With-Profits Fund view of the Solvency II capital position

The With-Profits Fund view of the Solvency II capital position represents the standalone capital strength of the Group's ring-fenced With-Profits Fund. This view of Solvency II capital takes into account the assets, liabilities, and risk exposures within the ring-fenced With-Profits Fund, which includes the With-Profits Sub-Fund (WPSF) and Defined Charge Participating Sub-Fund (DCPSF).

The estimated Solvency II capital position for the Group under the With-Profits Fund view is shown below:

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
With-Profits Fund Solvency II own funds	9.3	8.9	8.9
With-Profits Fund Solvency II SCR	(3.1)	(2.1)	(3.1)
With-Profits Fund Solvency II surplus	6.2	6.8	5.8
With-Profits Fund Solvency II coverage ratioⁱ	303%	429%	284%

i With-Profits Fund Solvency II coverage ratio has been calculated using unrounded figures.

The fall in ratio since 30 June 2024 primarily reflects an increase in SCR, a component of which arises from a full rebuild of the prospective with-profits modelling in 2024. The increase to the six months ended 30 June 2025 is driven mainly by an increase in own funds from the expected return from in-force with-profits business.

Estimated regulatory view of the Solvency II capital position

The estimated Solvency II capital position for the Group under the regulatory view is shown below:

	As at 30 June		As at 31 December
	2025	2024	2024
	£bn	£bn	£bn
Solvency II Eligible own funds	11.4	10.8	11.6
SCR	(6.7)	(6.2)	(6.9)
Solvency II surplus	4.7	4.6	4.7
Solvency II coverage ratioⁱ	170%	173%	168%

i Solvency II coverage ratio has been calculated using unrounded figures.

The results include transitional measures, which are presented assuming a recalculation as at the valuation date, using management's estimate of the impact of operating and market conditions. As at 30 June 2025 and 31 December 2024 the recalculation has been performed and the positions are aligned, reflecting changes to the UK prudential regime allowing recalculation of the transitional measures at each reporting date. As at 30 June 2024, the recalculated transitional measures did not align to the approved regulatory position and therefore the estimated Solvency II capital position differed from the position disclosed in the formal regulatory Quantitative Reporting Templates of the same date.

S.6 Capital generation

The level of surplus capital is an important financial consideration for the Group. Capital generation measures the change in surplus capital during the reporting period, and is therefore considered a key measure for the Group. It is integral to the running and monitoring of the business, capital allocation and investment decisions, and ultimately the Group's dividend policy.

The overall change in Solvency II surplus capital over the period is analysed as follows:

Total capital generation is the total change in Solvency II surplus capital before dividends and capital movements, and capital generated from discontinued operations. As set out above in the Composition of own funds section, as at 30 June 2025, 30 June 2024 and 31 December 2024 there is no restriction to eligible own funds as the sum of tier 2 and tier 3 capital does not exceed the threshold set by the regulator.

Operating capital generation is total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring and other costs as defined under adjusted operating profit before tax. It has two components:

- Underlying capital generation, which includes: the underlying expected surplus capital from the in-force life insurance business; the change in surplus capital as a result of writing new life insurance business; the adjusted operating profit before tax and associated regulatory capital movements from Asset Management; and other items, including head office expenses and debt interest costs; and
- Other operating capital generation, which includes non-market related experience variances, assumption changes, modelling changes and other movements.

Supplementary information (continued)

S.6 Capital generation (continued)

Dividends and capital movements primarily represent external dividends paid to shareholders, the impact of any share buy-back programme and changes to the capital structure of the Group, such as issuing or repaying debt instruments. Also included within capital movements are the Solvency II impact of the Group's share-based payment awards over and above the amount expensed in respect of those awards, and the surplus utilised or generated from transactions relating to the acquisition of business as defined by IFRS.

