M&G plc 2023 Full Year Results

Presentation and Q&A Transcript

21 March 2024

Welcome & Strategic Overview

Andrea Rossi, Group Chief Executive

Slide 3 – Business Review

Good morning, and welcome to M&G's Full-Year Results. I am very happy to be here with you today, to share the progress we have made over the course of 2023, my first full year as CEO. So much can happen in twelve months, and we have certainly achieved a lot here at M&G over that period.

Last March, we laid out our three-year ambition for the business. With a new leadership team in place, you will see we have made considerable progress on our three strategic priorities: Financial Strength, Simplification, and Growth. Today, we will take you through how much we have already achieved, and what we are focusing on for 2024.

As usual, I will start by covering the business strategy, and Kathryn will later expand on the financial results. And these, I am proud to say, continue to evidence strong performance, with meaningful year-on-year growth in both Adjusted Operating Profit and Operating Capital Generation.

But first, let me take you through the business highlights.

Slide 4 – We are leveraging our business model to deliver on our priorities

I talk a lot about the strength of our unique business model, and there are good reasons for that. It is balanced, diversified and synergistic, and it has delivered once again last year.

In a volatile macro environment, our Life operations supported the Asset Manager with stable capital and fees, and gave Wealth access to a truly differentiated proposition – PruFund. With its strong investment performance and innovation, the Asset Manager powered the Wealth proposition, and helped the Life business optimise its asset mix and confidently re-enter the BPA market.

The Wealth business continued to scale. And I'm proud to say that last year it achieved the best level of PruFund sales since 2019. This is clear evidence that our strong, synergistic business model drives superior client and shareholder outcomes. By leveraging it, we drive progress on our strategic priorities, which I will now cover in more detail.

Slide 5 – Good progress achieved in 2023

I am really very proud of what we have achieved together in 2023.

First, on Financial Strength, we have become more profitable and more capital generative, as well as more resilient, and we have improved our Solvency II ratio despite volatile markets. We also continue to pay an attractive dividend, with a total DPS of 19.7 pence, and we remain focused on leverage.

Secondly, on Simplification, our Transformation programme is progressing well, with £73 million of savings delivered last year. We have a clear and simpler operating model, with accountable leaders for each business unit. We also continue to tackle costs, having maintained them flat year-on-year.

Becoming more cost effective is a core objective for us, but we are not just managing inflation, we are also improving the quality of our spend and the outcomes for both our clients and shareholders. The more we save, the more we will reinvest to support client delivery and growth.

Finally, on our Growth ambition. I am very pleased to say that we have made strong progress across all segments. Asset Management net flows were positive at £800 million, so M&G really stands out amongst our UK peers. PruFund Wealth sales continued to climb, increasing by 17% and, as I mentioned earlier, achieving their highest level since 2019. And as you know, we reopened our annuity business, completing two transactions in the second half of last year and one more just a few days ago.

Slide 6 – Moving forward on our financial targets

These significant achievements, are helping us to reach the targets we announced last March, and you can see a summary on this page.

Given the strength of the 2023 Operating Capital Generation result, we are confident that we will achieve our £2.5 billion target by year end. Continuing to generate capital also helps on leverage as it builds Own Funds and improves our financial flexibility.

On simplification, in the first year of our Transformation programme we have already delivered £73 million worth of savings, corresponding to an exit run-rate of roughly £90 million. This is a really positive start to this three-year transformation journey.

In 2023, the Asset Management Cost-to-Income Ratio deteriorated slightly, due to adverse markets which reduced fee-earning assets. But we took a lot of actions last year, including reducing our office footprint and restructuring our Private Markets team. We will see the benefits from these actions coming through in 2024, while we continue to streamline costs, and reinvest freed capacity to support growth, particularly in international markets.

Lastly, I am also happy to report that our earnings are up by 28%, with 42% of the total, coming from capital-light Asset Management and Wealth operations. We expect the capital-light contribution to increase, mainly from Asset Management.

To sum up, we have a lot to be proud of in just twelve months, and given the progress on our three strategic priorities, I have great confidence in how much more we can achieve together.

Slide 7 – Clear areas of focus for 2024

So what about 2024? After these strong results, we are committed to building on the positive momentum. To do this, we have clear objectives across each one of our three strategic priorities.

Kathryn will cover Financial Strength and Simplification in more detail. But let me be clear on this. We are absolutely committed to reducing leverage, controlling costs and improving the Asset Management Cost-to-Income ratio.

Let me now explain, what each business unit will focus on this year to drive Growth.

In Asset Management, it is all about maintaining strong investment performance, improving profitability through top-line growth, and continuing to expand our international presence.

In our Life business, we want to reach £1 -£1.5 billion in BPA sales, to fully offset the run-off book, and increase long-term capital generation. We also have a renewed focus on the With-Profits Fund, and on how to better leverage it to drive shareholder value.

And finally, Wealth. Here, the first step is to redefine our strategy to make the most of this attractive market and we will focus on where we can add the most value to clients, namely scaling our advice business, and delivering the right investment solutions to a broader audience.

Slide 8 – Asset Management: Continue to deliver strong investment performance

I will now go into a bit more detail about each business, starting with Asset Management.

This team is fully focused on delivering superior investment performances, and it's clear to see they have achieved this in 2023. Client outcomes were strong across both the Institutional and the Wholesale franchises, with roughly 50% of our wholesale funds ranked in the top quartile on both a three and five-year basis. More than that, a number of our flagship funds – such as Optimal Income – delivered top decile performance. And this positions us well to continue to drive positive sales momentum. Delivering innovation is also of critical importance to this team, and last year we expanded both the range of funds and investment vehicles that we offer.

Thanks to a recently added Asian investment team, we were able to launch new Asian and Global bond funds. And with our first €700 million Long-Term Investment Fund, we continue to get closer to greater democratisation of private assets, beyond what we are already delivering with PruFund.

Slide 9 – Asset Management: Achieve positive operating jaws through growth

Much improved investment performance is a key driver of the turnaround we have seen in Wholesale. Delivering net inflows of £2bn over the last two years is an achievement we are really proud of, especially considering that over the same period, the European market for active investment solutions suffered net outflows of over £350 billion!

In the UK, we were one of the best-selling active fund managers last year. So wholesale is back on track. But like many of our peers, we have faced headwinds in the UK Institutional market, with significant redemptions from DB pension schemes. These were triggered by the mini-budget crisis and broader de-risking. Having absorbed these redemptions, we expect the situation to normalise, and flows to revert to a more stable pattern.

In contrast, our international institutional business has thrived. We generated roughly £16 billion of net inflows over the past four years, including £5.5 billion in 2023 alone. With a strong performance track record, and all franchises offering growth opportunities, I am confident we will achieve positive flows and improved operating jaws in 2024, leading to better levels of Asset Management profitability.

Slide 10 – Asset Management: Strengthen distribution to drive international growth

Let me talk briefly about our international operations. As you know, this is something I have been fully focused on and committed to since my first day at M&G, and since 2020, our Assets Under Management have increased by 38% to £83 billion.

In 2023 alone, we had meaningful net inflows across key European and Asia Pacific markets; winning business from some of the world's most sophisticated investors, a testament to the quality of our capabilities.
This is a great success story so far, but we are not done yet.

Over the past 12 months we strengthened and upskilled our global distribution teams. We are extremely pleased with the talent we now have in Asset Management, and I know they will play a crucial role in continuing to drive forward our growth agenda. The opportunity to build M&G's international presence is significant. And it is by capitalising on it, that we will lower our Cost-to-Income ratio and improve profitability.

Slide 11 – Asset Management: Public Fixed Income case study - £139bn AUMA

Having covered the priorities for the Asset Manager, I want to now share a couple of case studies showing why we are so confident about the growth prospects of this business.

Over 2022 and 2023, our Equity team delivered an impressive performance, particularly thanks to best-selling funds such as Global Listed Infrastructure and Japanese Equities. But with interest rates at, or nearing their peak, many agree with us that 2024 will be the year of Public Fixed Income. And this is a good thing for M&G, as it has always been our core area of expertise.

