



M&G's response to Leasehold Reform Bill

London, 27 January 2026 — M&G notes today's announcement by the Government regarding proposed changes to ground rents in England and Wales.

Under the current proposal existing annual ground rents are expected to be capped from 2028 at £250 for a transition period of 40 years, at the end of which all ground rents would be reduced to zero.

M&G reconfirms the adjusted operating profit growth and capital generation targets announced in March 2025, and our existing progressive dividend policy.

Summary of estimated financial impacts based on 30 June 2025 figures:

M&G is directly exposed to £722 million of ground rent assets through its Prudential Assurance Company shareholder fund¹.

M&G's strong financial position and our ongoing prudent approach to capital allocation mean we are well placed to absorb and manage this impact. Under the proposed changes, we would expect our Shareholder Solvency II coverage ratio to reduce by c. 1 percentage point.

Should the proposed changes be approved in the current form, the write down in valuation of M&G's relevant assets is expected to lead to a c. £230 million one-off reduction in the Group Solvency II Own Funds. Before any mitigating actions available to us, the impact on the Group Solvency II surplus would be limited to a £140 million reduction, due to the release of the Solvency Capital Requirement (SCR) allowance already made, and disclosed, in our 2023 Annual Report.

Once the proposed changes take effect, likely in 2028, we would expect a c. £15 million reduction in annual adjusted operating profit and underlying capital generation, due to lower surplus assets in our annuity book. This is before any mitigating actions, such as balance sheet optimisation and greater cost control, which we expect to take in the coming months.

The table below shows the estimated impact of the proposed legislation on key financial metrics, before any mitigating actions, based on 30 June 2025 financial statements. These initial estimates will be finalised and discussed further at our 2025 FY Results presentation.

Solvency II one-off impact	Own Funds	c. £230m reduction
	SCR	c. £90m reduction ²
	Surplus	c. £140m reduction
	Shareholder coverage ratio	c. 1 ppt decrease
	Leverage ratio	< 1 ppt increase
IFRS one-off impact	Day 1 non-operating loss (pre-tax)	c. £(310)m



Wider implications

Ground rents have been a core component of the English and Welsh real estate market for centuries, with leaseholders providing a dependable income that freeholders rely on to manage properties and cover costs, including those relating to fire safety.

Over many decades, ground rents have become an important investment asset class, favoured by individual savers, charities, pension funds, and insurance companies, due to the long-term nature of their cashflows.

While M&G fully supports the Government's objective to strengthen leaseholder protection and tackle remaining egregious ground rents, the proposed solution is disproportionate, and we will continue to consider our response. These changes, if implemented, would negatively impact savers and companies that have chosen to invest in UK assets; they would also set a worrying precedent, leading to consequences for the UK's reputation as a stable investment location.

Andrea Rossi, Group Chief Executive Officer, said:

"M&G fully supports the Government's objective to strengthen leaseholder protection and tackle remaining egregious ground rents. However, we are disappointed that we have not been able to agree a proportionate solution that works for all parties³.

"The strong financial position of M&G and our thoughtful planning mean that we are well positioned to absorb and manage the negative impacts generated by this proposed legislation.

"Thanks to the quality of our business model and our disciplined approach to capital management, we today reconfirm the adjusted operating profit growth and capital generation targets announced in March 2025, and our existing progressive dividend policy."

Notes to editors:

1. The person responsible for arranging the release of this announcement on behalf of M&G plc is Charlotte Heiss, Group General Counsel & Company Secretary

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1. The With-Profits Fund exposure to Ground Rents is £324m but investment risk is not borne by shareholders

2. Net of the release of the provision set up at FY 2023

3. M&G advocated an alternative solution, which has the widespread support of the industry and would see ground rents capped at the amount levied at the start of the lease, plus escalations of a maximum of RPI or 5% per annum.

Forward-looking statements:

This announcement (including any information incorporated by reference in this announcement) contains statements about the Company that are or may be deemed to be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may",



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