The expected surplus capital from the in-force life insurance business is calculated on the assumption of real-world investment returns, which are determined by reference to the risk-free rate plus a risk premium based on the mix of assets held for the relevant business. For with-profits business, the assumed average return was 6.2% pa for 2025 and 6.8% pa for 2024. For annuity business, the assumed average return on assets backing capital was 5.2% pa for 2025 and 5.6% pa for 2024.

The Group's capital generation results in respect of the six months ended 30 June 2025 and 30 June 2024, and year ended 31 December 2024 are shown below alongside a reconciliation of the total movement in the Group's Solvency II surplus. The reconciliation is presented showing the impact on the shareholder Solvency II own funds and SCR, which excludes the contribution to own funds and SCR from the Group's ring-fenced With-Profits Fund. The shareholder Solvency II capital position, and how this reconciles to the regulatory capital position, is described in detail in the previous section of this supplementary information.

	For the six months ended 30 June 2025				For the six months ended 30 June 2024				For the year ended 31 December 2024			
	Asset Management	Life	Corporate Centre	Total	Asset Management	Life ⁱ	Corporate Centre ⁱ	Total	Asset Management	Life	Corporate Centre	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Underlying capital generation	136	289	(94)	331	118	283	(104)	297	261	616	(233)	644
Other operating capital generation	3	73	1	77	1	189	(1)	189	51	233	5	289
Operating capital generation	139	362	(93)	408	119	472	(105)	486	312	849	(228)	933
Market movements				(35)				27				(59)
Restructuring and other				(61)				(21)				(135)
Tax				42				105				153
Reversal of eligible own funds restriction				—				216				216
Total capital generation				354				813				1,108

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre for the six months ended 30 June 2024 have been restated to reflect the revised segments and the adjustment of some advice-related costs.

Supplementary information (continued)

S.6 Capital generation (continued)

		For the six months ended 30 June 2025			For the six months ended 30 June 2024 ⁱ			For the year ended 31 December 2024		
		Own funds ⁱⁱ £m	SCR ⁱⁱ £m	Surplus £m	Own funds ⁱⁱ £m	SCR ⁱⁱ £m	Surplus £m	Own funds ⁱⁱ £m	SCR ⁱⁱ £m	Surplus £m
Underlying capital generation										
Asset Management	Asset Management	124	12	136	118	—	118	254	7	261
	Asset Management underlying capital generation	124	12	136	118	—	118	254	7	261
Lifeⁱ	With-profits: PruFund	147	(32)	115	121	(25)	96	292	(53)	239
	<i>In-force</i>	104	22	126	110	24	134	217	47	264
	<i>New business</i>	43	(54)	(11)	11	(49)	(38)	75	(100)	(25)
	With-profits: traditional	70	10	80	78	16	94	158	32	190
	Shareholder annuities	95	4	99	108	(12)	96	215	(18)	197
	Other	(12)	7	(5)	(4)	1	(3)	(8)	(2)	(10)
Life underlying capital generation		300	(11)	289	303	(20)	283	657	(41)	616
Corporate Centreⁱ	Interest & head office cost	(112)	18	(94)	(109)	5	(104)	(235)	2	(233)
Underlying capital generation		312	19	331	312	(15)	297	676	(32)	644
Other operating capital generation										
	Asset Management	3	—	3	1	—	1	21	30	51
	Life	(61)	134	73	86	103	189	12	221	233
	Corporate Centre	1	—	1	(1)	—	(1)	(7)	12	5
Operating capital generation		255	153	408	398	88	486	702	231	933
	Market movements	(98)	63	(35)	(57)	84	27	(281)	222	(59)
	Restructuring and other	(35)	(26)	(61)	(49)	28	(21)	(160)	25	(135)
	Tax	10	32	42	51	54	105	44	109	153
	Eligible own funds restriction	—	—	—	216	—	216	216	—	216
Total capital generation		132	222	354	559	254	813	521	587	1,108
Dividends and capital movements		(392)	—	(392)	(771)	—	(771)	(924)	—	(924)
Total (decrease)/increase in Solvency II surplus		(260)	222	(38)	(212)	254	42	(403)	587	184

i Previous operating segments 'Life' and 'Wealth' have been replaced with one new operating segment, 'Life'. The comparatives for Life and Corporate Centre for the six months ended 30 June 2024 have been restated to reflect the revised segments and the adjustment of some advice-related costs.

ii Own funds and SCR movements shown as per the shareholder Solvency II capital position, and do not include the own funds and SCR in respect of the ring-fenced With-Profits Fund.