Today we manage almost £140 billion in this space, and are recognised as industry leaders. We expect strong client demand over the next twelve months, and I am confident we are very well placed to capitalise on it.
We have a compelling range of funds across developed and emerging markets, government and corporate debt. And we keep expanding… having now built global capabilities by adding investment teams in Singapore and Chicago. And performance is strong. On this slide, you can see our flagship funds, including Optimal Income, delivering returns in excess of 10% in 2023, an impressive result for Public Fixed Income funds.

With strong client demand, expanding capabilities, and remarkable performance, we are sure that 2024 will be a good year for us in this segment.

Slide 12 – Asset Management: Private Credit case study – £29bn AUMA

But Public markets are only half of the story, particularly for M&G, as we focus on growing our £73bn Private Markets capabilities. Within that, our Private Credit franchise accounts for £29 billion. Here, assets are expected to expand strongly, especially in Europe, with double digit annual growth over the coming years.

We are one of the main players in this market, and expect to benefit from this positive momentum, leveraging our strong track record both in terms of investment performance and innovation. For instance, our European Loan fund, one of the largest in the sector, has been delivering best in class performance and volatility management for over 10 years. We continue innovating and launching new funds in this space, thanks in particular to the support and seed capital from our internal client. Once again, clear evidence of the benefits of our business model.

So, to sum up, our Asset Manager continues to perform strongly, overcoming significant market challenges and delivering positive net flows. It is growing internationally, further diversifying its client base and earnings mix. And it delivers strong performance, with deep expertise in the asset classes clients are most focused on. As the rate environment normalises, we are well placed to further grow this business.

Slide 13 – Life: Stabilise the run-off of the annuity book

Let's now turn to the Life business. Here, the first priority is to extend and expand our long-term capital generation.

After seven years of inactivity, last September we successfully re-entered the BPA market completing two deals. Just a few days ago, we closed a third one, bringing sales to almost £1 billion in under a year. This is a run-rate level already in line with our ambition to stabilise the run-off of the annuity book. In delivering this strategic goal, we are leveraging the strength of our business model.

Private Assets can often be a blocker to full de-risking for many pension funds. By having deep in-house Asset Management capabilities, we can vary our approach to clients, appropriately valuing their illiquid assets, and accepting them as part of the premiums transferred.

We have proven that we can be competitive in the BPA market, but competitiveness will not come at the expense of financial discipline – we are very clear on this. New business, needs to offer attractive, mid-teens IRRs. Also, given our strong capital base, and the small size of the deals that we expect to write, we will retain a flexible approach to longevity reinsurance. This will help us optimise capital returns.

Slide 14 – Life: Further build on the partnership with the With-Profits Fund

The second priority for Life is to further leverage its partnership with the With-Profits Fund. With a Solvency ratio of over 400% and surplus capital of more than £7 billion, the With-Profits Fund has one of the best-capitalised insurance balance sheets in Europe.

The With-Profits Fund needs to be more than just the engine behind PruFund, it has to be a key differentiating element as we strive to serve client needs. Given its appetite to deploy capital, its long-term investment horizon, and independent governance, the With-Profits Fund can truly be a force for good for clients.

M&G is the operating and investment partner of the Fund, and receives 10% of its economic outcomes. This translated into a contribution to Group earnings of almost £500 million in 2023 alone. And as operating partner, it also received a further £300 million in asset management fees. Working together, the With-Profits Fund and the broader Group are highly effective in serving client needs, and developing compelling new solutions.

Slide 15 – Life: Broaden proposition powered by the With-Profits partnership

And these new solutions could suit both individual and corporate clients.

For individuals, we are exploring ways to expand our existing PruFund range, and build on our guaranteed offering. We believe these would be well received given the current interest rate environment.

For corporates, we are thinking how to better help pension funds on their de-risking journeys.

We are once again successfully offering Traditional BPAs. But we believe there are more options to deliver good client outcomes. At present, we are exploring ways to enter into risk-sharing agreements with scheme sponsors, or offer Cashflow Driven strategies guaranteed through With-Profits capital. We expect to be able to launch some of these innovative solutions by the year end.

Slide 16 – Wealth: Target market is large and expected to grow

And last but not least, our Wealth business. At £1.2 trillion, our target market is both large and expected to grow, as an ageing population needs to take greater responsibility for their financial security.

Today, in the UK there are 12 million people seeking assistance to achieve financial security. What our clients want is accessible advice, help in planning for life events, and a diversified multi-asset exposure that can reduce the volatility of their investments and our Wealth franchise has what it takes to serve these clients and help them realise long-term value.

We have a strong brand and corporate heritage, an extensive reach, through both advice and third party distribution, and a comprehensive range of multi-asset solutions, including our market leading PruFund.

Slide 17 – Wealth: Focus strategy on where we can add most value

Caroline joined M&G last September, and her immediate priority has been to sharpen the Wealth strategy to better focus our efforts and improve profitability.

It is about being clear on who our clients are, where we add most value to them, and what capabilities we want to build.

We know we are strong in the decumulation space, thanks to PruFund, amongst Retail and Mass-Affluent clients. Where we want to build our presence is in accumulation, broadening our advice capabilities and distribution approach. We will also enhance other multi-asset solutions such as model portfolios and PruFolio. By doing this, we will also increase our appeal to Affluent clients.

By focusing more on what we are better at, doubling down on growth opportunities, we expect to improve efficiency, client delivery, and financial outcomes.

Slide 18 – Wealth: Scaling Advice business will help meet a wider set of client needs

We know advice plays an important role in fulfilling client needs. Having doubled in size over the past two years, our controlled-adviser network is one of the largest and fastest growing in the country. We will continue to build on this positive momentum.

In the coming years, we expect our academy to underpin most of the increase in adviser count. With 166 graduates currently in training, it will be an important driver of future growth. And this growth, will build on the success of our investment proposition. PruFund has long been the jewel in the crown, consistently delivering strong smoothed investment returns to its clients.

But we have more to offer, in particular PruFolio – our risk-rated range of multi-asset solutions – and Model Portfolio Services. This is a key growing segment in the Wealth market where we have received great client feedback through a best in class Net Promoter Score.

We have what we need to succeed in the Wealth market. And we will do that by broadening our distribution approach, expanding our offering, and improving profitability.

Slide 19 – Key messages: Financial Strength, Simplification, Growth

So to conclude what I want you to take away, is that I am extremely proud of what we have delivered in 2023. Despite a challenging market environment, we achieved positive external client net flows for the third year in a row. A remarkable success, underpinned by great investment performance and international growth.

But we are also very pleased with our progress in the UK, where we increased PruFund sales by 17% year-on-year, and successfully re-entered the BPA market. By leveraging our synergistic business model, we are confident we will continue to grow M&G. And we are also becoming a more efficient business, transforming to support our growth agenda and improve client outcomes, tackling costs and improving the quality of our spend.

Clearly, we are still at the beginning of our journey. But today's results show we are on the right track, with Adjusted Operating Profits and Operating Capital Generation substantially up year-on-year.

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

Financial Review

Kathryn McLeland, Group Chief Financial Officer

Slide 20 – Financial Review

Thanks Andrea.

Good morning everyone, and thank you for joining us today.

I'm very pleased to present what is another year of strong progress, particularly considering the ongoing external macroeconomic uncertainties. Today's results underscore our continued focus on financial and operational discipline.

Asset Management and Wealth flows were both net positive, operating profitability and capital generation improved materially year-on-year, and the Solvency II ratio strengthened to over 200%.

All this, while continuing to move forward on our Transformation programme, delivering operational efficiencies and maintaining our total cost base flat, despite significant inflationary pressures over the year. I'll now turn to the detail behind these highlights.

Slide 21 – Continued strong momentum on Flows, Operating Profit and Capital

Net client flows were positive at over £1 billion, with the key highlight being the performance of Wholesale Asset Management. Here, despite significant client redemptions in the broader market, M&G delivered net inflows of £1.5 billion, a truly outstanding result, made possible thanks to the relevance and performance of our fund range.

In Institutional Asset Management, we experienced net outflows, but these were concentrated in the first part of the year, with net inflows of £700 million in the second half, thanks to the success of our international operations.