Supplementary information (continued)

S.7 Financial ratios

Included in this section are details of how some of the financial ratios used to help analyse the performance of the Asset Management business are calculated.

(i) Cost-to-income ratio

Cost-to-income ratio is a measure of cost efficiency which analyses costs as a percentage of revenue.

	For the six months ended 30 June		For the year ended 31 December
	2025 £m	2024 £m	2024 £m
Total Asset Management operating expenses	388	388	774
Adjustment for revaluations ⁱ	—	(2)	(4)
Total Asset Management adjusted costs	388	386	770
Total Asset Management fee-based revenue	521	512	1,043
Less: Performance fees and carried interest	(7)	(13)	(35)
Total Asset Management underlying fee-based revenue	514	499	1,008
Cost-to-income ratio	75%	77%	76%

i Reflects the revaluation of provisions relating to performance based awards that are linked to underlying fund performance. M&G Group hold units in the underlying funds to hedge the exposure on these awards.

(ii) Average revenue margin

This represents the average fee revenue yield on fee business and demonstrates the margin being earned on the assets we manage or administer.

	For the six months ended 30 June						For the year ended 31 December		
	2025			2024			2024		
	Average AUMA ⁱ £bn	Revenue ⁱⁱ £m	Revenue margin ⁱⁱ bps	Average AUMA ⁱ £bn	Revenue ⁱⁱ £m	Revenue margin ⁱⁱ bps	Average AUMA ⁱ £bn	Revenue ⁱⁱ £m	Revenue margin ⁱⁱ bps
Wholesale Asset Management	64	176	55	56	153	55	57	316	56
Institutional Asset Management	97	184	38	97	186	38	97	368	38
Internal	155	154	20	160	160	20	160	324	20
Total Asset Management	316	514	32	313	499	32	314	1,008	32

i Average AUMA represents the average total market value of all financial assets managed and administered on behalf of clients during the financial period. Average AUMA is calculated using a 13-point average of monthly closing AUMA for full-year periods and 7-point average of monthly closing AUMA for half-year periods.

ii Revenue margin is calculated by annualising underlying fee-based revenues earned, which excludes performance fees, in the period divided by average AUMA for the period. Revenue margin relates to the total margin for internal and external revenue.

S.8 Credit risk

The Group's exposure to credit risk primarily arises from the annuity funds, which hold substantial volumes of public and private fixed income investments on which a certain level of defaults and downgrades are expected.

Exposure to credit risk also arises on the shareholders' share of the excess assets in the With-Profits Fund.

While the with-profits and unit-linked funds have large holdings of assets subject to credit risk, the shareholder results of the Group are not directly exposed to credit defaults on assets held in these components of business. However, the shareholder is indirectly exposed to credit risk from these components of business in relation to the future value of shareholder transfers from with-profits business and charges levied on unit-linked and asset management business. The direct exposure of the Group's shareholders' equity to credit default risk in the 'other' component is small in the context of the Group.

Credit risk is managed through a robust credit and counterparty framework which includes: policies, standards, appetite statements, limits and triggers (including relevant governance and controls); investment constraints and limits on the asset portfolios (in particular, in relation to credit rating, seniority, sector and issuer), and counterparties in particular for derivatives, reinsurance and cash; and a robust credit rating process.

The credit ratings, information or data contained in this report which are attributed and specifically provided by Standard & Poor's, Moody's and Fitch Solutions and their respective affiliates and suppliers ('Content Providers') is referred to here as the 'Content'. Reproduction of any content in any form is prohibited except with the prior written permission of the relevant party. The Content Providers do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. The Content Providers expressly disclaim liability for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold any such investment or security, nor does it address the suitability of an investment or security and should not be relied on as investment advice.

Supplementary information (continued)

S.8 Credit risk (continued)

Debt securities

The table below presents the Group's debt securities by asset class and external credit rating issued for each component of business.

As at 30 June 2025	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Government Sovereign debt	3,226	13,343	1,907	2,621	1,499	90	22,686
With-profits	2,529	9,999	1,797	2,455	1,426	—	18,206
Unit-linked	139	1,068	93	140	73	90	1,603
Annuity and other long-term business	553	1,708	17	26	—	—	2,304
Other	5	568	—	—	—	—	573
Quasi-sovereign and Public sector debt	129	1,396	186	386	705	248	3,050
With-profits	125	702	134	375	699	168	2,203
Unit-linked	3	72	8	11	5	1	100
Annuity and other long-term business	1	622	44	—	1	79	747
Corporate debt	856	3,151	10,065	11,530	2,403	7,839	35,844
With-profits	467	2,015	7,937	8,830	2,261	4,106	25,616
Unit-linked	40	153	593	795	75	46	1,702
Annuity and other long-term business	207	952	1,517	1,890	67	3,665	8,298
Other	142	31	18	15	—	22	228
Asset-backed securities	190	178	376	327	152	1,689	2,912
With-profits	88	115	180	243	152	1,571	2,349
Unit-linked	7	8	6	12	—	—	33
Annuity and other long-term business	77	55	190	72	—	118	512
Other	18	—	—	—	—	—	18
Total debt securities	4,401	18,068	12,534	14,864	4,759	9,866	64,492
With-profits	3,209	12,831	10,048	11,903	4,538	5,845	48,374
Unit-linked	189	1,301	700	958	153	137	3,438
Annuity and other long-term business	838	3,337	1,768	1,988	68	3,862	11,861
Other	165	599	18	15	—	22	819

Supplementary information (continued)

S.8 Credit risk (continued)

Debt securities (continued)

As at 31 December 2024	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Government Sovereign debt	3,971	13,747	1,924	2,794	1,727	102	24,265
With-profits	2,729	10,479	1,853	2,680	1,706	3	19,450
Unit-linked	115	1,353	54	88	21	99	1,730
Annuity and other long-term business	604	1,866	17	26	—	—	2,513
Other	523	49	—	—	—	—	572
Quasi-sovereign and Public sector debt	196	1,568	240	381	873	288	3,546
With-profits	152	780	183	373	866	206	2,560
Unit-linked	8	116	12	8	7	2	153
Annuity and other long-term business	36	672	45	—	—	80	833
Corporate debt	1,093	3,277	11,220	12,149	3,541	7,835	39,115
With-profits	631	2,101	8,543	9,278	3,216	4,113	27,882
Unit-linked	80	213	877	1,212	254	38	2,674
Annuity and other long-term business	239	920	1,782	1,635	68	3,673	8,317
Other	143	43	18	24	3	11	242
Asset-backed securities	201	194	386	294	135	1,639	2,849
With-profits	86	122	186	208	135	1,518	2,255
Unit-linked	10	16	9	14	—	3	52
Annuity and other long-term business	79	56	191	72	—	118	516
Other	26	—	—	—	—	—	26
Total debt securities	5,461	18,786	13,770	15,618	6,276	9,864	69,775
With-profits	3,598	13,482	10,765	12,539	5,923	5,840	52,147
Unit-linked	213	1,698	952	1,322	282	142	4,609
Annuity and other long-term business	958	3,514	2,035	1,733	68	3,871	12,179
Other	692	92	18	24	3	11	840

The Group has holdings in asset-backed securities (ABS) which are presented within debt securities on the condensed consolidated statement of financial position. The Group's holdings in ABS, which comprise residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralised debt obligations (CDO) funds and other asset-backed securities are shown within the table above.