Operating profit of £797 million was up 28% year-on-year, reflecting the strength of our diversified business model. The Asset Management result was resilient despite adverse market conditions, and we also benefitted from improved contributions from Wealth, Life, and also in the Corporate Centre.

Operating Capital Generation of just under £1 billion was also up by 21%, with higher rates lifting the underlying result, while Strategic Asset Allocation decisions in the With-Profits Fund and model calibrations, accounted for most of the £244 million of management actions.

And finally, on the back of this strong operating result, our Solvency 2 ratio climbed to 203%, above the top end of our target operating range.

Let me now deep-dive into assets under management and flows.

Slide 22 – £1.0bn improvement in Asset Management flows

Closing AUMA of £344 billion was just above last year's, as net inflows in Asset Management and Wealth, together with positive market movements mostly in Q4, of £6 billion, more than offset expected net outflows in Life.

The last two years have been extremely tough for the savings and investments industry. Rapidly rising rates and geopolitical instability drove money out of actively managed solutions, and towards government bonds and money market funds. Here in the UK, these headwinds were compounded by the acceleration in de-risking of many DB pension schemes. Given this backdrop, the resilience of our business is to be considered a remarkable achievement.

As you have heard from Andrea, we were one of the best-selling active fund managers in the UK, and continue to successfully build our institutional franchise internationally. And even here in the UK institutional market, after having absorbed significant redemptions, we now see improved momentum. As industry headwinds start to abate, we look with confidence to the rest of 2024 and into 2025, and believe we are well placed to benefit from continued demand for Fixed Income and parts of Private Markets, given the strengths of our franchises.

Having covered flows, I'll now move on to Adjusted Operating Profit.

Slide 23 – Operating profits up by 28% Year-on-Year

At just under £800 million, Group operating profit was up by 28% year-on-year. The key features of this result are:

- Firstly, a resilient Asset Management performance, including a slight increase in our revenue margins and proactive cost management.
- Secondly, a growing contribution from Wealth, with higher PruFund profits more than offsetting wider losses in the Advice and Platform businesses.
- Thirdly, a 27% increase in Life's AOP on the prior year, with improvements in both Annuities and Traditional With-Profits benefiting in particular from high interest rates at the start of the year.
- And finally, higher Treasury income leading to a £46 million better result in the Corporate Centre.

Let's now look at the Asset Management result in a bit more detail, and starting with asset movements.

Slide 24 – Asset Management: Resilient revenues and fee margins

At £305 billion, average Assets under Management were down 2% year-on-year. This was driven by higher rates lowering fixed income asset valuations for most of the period, and directly impacting fee-related revenues. Closing AUM of £314 billion benefitted from the rally seen in the last few weeks of the year. This tailwind came too late to benefit 2023 financials, but does offer a good start for this year.

Moving now to margins, we are very pleased with the improvement from 32 to 33 basis points, as it defies the trend experienced by most of our peers, and vindicates our choice to focus on high-margin solutions, such as private assets.

Finally, revenues and costs were impacted by the acquisition of responsAbility, our Swiss-based team specialised in impact investing. Normalising for this, revenues were down by 2%, in line with average AUM, and costs were up by only 1% – well below inflation – demonstrating our continued focus on cost discipline.
Market pressures meant that, excluding performance fees, the Cost-to-Income Ratio rose to 79%. Looking ahead, we remain committed to our 70% target, and are determined to control costs while delivering positive operating jaws through top-line growth.

Slide 25 – Asset Management: Taking action to control cost base

In 2023 we took significant action to tackle Asset Management costs; and we are confident we can repeat this again in 2024, and are committed to keeping costs flat for the next 12 months.

But as Andrea said, we are not just aiming to offset inflation. We are transforming the cost base of the organisation, turning inefficiencies into investments to support our growth. The more effective we will be in reducing costs, the more capacity we will create to reinvest in priority areas, particularly international distribution and private markets.

Many initiatives of our transformation programme do focus on our Asset Management business. Last year we restructured our Private Markets team, we reduced office space, and enhanced the efficiency of the support functions. This year, we will optimise our technology and data costs, as well as further reducing contractor and consulting spend.

Now, moving on to Wealth, and our PruFund AOP results.

Slide 26 – Wealth: Focus on PruFund UK

The first thing that I would like to point out, is the £6.3 billion of PruFund sales we achieved last year, which you can see on the bottom right-hand chart. This is 17% higher than in 2022, and 66% higher than in 2021.
A remarkable turnaround.

This year, with interest rates at or near their peak, we are seeing increased competition from alternative low risk solutions such as cash and gilts. While we remain confident in the quality of PruFund, we expect flows to be impacted by the rate environment in the first half of 2024.

PruFund's contribution to earnings was 20% higher year-on-year, thanks to a much improved CSM release of £231 million, which benefitted from a higher opening CSM.

Return on excess assets also increased to £34 million, driven by higher interest rates. These improvements were partly offset by a few negatives in the "Other" category, including new business strain, and the impact of a one-off transaction between the With-Profits Fund and the Shareholder balance sheet.

Turning now to Life.

Slide 27 – Life: Traditional With-Profits and Annuities

Here, AOP was up 27% over the previous year to £586 million. Once again, this highlights the strength of our diversified business model and the significant role the insurance operations play within the Group. While higher rates tend to be a headwind in the Asset Management market, they typically represent a tailwind in Life Insurance. So this balance, allows M&G to look to the future with confidence despite ongoing rate uncertainties.

The same driver lifting the PruFund result, a higher opening CSM due to favourable 2022 market experience, also benefitted Traditional With-Profits, where earnings grew by 32% to £263 million.

In Annuities, the 35% improvement to £326 million is primarily due to improved returns on surplus assets, driven by the higher interest rate environment, which more than offset the lower asset trading result.

Finally, as you all know, under IFRS17 new BPA deals no longer impact in-year profits, but rather drive an increase in the CSM, which is then released over time. We will cover this and other movements in the CSM on the next page.

Slide 28 – Operating change in CSM of £355m

At the end of December, the Total CSM stood at £5.5 billion, showing a sizeable discounted future value from M&G's insurance operations, particularly from the With-Profits Fund and Annuities. Over the course of the year, the operating change in CSM was positive at £355 million, as interest accretion and expected returns more than offset the CSM release to earnings.

On the other hand, the impact from markets was negative, with the CSM of PruFund and Traditional With-Profits being hit by the reduction in long-term interest rates, and by investment returns that, while positive, were lower than expectations. The last thing to note here is the new business CSM. The £94 million for PruFund is five times the level experienced in 2022, thanks to both higher rates and improved sales volumes. In the Annuity line, you can see the £42 million that relate to the two deals we closed in September.

Having covered earnings and CSM movements, let's now turn to Capital Generation, starting with the Underlying result, where we had another strong year delivering £752 million.

Slide 29 – Underlying Capital Generation of £752m

We are very pleased with this result, as it underpins our confidence in the ongoing sustainability of the dividend. The further improved Life result was once again the main force behind the 20% increase. Compared to the previous year:

- The Asset Management contribution was stable, despite slightly lower earnings, as we benefitted from a £31 million reduction in the SCR which is unlikely to repeat. This is due to lower risks in the seeding portfolio, and a reduction in our operational risk capital.

- Wealth capital generation was driven by PruFund, due to a higher opening PVST and higher rates, more than offsetting wider losses in the non-PruFund components.
- Annuities underpin the increase in Life, as higher rates lifted expected returns, and we had lower capital requirements for new business. While we completed our first deals in 2023, in 2022 we had already set aside capital for expected volumes. This was a one-off £60 million headwind, which turned into a £14 million one-off tailwind in 2023 as we slightly reduced this capital budget.
- Finally, our corporate centre improved by £28 million thanks to higher Treasury and investment income.

I will now move from Underlying to Operating Capital Generation.

Slide 30 – Operating Capital Generation of £996m

Operating Capital Generation increased to nearly £1 billion, up 21% on the previous year. Over the last two years we have delivered £1.8 billion of Operating Capital, putting us in a great position to achieve our three year cumulative target of £2.5 billion by the end of this year.