Supplementary information (continued)

S.8 Credit risk (continued)

Debt securities (continued)

Debt securities with no external credit rating are classified as 'other'. The following table shows the majority of debt securities shown as 'other' are allocated an internal rating and are considered to be of investment grade quality:

	As at 30 June 2025 £m	As at 31 December 2024 £m
AAA	92	100
AA+ to AA-	1,021	900
A+ to A-	3,258	3,626
BBB+ to BBB-	2,591	2,391
Below BBB-	1,174	1,096
Unrated	1,730	1,751
Total	9,866	9,864

In the table above, AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB- ratings. Financial assets which fall outside this range are classified as below BBB- and are non-investment grade.

The Group's exposure to sovereign debt is analysed by issuer as follows:

	With- profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
As at 30 June 2025					
Government Sovereign debt securities by country:					
UK	5,719	972	1,706	524	8,921
Germany	622	16	130	—	768
Other European countries	1,118	63	328	—	1,509
Total Europe	7,459	1,051	2,164	524	11,198
United States	3,240	51	—	—	3,291
Latin American countries	553	18	26	—	597
South Africa	790	139	—	—	929
South Korea	885	55	—	—	940
Indonesia	762	43	—	—	805
Malaysia	896	52	—	—	948
Singapore	243	15	—	—	258
Philippines	536	32	—	—	568
Thailand	455	28	—	—	483
India	777	48	—	—	825
Other	1,610	71	114	49	1,844
Total	18,206	1,603	2,304	573	22,686

Supplementary information (continued)

S.8 Credit risk (continued)

Debt securities (continued)

As at 31 December 2024	With- profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Government Sovereign debt securities by country:					
UK	5,966	1,300	1,834	519	9,619
Germany	556	22	128	—	706
Other European countries	1,146	22	499	—	1,667
Total Europe	7,668	1,344	2,461	519	11,992
United States	3,552	65	—	2	3,619
Latin American countries	673	25	26	—	724
South Africa	961	101	—	—	1,062
South Korea	905	27	—	—	932
Indonesia	840	24	—	—	864
Malaysia	894	25	—	—	919
Singapore	364	10	—	—	374
Philippines	575	17	—	—	592
Thailand	512	15	—	—	527
India	711	22	—	—	733
Other	1,795	55	26	51	1,927
Total	19,450	1,730	2,513	572	24,265

As at 30 June 2025 Other European countries included £1,032m (31 December 2024: £1,248m) and other included £1,190m (31 December 2024: £1,144m) of Supranational Government bonds.

Exposure of debt securities by sector

The exposure of annuities and other long term business to debt securities is analysed below by sector:

	As at 30 June 2025 £m	As at 31 December 2024 £m
Government	3,022	3,311
Real Estate	2,800	2,805
<i>of which residential</i>	1,644	1,634
<i>of which commercial</i>	1,156	1,171
Financial	2,491	2,627
Utilities	1,559	1,551
Consumer	409	414
Industrial	403	424
Communications	317	312
Other	860	735
Total	11,861	12,179

Glossary

Term	Definition
Adjusted operating profit before tax (AOP)	Is one of the Group's non-GAAP alternative performance measures, which complements the IFRS GAAP measures and is useful as it allows a deeper understanding of the Group's performance over time. It is defined in the alternative performance measures section on page 64.
Alternative performance measure (APM)	Is a financial measure of historic or future financial performance, financial position or cash flows, other than a financial measure defined under IFRS or under Solvency II regulations.
Asset-backed security (ABS)	A security whose value and income payments are derived from and collateralised (or backed) by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually.
Asset Management cost-to-income ratio	Represents total operating expenses, excluding revaluation of provisions for employee performance awards divided by total fee-based revenues, excluding performance fees and carried interest.
Assets under management and administration (AUMA)	Represents the total market value of all financial assets managed, administered or advised on behalf of clients.
Asset Management average revenue margin	Is calculated by annualising underlying fee-based revenues earned, excluding performance fees, divided by average AUMA for the period. It demonstrates the revenue margin that was earned on the assets we manage and administer.
Board	The Board of Directors of the Company.
Bonuses	<p>Bonuses refer to the non-guaranteed benefit added to participating life insurance policies and are the way in which policyholders receive their share of the profits of the policies. There are normally two types of bonus:</p> <ul style="list-style-type: none"> – Regular bonus: expected to be added every year during the term of the policy. It is not guaranteed that a regular bonus will be added each year, but once it is added, it cannot be reversed, also known as annual or reversionary bonus. – Final bonus: an additional bonus expected to be paid when policyholders take money from the policies. If investment return has been low over the lifetime of the policy, a final bonus may not be paid. Final bonuses may vary and are not guaranteed.
Business Plan	A written document that describes our business, containing objectives, strategies, sales, marketing and financial forecasts.
Chief Operating Decision Maker	The Group Executive Committee.
Company/Parent Company	M&G plc, a public limited company incorporated in England and Wales with registered number 11444019 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom.
Contractual Service Margin (CSM)	Represents unearned profit on contracts, recognised in profit or loss as the service is provided over the life of the contracts.
Demerger	The demerger from the Prudential Group in October 2019.
Director	A Director of the Company.
Earnings per share (EPS)	<p>Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding treasury shares and shares held by the employee benefit trust.</p> <p>Diluted EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares, excluding treasury shares and shares held by the employee benefit trust, adjusted to take into account the effect of any dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are share options and awards granted to employees. Potential ordinary shares are treated as dilutive when their conversion to ordinary shares results in a decrease in EPS.</p>
Employee benefit trust (EBT)	Is a trust set up to enable its Trustees to purchase and hold shares to satisfy employee share-based incentive plan awards.
Expected Credit Loss (ECL)	Expected credit loss impairment loss being the present value of the difference between contractual cash flows due and expected to be received, based on the lifetime probability of default. It applies to all credit exposures not measured at fair value through profit or loss.
Fair value through profit or loss (FVTPL)	Is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.
Financial Conduct Authority (FCA)	The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority (PRA), such as asset managers and independent financial advisers.

Glossary (continued)