In 2023, management actions of £244 million complemented the strong underlying result, and were above the top end of our guidance.

The most significant contribution came from Asset Trading, both from Annuities and With-Profits. In the latter, the investment office trimmed the exposure to Equities, and replaced it with Fixed Income assets. This change lowered our capital requirements, and also allowed us to reduce our Equity hedging while keeping stable sensitivities.

Longevity had a minimal impact, as we continue to take a conservative approach. We had previously flagged that we did not expect the large contribution of 2022 to recur, as it was driven by one-off data and modelling enhancements.

Nonetheless, we improved our capital model calibrations across Asset Management and Life, as well as took steps forward to limit the impact of adverse expense experience which were a larger headwind in the past.
Looking forward, we believe we have meaningful scope to continue generating shareholder value through management actions, and remain committed to our target range of £100 to £200 million per year.

Slide 31 – OCG result underpins solvency ratio increase to 203%

Having covered the Operating result, I'll now walk through the other movements in Solvency II surplus.
Our remarkable operating result of nearly £1 billion, more than offset negative market movements of £508million – which were primarily driven by lower than expected With-Profits returns, rate-related losses in annuity assets, and an allowance for Ground Rent reform.

In the period, we also had capital restrictions of £216 million and a £50 million increase in surplus from "Other movements". Within it, we incurred £136 million of restructuring costs. These were more than offset by two distinct one-offs relating to the Solvency II reform, that delivered a positive impact of £177 million.

Once netting off Dividends paid to shareholders, the combination of all capital movements, led to an improvement in our Solvency coverage ratio to 203%, 4 percentage points higher compared to the previous year, and above the top end of our target operating range.

Slide 32 – Strong Solvency II coverage ratio and stable leverage ratio

The financial strength of the business, gives us great confidence as we look ahead. The improvement in the Solvency ratio, despite over £200 million capital restrictions, is particularly important, as it gives us good flexibility as we think about uses of capital over the course of the year.

As we have consistently flagged, deleveraging is a core priority for the management team, you can hence expect us to put some of the capital to work here. And of course we have a £300 million call date in July.

This would help tackle the leverage ratio, which on a solvency basis is at 35%, just below the Half-Year level. Over time, we expect to continue growing the business and build own funds, but we are also ready to push further on deleveraging if necessary to meet our 2025 target.

Now, I'd like to move onto our Simplification journey, one of our three strategic priorities.

Slide 33 – 2023 managed costs flat year-on-year thanks to simplification efforts

And on this page you can see the main movements in our managed costs over the course of 2023.

We knew inflation would have been a meaningful headwind, but we more than offset it through disciplined cost actions, maintaining a flat cost base year-on-year.

At Half Year we indicated that we expected to achieve a £50 million in exit run-rate savings by the year end, but we exceeded this guidance, achieving £73 million of in-year savings that translate into an exit run-rate of £90 million – so, as you can see, we are well on-track to meet our target savings by 2025.

Consistent with our growth aspirations, we have reinvested some of the savings we generated to expand our international operations, and also added resources to support our re-entry into the BPA market. We expect these investments to remain modest in size, as we maintain a disciplined approach to costs.

On the next slide, I will share some examples of how we are driving forward our simplification agenda.

Slide 34 – Transformation programme delivering across four key levers

As we explained twelve months ago, the transformation programme is delivering across four main levers, which you can see on this page.

In 2023, we laid the foundations of the programme and took some significant action. For example, we reduced our UK office space by 15%, and we optimised our technology estate decommissioning 180 obsolete applications. We also restructured Finance activities into Centres of Excellence, which will drive efficiencies and better outcomes, and finally, we reduced consultancy and contractor spend replacing it with cost effective in-house capabilities.

But we are not done yet, and we remain focused on further delivery in 2024 and 2025. We have identified several other initiatives, many of which are already in-flight. We continue to optimise our location strategy and expand our capabilities in India. We will also further rationalise the technology estate and broaden the Centre of Excellence model across the group. And finally, we will continue to cut consultancy and contractor spend.

The key message to take away is that we are confident in our ability to deliver the £200 million cost savings and to unlock positive operating jaws across the business. Every day that goes by, we become a nimbler, more focussed and more efficient organisation.

Slide 35 – Committed to our existing capital management framework

Before wrapping up, I want to touch on the capital management framework, which we remain committed to.

Thanks to the 203% Solvency ratio, we have the financial strength and flexibility needed to act on leverage, the key priority for us in 2024. And as we discussed, our initial focus is on the July £300m call date.

The 2023 total dividend per share of 19.7 pence is in line with our policy of stable or increasing dividends, and is prudently covered by our well-diversified capital generation.

We also continue to make targeted investments in the business, supporting our simplification and growth efforts. While delivering the Transformation programme, we will also explore options to add capabilities through team lift-outs or small acquisitions. But if we do that, it won't require large scale investments, but rather small and disciplined deployments of capital.

And finally, we remain committed to return any excess capital over time.

Slide 36 – Key messages

So to summarise, over the course of 2023:

- we delivered net inflows into Asset Management and Wealth despite a very challenging market;
- we delivered a 28% increase in AOP, demonstrating the strength of our diversified business model;
- operating capital generation also improved, by 21%, on the back of a strong underlying result;
- we ended the period with a 203% Solvency II ratio, offsetting capital restrictions and dividends;
- and through a disciplined approach, we maintained costs flat year-on-year despite inflation.

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

Closing remarks

Andrea Rossi, Group Chief Executive

Thank you Kathryn, and now, to conclude.

Twelve months ago, we shared with you our vision for M&G. Today we have shown you the progress we have already achieved, and what we are working on in 2024.

And we have ambitious targets, which you can see on the slide… we are confident we will achieve them, thanks to our relentless focus on our three strategic priorities: Financial Strength, Simplification, and Growth.

It is thanks to the hard work of all our colleagues across M&G that today's financial results are strong results. We achieved higher earnings, operating capital and solvency ratio year-on-year and our transformation programme is delivering a more efficient business, with streamlined processes and clearer accountabilities leading to better client outcomes.

We also continue to evidence growth momentum, with positive net client flows in both Asset Management and Wealth in spite of a continued challenging market environment.

Ultimately, these results demonstrate once again the strength of our business model.

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

We are building on our Financial Strength. We are Simplifying the business. And we are delivering Growth.

Q&A

Luca Gagliardi: Thank you very much, Andrea and Kathryn. I know there are a few analysts that are double booked with Direct Line so if you do not mind, I am not going to go to the fastest hand, but rather to those people first.

Q. James Pearse, Jefferies:

First one, on the capital generation target, obviously, we are a significant portion of the way through that. So just curious as to why you didn't feel the need to, I guess, upgrade that target from the current £2.5 billion level?

Second, just on the consumer duty rules. So, aware that the heritage book will fall into the scope of those rules this year, so, if you could give some colour in terms of the impact of those new rules and how well prepared you are for those?

Andrea Rossi: Okay, I will just start on the capital generation target. I mean, as you saw, we are 72% of the way through target within 66% of the time. It was actually the only target that was here when I arrived in the business. So it is from my predecessor, we actually added the other four new targets. So let us deliver this one until the end of the year, and then we will give you something else by 2025. Okay.

Kathryn McLeland: I think it is worth just saying that we were delighted it was just under £1 billion and we are £1.8 billion of the way there. And I think as you heard in my speech there were some tailwinds in the year that implied, certainly, on the underlying result, there was around £50 million - we had an asset management benefit on the seeding portfolio with a nearly £15 million tailwind that came through in BPAs.

And then obviously, we did amazingly well in terms of management actions at £244 million. So, I think we are trying to encourage people to think that we are very confident in sticking with our £100-£200 million management actions target. But it was quite unusual last year and that was driven in part by the meaningful strategic asset allocation that we did within the With-Profits Fund. But certainly, we are very confident on hitting the target, and as Andrea said, we will get to the target, and then we will update the target.

Andrea Rossi: Consumer duty. First of all, we are very much focused on it, and I would say we have been focused on client outcomes even before consumer duty came into effect. We have taken actions even before consumer duty came in. So, for example, we reviewed our fees on our SICAV range and our OEIC range in 2020 and 2021. And to the back book question, we effectively cancelled exit charges on the back book, both for individual and corporate pension in 2019. So, we do not expect any material impact coming out of this. But obviously, we are very much focused on client outcomes and consumer duty is part of that. And if I may say, I think when you talk about client outcomes, investment performance is also part of that, and as you have seen, we have very, very strong investment performance.

Luca Gagliardi: Do you want to go next, Rhea.

Q. Rhea Shah, Deutsche Bank: Two questions. So firstly, on the advice proposition. I mean, you have talked about wanting to broaden the distribution and scale it up. What is the cost of doing this? And when should we see profitability in all the other wealth elements of the business?

And then the second question around the dividend. At what stage would you consider increasing the dividend guidance? I get that it will probably be related to the leverage ratio being achieved. But would it then be linked to how underlying capital generation is growing because it has been pretty strong in recent years?

Andrea Rossi: Okay. Why don't we start with the dividend? Can you put the slide up with the capital management framework [slide 25].

Let us be clear we have a very clear capital management framework. It is all about financial strength first. And we told you today that we are focusing on leverage in this year. It is something that we are committed to reduce by 2025 to below 30%. You saw that we are growing the business and we are investing also in the business to support that growth. When I look at asset management and what we want to achieve in the asset management business going forward, we would need to support that, in particular, on private assets, but also on our international expansion. Clearly, we want to pay an attractive, stable or increasing dividend, it is something that we have been doing this year. It is an attractive dividend and obviously, the strong results are supporting that. The dividend matter, as you know, is something for the Board to review, and it is something that we will look at the end of 2024.

Kathryn McLeland: I think that was very comprehensive. So, I think we gave some guidance around OCG this year versus last year, but it is clearly still very, very strong. Our priority this year really is leverage. We already pay an attractive dividend and I think the key thing is we want to continue growing the business. So, we need to continue to create capacity through savings and make investments across the Group in a very disciplined way to drive growth and drive returns.

Andrea Rossi: Then your question on Wealth. First of all, I am pleased with what we have delivered so far. I mean you saw the numbers. The Wealth business increased its AOP by 14% I think that is a great result. Secondly, we should not forget what the Wealth is within our business model. Why do we have the Wealth business? It is there to distribute our asset management solution, but also our life products, in particular PruFund, but there are also other products as well. Now, we want to see this business grow in a profitable manner. And with Caroline coming in, I have asked her to look at how we can, first of all, grow it. And how do we want to grow it? We want to grow it by broadening the advisors. You saw on the slides [slides 17 and 18] that we want to increase a network of already 500 advisors that makes us the fourth largest of tied advisory in the country. They want to grow that, utilising our academy, so it is internal growth. So, we have 166 graduates there, and we are confident we can do that. But we also want to broaden our distribution, thanks to our platform. So, we have a platform, but we believe that we can also put our products on other platforms. So once again, it is broadening the distribution. And then it is a question about products. The PruFund for sure is the jewel in the crown, but we have other great products. PruFolio is one, and we would like to see more momentum on that, but also model portfolio services. So, it is about also broadening the product mix out there.

Clearly, we are focused also on profitability. We have an overall transformation and simplification programme. It touches all the businesses, and it is very much part of the numbers that you have seen there. We delivered £90 million as a run rate of cost savings, and we are committed to deliver £200 million by 2025.

Luca Gagliardi: Maybe the only small thing that might have been implicit in your question when you asked how much it is going to cost to grow the advisor network. I think while in the past, we did a couple of acquisitions, I hope the message came clear that what we are really focused on is to drive growth organically through the academy, which we have really built up very rapidly over the last couple of years. It was launched only two years ago. Last year, we had over 30 graduates coming from it and now we have over 160 training. So, I think we see that as the main driver of the growth in that specific segment as opposed to inorganic.

Q. Thomas Bateman, Berenberg: I guess on slide 24, your fees are really resilient. And I just want to understand, is that just risk mix there, or have you changed pricing at all? And how should we think about the impact potentially from public fixed income. Is that a lower or a higher margin product?

And then secondly, Wealth is clearly a big focus of yours. I was just wondering if you have seen any impact thus far from the regulatory changes and potentially any fallout from any of your competitors.

Andrea Rossi: Okay. So, I mean, when I look at this slide, obviously, it makes me very proud because when you look at most asset management, the weighted average bps goes down, and I would say we are a standout performer here looking at this. Now you rightly said, clearly, that is driven by private assets. It is true when rates are normalising, we will see more institutions moving into public fixed income, buy and maintain strategies, etc. and clearly, they are not as rich in terms of bps as private assets. But when I look at the numbers, for example, of 2023, and you look at our international expansion, the £5.5 billion of institutional net new money we had, £1.6 billion of that was private assets, £3.9 billion were public assets, mainly fixed income. Obviously, I think we will see more interest in credit overall, not only public but also private, and we very much believe that we will see more momentum on private credit, in particular here in Europe in 2024. So yes, we believe that average bps, given our focus on private assets, can be maintained or even go up, but I mean, I would say it is a product mix we have to see.

Then of course, you have the UK, where we saw flows being a bit more challenged. But even there, we had £3.8 billion of redemption in institutional in the first half and £2.4 billion in the second half. We believe that that is going to reduce as well while we are focusing on local authorities and insurance companies and let us not forget about the wholesale. The wholesale there is the richest one in terms of bps, we are really a positive outlier when it comes down to wholesale net new money. You saw the numbers. We have delivered £2 billion of net new money in the last two years, whereas the market here in Europe has been in £350 billion of outflows, £350 billion. Why is that? Because we have exceptional investment performance, and we are in the asset classes where there is interest. Now clearly, with the market where it is today, in terms of rates, a lot of retail savers keep cash and invest in gilts or government bond. When rates are going to normalise, we believe they are going to come back and who are they going to choose? They are going to choose the best performing active asset manager and M&G is one of them for sure.

Luca Gagliardi: The other one was on Wealth, and I think in regulatory change, if we have seen any impact from, what is going on with some of our peers and whether that is impacting flows as well.

Andrea Rossi: You are talking about advisor services review, I guess, the FCA one, which we take very seriously. But I am glad to say that we have, once again here, since long, already taken action in the sense that our advisors need to log in the review they have on an annual basis with their clients. And we also have a control team to look at that. So, I mean I do not foresee any material impact from this. We are well placed.

Luca Gagliardi: And I guess, not to put words in your mouth, but if you have any view on also volumes as opposed to purely the specifics of the regulation, was that an aspect?

Q. Thomas Bateman, Berenberg: It was more from a positive angle actually. Are you seeing inflows from customers that maybe have left your peers?

Andrea Rossi: Listen, we showed there are 12 million of households who are looking for advice, and they need to have accessible advice. Clearly, we believe having more advisors out there will help and that potentially is a positive in terms of flows. Also, let us not forget, we have been focusing in the past very much on the de-accumulation phase. Now we are expanding and looking also at the accumulation phase on the retail and the affluent side. So yes, that could have a positive impact. But once again, it is a mixture of having the right distribution, IFAs, broadening on platforms, but also having the right solutions, PruFund is one for sure. But as I said before, PruFolio and MPS [Model Portfolio Services] are others.

Kathryn McLeland: And I think you'd possibly expect the CFO to come in with something slightly more moderating. Just in terms of the external environment, that is the only thing I would say, and we have said that, obviously, we do feel we are very well positioned overall in the industry. We are not commenting on peers. But I just think that as we come into 2024, I think Andrea said that the alternative products that we see with cash and savings products and government bonds and a degree of caution also, that it will probably take the second half of the year before we might see some of that benefit.

Andrea Rossi: It is good to have a cautious CFO.

Luca Gagliardi: So now to everyone else, I think Andrew Baker was the fastest. Let us do the Andrews, so we can do Baker, Crean, Sinclair and then we go to Farooq.

Q. Andrew Baker, Citi: Two for me, please. First is on leverage. So very clear this priority 2025 target, looks like the £300 million, you flagged that. You still need own funds growth. You are leaving it open, it seems like for additional leverage on top of that. I assume that is just because of the uncertain macro environment. So, in a sort of base case of macro staying broadly where they are today, would you expect owned funds growth to be enough to get you to achieving that target?