Term	Definition
Group	The Company and its subsidiaries.
Group Executive Committee (GEC)	Is composed of board officers and senior-level executive management. It is the Group's most senior executive decision-making forum.
International Financial Reporting Standards (IFRS)	Are accounting standards issued by the International Accounting Standards Board (IASB). Our consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards (IAS). Any reference to IFRS refers to those which have been adopted for use in the UK unless specified otherwise.
Key performance measure (KPM)	The Group measures its financial performance using the following key performance measures: IFRS result after tax, adjusted operating profit before tax, operating change in CSM, net flows from open business, AUMA, shareholder Solvency II coverage ratio, total capital generation and operating capital generation.
Leverage ratio	The leverage ratio is calculated as the nominal value of debt as a percentage of the Group's shareholder Solvency II available own funds.
Long-Term Incentive Plan (LTIP)	The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares, with vesting contingent on employment and the satisfaction of stretching performance conditions linked to the Group's strategy.
M&G Group Limited (MGG)	MGG is a private limited company incorporated in England and Wales with registered number 00633480 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom. MGG is the holding company of the Group's asset management business, M&G Investments.
Net client flows	Represents gross inflows less gross outflows. Gross inflows are new funds from clients. Gross outflows are withdrawals made by clients during the period.
Net flows from open business	Net flows from open business consists of net client flows from Asset Management, PruFund, Shareholder annuities and the elements of Other Life which are open to new business. It excludes net flows from our Traditional with-profits business, platform and certain elements of Other Life closed to new business.
Non-profit business	Contracts where the policyholders are not entitled to a share of the company's profits and surplus, but are entitled to other contractual benefits. Examples include pure risk policies (such as fixed annuities) and unit-linked policies.
Operating capital generation	Is the total capital generation before tax, adjusted to exclude market movements relative to those expected under long-term assumptions and to remove other non-operating items, including shareholder restructuring costs.
Operating change in Contractual Service Margin (CSM)	Is one of the Group's key alternative performance measures and represents changes resulting from new business, interest accretion, experience changes and release of CSM but excludes the impact of short-term market movements, mismatches arising on the adoption of IFRS 17 and restructuring costs.
Own funds	Own funds refers to the Solvency II measure of capital available to meet losses, and is based on the assets less liabilities of the Group, subject to certain restrictions and adjustments. Available own funds reflect all capital available to the Group. Eligible own funds are net of restrictions applied in line with the thresholds set by the regulator that limit the amount of each tier of capital that can be used to demonstrate solvency.
Prudential Regulation Authority (PRA)	Is the body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
Prudential Assurance Company (PAC)	The Prudential Assurance Company Limited (PAC) is a private limited company incorporated in England and Wales with registered number 00015454 whose registered office is 10 Fenchurch Avenue, London EC3M 5AG, United Kingdom.
PruFund	Our PruFund proposition provides our retail customers with access to smoothed savings contracts with a wide choice of investment profiles.
Shareholder Solvency II coverage ratio	Is the ratio of eligible own funds to solvency capital requirement (SCR), excluding the contribution to own funds and SCR from our ring-fenced With-Profits Fund.
Société d'investissement à Capital Variable (SICAV)	A SICAV is an open-ended investment fund offered by European financial companies, similar to the UK's unit trust. SICAVs are effectively share companies aimed at collectively investing the assets collected through the public offering of shares, whose value amounts to the net worth of capital account divided by their number.
Solvency capital requirement (SCR)	SCR represents the 99.5th percentile (or 1-in-200) worst outcome over the coming year, out of 100,000 equally likely scenarios, allowing for the dependency between the risks the business is exposed to. The SCR is calculated using our Solvency II Internal Model.

Glossary (continued)

Term	Definition
Solvency II	A regime for the prudential regulation of insurance companies that was introduced by the EU on 1 January 2016, now modified by the PRA's 2024 reforms.
Solvency II surplus	Solvency II surplus represents the eligible own funds that we hold less the solvency capital requirement.
Total capital generation	Is the total change in Solvency II surplus capital, on an eligible own funds basis, before dividends and capital movements, and capital generated from discontinued operations.
Total Shareholder Return (TSR)	TSR represents the growth in the value of a share plus the value of dividends paid, assuming that the dividends are reinvested in the Company's shares on the ex-dividend date.
Transitional Measures on Technical Provisions (TMTP)	Transitional measures on technical provisions are an adjustment to Solvency II technical provisions, to smooth the impact of the change in the regulatory regime on 1 January 2016. When first implemented this decreased linearly over 16 years following the implementation of Solvency II, and was recalculated in certain cases, subject to agreement with the PRA. Following the implementation of the PRA's reforms on 31 December 2024, this is recalculated every valuation period and will run off completely by 2032.
UK Corporate Governance Code (The Code)	Corporate governance is the system of rules, practices and processes that are put in place to manage and control a company. It is underpinned by the UK Corporate Governance Code updated in 2024.
Unit-linked policy	A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.
Value Share BPA	A transaction which comprises a traditional BPA buy-in arrangement and a separate reinsurance contract with a captive reinsurer that transfers some of the insurance and investment risk back to the sponsor of the originating pension scheme, thereby allowing the sponsor to participate in the risk and reward generated from the transaction.
With-profits business	Contracts where the policyholders have a contractual right to receive, at the discretion of the Company, additional benefits based on the profits of the fund, as a supplement to any guaranteed benefits.
With-Profits Fund	The Prudential Assurance Company Limited's fund where policyholders are entitled to a share of the profits of the fund. Normally, policyholders receive their share of the profits through bonuses. It is also known as a participating fund as policyholders have a participating interest in the With-Profits Fund and any declared bonuses.