And then secondly, just on the Wealth distribution, third-party platforms. What does that mean for your own platform? Does it make sense to have your own platform with that new strategy? I am just curious sort of what led to that change in thinking in that area as well.

Andrea Rossi: Let me start with the platform. We have one platform, what I told you is we want to expand, and we are agnostic when it comes down to platform. Clearly, our platform delivers volumes, I think it delivered 8% of the volume, 6%-8% of PruFund. We want to make sure PruFund also is accessible on other platforms. So, it is not that we are questioning the existing platform. We just want to expand the distribution. On leverage?

Kathryn McLeland: On leverage, we are very confident in our ability to grow own funds, absolutely. As you know, we start with a leverage ratio that is slightly down on H1. We have a more conservative calculation basis than all of our peers, as you know, and also, we look at IFRS17 where we are at 29%. But we are confident in generating own funds. We also have a call date subject to regulatory approval in July. And if we need to do more than £300 million, and we know the math, we absolutely know what we can do in terms of the HoldCo debt and the bonds we have outstanding.

Q. Andy Sinclair, BofA: I will go for three, if that is okay. First on the sustainability of the annuity book, the £1.0 billion to £1.5 billion. What basis is that? Is that CSM, own funds, cash? How should we think about that, what do you mean by sustainability?

And secondly, just on the Adviser Academy. Great to see 166 trainees that are in there at the moment. 166, that looks about a third of your qualified adviser headcount. So, where do you expect them to go post-qualification when they graduate out of the Academy? It seems quite a high rate to absorb.

And third was just on asset management, international net inflows I know a big focus for you. Good to see the pickup in 2022, but we are kind of only about back to the levels we had in 2021 in terms of net inflows from international into asset management. Should we really expect that to be ramping up? What is the time frame for that and what do you expect?

Andrea Rossi: Okay. Caroline, I am going to let you, this is a good time also for our CEOs to speak. So, I do not know if you want to respond?

Luca Gagliardi: Maybe just to introduce Caroline. Caroline, you can stand up so everybody can see you.

Andrea Rossi: Caroline Connellan, our CEO of Wealth.

Caroline Connellan: On the Adviser Academy. So yes, we do have 166 in training. It takes two years in the Academy to become a qualified adviser and then two years of close supervision after which the adviser is fee earning at that point. Our model today is a mixture of self-employed and employed. And actually, one of the big areas that we have that is an advantage over many of our competitors, is the four million customers that sit in our heritage book. Many of them in due course will need some kind of advice. And that has been an area where our advisers have often supported those customers, when it is appropriate to do so. So, we are not just asking them to graduate and go out into the market and look for new business themselves. I think this is one of the real advantages of us being part of this Group and the unique [business] model that Andrea has talked about.

Andrea Rossi: So, the question on international growth. I mean, first of all, we should not forget the challenging market environment we had in 2023. When I see what we have delivered in terms of net new money during 2023. I think that is a great achievement and as I said before, that is a mixture between public assets at £3.9 billion, exactly, and £1.6 billion in private assets. So, looking at 2024, clearly, I think most of us believe that on the interest rates that there will be a normalisation of rates, probably towards the second half. Institutions, interestingly enough, have already started to look more closely, both at fixed income, but also, as I said, private credit. So, we see this is probably going to accelerate potentially later. But I think given both our international presence, we have hired several very, I would say, senior people in our team, we are very much focused in key countries. We have great, and I would say this is very important, the relationships or new relations we create with some institutions, the fact that we have skin in the game, is very, very important, even more important now than ever. The fact that you can come and explain the strategy and say, you know what, our insurance book has invested £500 million in here or £300 million, whatever it is, that is a strong competitive advantage versus many others. And of course, the investment performance, which is good. So, I feel that we are in a good place, of course, the market environment is where it is, but we should be in a good place to continue the momentum that we have. I mean, these numbers, they are all growing.

Luca Gagliardi: And maybe, I guess, to add on that one, you can make the comparison across year 2021, 2023, but 2023 is a very tough and very different place than the past, right? So, I think there is almost different specific waves to flows in different period of times. I guess, Kathryn, do you want to take BPA [Bulk Purchase Annuities]?

Kathryn McLeland: Yes. On BPAs, it is really consistent with what we said a year ago. So, it is £1 billion to £1.5 billion of sales. We have just about done that in the 12 months. We are now at £900 million. And you saw that we had obviously a contribution to the CSM. And I will start with obviously the more vanilla capital

heavy ones. We obviously have a budget that we think about, and that was the £46 million that we talked about in our numbers. We are very disciplined, we have not given you the day one strain. Obviously, our decisions around reinsuring longevity factor into that day one strain, but we have a clear capital allocation framework, very strict hurdle rates and have guided to the mid-teens IRR for that. So, we want to make sure that we deploy capital, we have got plentiful capital, but in a very thoughtful, very disciplined way and so we will look at IRRs, and we clearly know what strain. So far, we have not reinsured longevity. And what Andrea talked about in his earlier section today, which you can see here, is that we have got a number of other options for this market, and there is more than enough supply, obviously, as we have talked about, and we are going to continue to be selective. We have got really strong capabilities with our private asset capabilities. We really want to support flows into asset management, and we want to support all our clients here in the UK. So, we have talked about having a risk-sharing arrangement with DB scheme sponsors. And also, we have got over £7 billion of excess profit within the With-Profits Fund. And we can use that capital to when we think about potential guarantees. So, there are a number of options, vanilla BPAs will be subject to a very strict capital allocation framework.

Andy Sinclair, BofA: So, when you say it is going to be sustainable, if you write £1 billion to £1.5 billion, on what basis is that staying sustainable?

Luca Gagliardi: It is [sustainable in terms of] premiums, so like the three deals that we have done, we brought in about £300 million of premium each, so it is assets under management.

Q. Andrew Crean, Autonomous: Three questions, if I can. Firstly, you are nearly at the end of the first quarter, how have net flows been in your asset management business and in your wealth business in the first quarter?

Secondly, PruFund. I mean, the net flows are still marginally positive. Could you tell us a little bit more about your strategies in Europe that does not seem to really fire? And also, I am quite interested by these strategies on the corporate risk side. I mean what sort of volumes are you expecting over time?

And then thirdly, I just wanted to ask on the capital management strategy. Yes, you are above the 190 [solvency ratio], but you are talking about lower rates. And I think 100 basis points will take 14 points off your solvency margin. So would you be happy entertaining capital returns to shareholders, given a higher than 190 solvency margin if rates remained here and are you worried about them coming down.

Luca Gagliardi: So, I might have counted more than three, but we will go through all of them. Maybe Andrea, do you want to start with flows year-to-date both, I guess, asset management and wealth?

Andrea Rossi: Well, the market environment continues to be very similar to the second half of last year. As I said before, we see more interest from the institutions that are moving into credit, but I would say the retail investors are very much still in cash and in government bonds or gilts. And I would say that we probably would see that move probably after the summer, depending, of course, where rates go once again. But I would probably put more the first half more similar to the second half of last year in terms of flows on asset management.

When it comes down to Wealth, even here, probably even more, because of retail savers always are later than institutions, they are still really holding on to cash and to gilts. So, I think, we probably will see similar H1 to let us say, the slowdown we saw in H2 on PruFund. We had a stronger H1 last year on PruFund in terms of volumes. So yes, you should think probably H1 [2024] is similar to H2 last year in terms of flows.

On PruFund in Europe, it is true. I have not said anything on it. It is still an opportunity, I would say, even Europe and internationally. I always said that it is fundamental to have a different proposition. We need a

capital guarantee on this product. We have With-Profits, of course, surplus capital that we can utilise in order to do that. So, we are working on that proposition. But you also need to have a strong partner. And whilst a strong partner, you need a partner that can support you in more than one country. And clearly, we are in discussion with some of those, let's call them an insurance partner just to be very clear, European ones. So, I still think that this is an opportunity for us, but I would say probably more towards end of the year or 2025.

Luca Gagliardi: And then I guess, given that we are on this slide, [slide 15] if you want to comment a little bit on, I guess, solution two and three, how they are different from the plain vanilla BPAs, I do not think we want to guide to any specific volumes there.

Kathryn McLeland: Well, I think we hope to make progress with some transactions towards the second half of the year and probably a year from now, we will be able to give clearer guidance on volumes with these sorts of products. We are very excited again about what we can do with Clive as the Life CEO. We have a great relationship With-Profits Fund, and obviously, a really good partnership amongst all three businesses. So, we are not going to really guide to additional volumes here, or give some more colour, but we are confident we will see progress across the corporate and individual in the second half of the year.

Luca Gagliardi: And the last question was about, I guess, to an extent, your solvency ratio is sensitive to rates and rates might go down. But if they do not, could you entertain the thought of capital returns?

Kathryn McLeland: I think we have talked about the capital management framework and that we are looking to invest in the business and that we obviously are focused on leverage. Leverage is the number one priority for this year. The rate environment, I would describe is quite uncertain, I mean the market sentiment on the back of Fed [US Federal Reserve] news and then where the Bank of England is, obviously, with the latest inflation data being a little bit more encouraging. I would say that probably as a management team, we wanted a strong dividend. We want to continue to invest in the business. And probably there will be a preference for using excess capital at the right time, once we are hitting all of our targets, to invest in the business. And obviously, we were asked earlier about the opportunity to grow the dividend rather than potential for one-off meaningful share buyback, for example.

Andrea Rossi: And let us be very clear when we talk about investing in the business, the asset management is the business we are talking most about. It does not mean we are not investing in the other businesses, but we clearly want to see the asset management [business] emerge, given also its excellent investment performance and what we have in terms of momentum.

Q. Farooq Hanif, JP Morgan: Just going back to regulations. One of the big themes is the thematic review on retirement income. And obviously, PruFund is an obvious product for decumulation. You talked about it, I think only about 10% of assets, that come through decumulation actually go into some guaranteed product. So, can you talk about what engagement you have had with advisors and with the regulator on PruFund? Because you did not mention it and I am quite surprised. That is question one.

Question two, back of the envelope, I may be wrong, but to get to a 70% cost income ratio, you need to grow revenue margin, grow assets and cut absolute costs. Is that a correct characterisation without giving a forecast?

Andrea Rossi: Okay. If Caroline is fine, I will let you respond to the first question, then I will take the second.

Caroline Connellan: Yes. Like any thematic review, it is something that we look closely at and consider our business model against. What I would say is that clearly where individuals are in the UK, they are very different requirements for income through retirement and there is often now even up to a sort of 10 or 20

year transition into full retirement. Typically, the focus of the regulator around guaranteed income, so by lifetime annuities, etc., is at the less affluent end where there is really no opportunity to take the risk at an individual level, because the minimum levels are so low. Where you get into the advice and decumulation advice is where we specialise because of PruFund, and we have a lot of technical support that we do not just use internally, but also, we take out to the 80% of the external adviser market that we distribute to. We are absolutely considering that we are positioned in the appropriate way and that we are looking at the specific client circumstances and delivering the right advice off the back of that.

Andrea Rossi: So, on the cost-to-income ratio of the asset management, I mean, first of all, we remain committed to delivering 70% by the end of 2025. So, from 79% to 70%, which is a significant improvement. But let us look at the 79% why we are there and what were the good things we did. First of all, we managed to keep costs effectively flat in 2023 and you know we were in an inflationary environment. So that means effectively that we have reduced cost, but we have also invested because we invested, I think, £6 million into the business. But what really deteriorated for us was the fact that we have lower average AUM during 2023. I think there is a slide on this [slide 24] we can show it, in 2023. And clearly, with the rally, we are effectively at the better end of 2023. You can see it here, £314 million. It depends, of course, how market goes, but it is the fee earning assets that count a lot here. Plus, of course, if you can increase your business. But I think by managing costs well, which we are doing, I think we have proven that. Obviously, there will be market affects, and then, of course, by growing, we believe that we will improve this cost-to-income ratio, and we are committed to the 70% next year. This year, of course, we want to see significant improvement.

Kathryn McLeland: And I was just going to add one thing, which is we did very deliberately put an asset management cost slide in, and we have indicated that we expect the cost to be flat. We have tailwinds coming through into asset management already on top of the savings that we have delivered last year, and we have guided across the Group to see more opportunities coming across all four of those levers. And obviously, some of the benefits Group-wide from the VR programme we did last year will impact 2024 more than 2023. So, the most important thing, as Andrea said, we are creating capacity becoming a more efficient organisation. And in asset management, we absolutely want to make sure the business has the opportunity to invest in growth to continue building out internationally and to invest in private assets in a very disciplined way. But we have to grow the top line and that does require investments, which is why we are being very disciplined on the cost base.

Q. Dominic O'Mahony, BNP Paribas Exane: So, first question, just on slide 15. I got very excited about slide 15, but I guess the serious point is I mean you have got clearly no solvency constraint in the With-Profits Fund. It strikes me there are very interesting customer needs that are not being backed by the market. I wonder if you could go into a little bit more detail on what gaps you see in the provision of solutions, both on the retail side and the corporate side? And why what you can do is different? But also talk a bit about the governance constraints around how the With-Profits fund will engage with these products. I mean is it as simple as the IRR versus giving the cash back to investors through special bonuses? That is question one.

A technical one just on the bulks business. So, the £60 million setup costs, which I think has turned into £46 million. That is just a one-off, that is not a number I have to bake into my report?

Kathryn McLeland: Yes.

Q. Dominic O'Mahony, BNP Paribas Exane: Good. Okay. Answered. And then just another question on capital management. You are probably bored of these by now, but on my math versus your solvency target, you have got about £800 million of excess, and that pays for both the July note and the next one, if you wanted. So, it strikes me that from a solvency view, there is no constraint in your ability to de-lever and do that, frankly now. And in that context, I struggle to really understand what is holding back the dividend growth. And to put it another way, I might have inferred that actually there is a constraint on cash beyond

capital. Is there a constraint on cash written beyond capital? Or actually, is it just that you want to manage your own funds and it is as simple as that?

Andrea Rossi: I think we have Clive Bolton, who is our CEO of Life, to your first question.

Luca Gagliardi: And just to repeat it, Clive, it is about what gaps do we see in the market, what is the governance around the With-Profit [fund] and potentially the keenness to address those gaps with our capital?

Clive Bolton: I will just stand up and say hi, and then sit down so you can see the screen. And to echo the comment of earlier, we are very excited about slide 15 too. I think the unfilled potential of using the With-Profit Fund and the shareholder fund, they are both balance sheets. They can both take life risk on, and they have different qualities and aspirations and we find them complementary in a way they partner and I think the previous slide 14 demonstrated a bit how that partnership works in some of the revenue transfer as the shareholder, as I said, is, in many ways, the execution partner for the With-Profit Fund, which is just a fund, it is not a business. So going back to slide 15, just on the left-hand side, one of the things we want to do is launch products with a high guaranteed element. They are still With-Profits. So, we will write them through the With-Profit fund, and that speaks to Andreas point earlier about some of the outflows in Prufund, which has a high alpha. The clients there are seeking more guaranteed income, and we think we can provide that, as I like to think of it, we broaden the PruFund franchise to cover more customer needs. So, you will see some of that activity at the back end of this year and into next year. So, it will still be a With-Profit fund product, it will still have an element of bonus but like PruFund, it will be more recognisable as a regular product that is sold and traded in the market compared to the very high bonus levels that we saw in some of the traditional With-Profit funds, With-Profit endowment products. And just on the right-hand side, not everybody, we think will want to give all their surplus or their funds to an insurer, some will. Others will want a capital-light solution where they maintain some control and share in some of the upside. They actually protect themselves from some of the risks.

And moving on to the final side, one of the things that the With-Profit Fund can do is write guarantees. It is essential this market does three things. It has a great diversified portfolio and track record as we have seen from the speakers before. It has the ability to smooth returns and it has the ability to write guarantees because of its strength and its long-term view. And we think all three of those things could be relevant to the third box there in terms of being developed, and these would be investment products that would sit within pension schemes and provide that guarantee and insurance with some equity upside backed by the strength of the With-Profit fund.

Luca Gagliardi: Thank you very much. I think the answer on the capital budget was already answered. So maybe let us go on to the final one that was once again on the capital management framework and cash.

Kathryn McLeland: In terms of the constraints on the Group and how we think about the deployment of capital that we have - we have said that the priority is going to be on leverage. And we have got the call date. We obviously know what we might need to do on top of that and are more than comfortable that we will be able to do it. We have said, I think before, that we have strengthened the Group-wide approach in terms of subsidiaries, robust capital and liquidity management, at the regulated subsidiaries. And we also strengthened at the holding company. The liquidity sitting at the holding company has gone up by about £170 million since the second half. It is a really simple approach. In terms of the optics of the number of £1 billion or £830 million, or whatever the number is, we know it is important - but the approach to liquidity management is more sophisticated than that - that is more just because we know what people want to see. We did upstream £700 million last year, which just exactly matched outflows. And we do need to go through the governance to dividend up, but we currently have very strong capital and very strong liquidity in the

subsidiaries, and we upstream as and when. So, we are very comfortably positioned. We know we will hit the leverage target and we have got own funds opportunities, but we will take action, if we need to.

Q. Mandeep Jagpal, RBC Capital Markets: Three questions from me, please. First one is on net flows again. I appreciate the comments on international but Andrea also mentioned a more stable pattern in the UK institutional going forward. Could you provide more colour on what that could mean for the level of UK flows?

Then two more on BPA. There is a £42 million contribution in the CSM from writing BPAs. I think that implies a margin of about 7% of premiums. Is that a good run rate going forward? Or are there other elements to consider?

And then just finally, on longevity risk, you have a different approach to peers, retaining all of it I think you said. What is your thinking there as I understand that longevity reinsurance for product pricing is currently as attractive as it has ever been, making it highly capital efficient to reinsure even with the reduction in the risk margin?

Andrea Rossi: Thank you. I have had two CEOs speaking. I would like our CEO of Asset Management also to speak. So, Joseph, I do not know is that okay, if you answer on the UK question? Joseph Pinto, our CEO for Asset Management.

Joseph Pinto: Hi, everyone. Nice to meet you. Joseph Pinto, CEO of Asset Management. Thanks for the question. So, for the UK institutional market effectively, the dynamic is that there are four segments - the DB pension scheme which we did so far in the past, the DC segment, the life insurance where we target other life insurance companies, and then what Andrea mentioned, the LGPS (the local government pension systems). We are doing very well on the LGPS and we keep growing over there. We are extremely relevant for insurance companies and other insurance companies as well. We have a strong offer, and that is where we expect also to grow.

On the DC plan, thanks to the strong private assets offer, we can effectively push the private assets offer to the default option that represent, I think, 95% today of any DC plan in this country. And that is our differentiating factor, knowing that usually any DC plan investing into public markets, fixed income, equities, multi-asset, use passive products. So that is our differentiating factor on the DC. All of this should offset negative flows in the DB segment.

On DB, we have a defensive approach by having a buy-and-maintain fixed income strategy but indeed lower fees than what clients used to buy on the DB plans. But all in all, we will be able to stabilise the shape on the institutional UK side.

Kathryn McLeland: Shall I take the other two questions? So, I think you could probably expect the £42 million to perhaps increase if we are doing £1 billion or so in the year in terms of movement into the CSM, which we obviously include in our operating change in CSM. But we are not giving any more guidance really than just the mid-teens IRR. We do look at strain. We mentioned in our comments that we have not yet used the longevity reinsurance option, but we are not ruling it out. We are really aware of the economics there and what that does to our capital and our day-one strain. We also have a With-Profits meaningful balance sheet as well. So, we are taking a slightly different approach to peers, as you said, but we are not going to rule it out. It is key for us to continue with the product development that Clive talked about, and we do see meaningful opportunities also in the vanilla space, using some capital given what the clients are looking for and what we bring, particularly with this private assets capability.

Luca Gagliardi: And, on the £42 million CSM number, having just restarted and having written only a couple of deals, I think it is normal that that number might be a little bit more volatile on a pro-rata basis versus someone that is writing £10 billion a year every year. So obviously, that is representative of the good economics that we are delivering, but do not take it as cast iron. It might move particularly in these first few years.

Q. Nasib Ahmed, UBS: Firstly, I will start with a question on that slide [13]. You have got £46 million of budget. And if I divide it by your target volume, it is about 3.5% gain. Is that the right math that I am doing there? And is the £46 million coming down from £60 million because of risk margin reforms? If that gets priced away, are you going to bump back up to £60 million to meet your volumes? And final question on this sub question, $46 million. Is that on a 100% SCR or on your capital management?

Secondly, slide 15 again. On the right-hand side, on the corporate actions, there is enough BPA [demand] out there. You are doing £1 billion to £1.5 billion. You can offset the runoff but why do the other things? It seems like you are getting distracted. I know you can do it, given that you have got the With-Profit funds but why dip into that market, given you have got so much BPA volume coming through?

And then finally, slide 46. You have got £14.5 billion of back book OCG coming through. Last year, it was £12 billion. What is the delta? Why has that improved so much?

Luca Gagliardi: So maybe just on the math and the 3.5% strain. That is if you divided by £1.5 billion, not if you divide it by £1 billion. So otherwise, it is 4.5% strain. Look it is an indicative number about pipelines that you have at the beginning of the year, risk-weighted and so on and so forth. It is indicative. It is not dictating what we are actually going to do and what level of strain we are going to accept.

Kathryn McLeland: The initial £60 million was before we entered the market and we put aside the capital in 2022. We have the budget available clearly to meet the volumes that we want to do in the year. We do not yet have a full picture in terms of across the whole market of how risk margin reform will impact economics and returns and everything on the business. For us, you may have seen that we are a bit different from peers on the final outcome around Solvency II reform, because we guided to not really benefiting from the risk margin reduction because of our TMTP essentially offsetting it. We did actually have a £66 million benefit in our Irish subsidiary. But what delivered most of the £177 million of benefit was actually the removal of the financial resources requirement, which, I think, again, was a little bit more unique to us because we had the closed book for most of the time since 2016. So that was a one-off benefit. And I think we will ignore that when we now think about the right economics and the IRRs that we want to deliver for a future business in 2024.

Luca Gagliardi: And I guess the other question is, why do we bother, so to speak, doing [solutions] two or three if there is enough strong demand in one. Although I think Clive already partly answered by saying that not all clients want to move directly to buy out, and this is a way to still drive flows into the asset manager.

Kathryn McLeland: Yes. I think we are being prudent, we are very excited about the opportunities. We have got the capital, as you said. It does bring assets into the Group. It does top up that capital runoff profile that you saw at the back. So, I think for now, we are going to stick with the initial guidance. And we have got good opportunities to write business on a selective basis with the clients and the deals that we are engaging with.

Luca Gagliardi: And then quickly going to slide 46. This number has gone up from I think it was £12 billion last year to £14.5 billion. The fundamental drivers are the interest rates and projections. So effectively, the rates at the beginning of the year have not changed hugely year-on-year but we also have a projection of how rates will develop. So probably before we thought that the increase in rates would have been more

transient, and therefore, only the first year or two in these projections benefited from those higher rates. Hopefully, we are not going to stay at the higher rate forever, but we have extended that a little bit. Plus, this factors in the in-force book - we had very strong PruFund sales this year and that is also helping. The new BPA deals are again a factor. So, a couple of different dynamics, but ultimately, this is very important for us and underpins our confidence in the dividend and ability to cover the debt as well. So, it is an appendix slide, but it is a very important slide.

Any more questions? Otherwise, I think we are good. Quickly checking online, but it looks like there are no questions. So, with that, do you want to say a couple of words?

Andrea Rossi: I just want to thank everyone. As you saw, these are great results. And clearly, I know I come across as confident, but if you look at the progress, we have done on our three strategic priorities, we are in a good place to continue to deliver. So, thank you very much and looking forward to seeing you in the coming days and months. Thanks.

Luca Gagliardi: Thank you.