M&G plc half year 2024 results

RESILIENT FINANCIAL RESULT ACROSS OPERATING PROFIT AND CAPITAL GENERATION
GOOD PROGRESS ON OUR THREE STRATEGIC BUSINESS PRIORITIES
UPGRADED CAPITAL GENERATION AND COST SAVINGS TARGETS

Net Client Flows (excl. Heritage)[i]	Adjusted Operating Profit Before Tax	Operating Capital Generation	Shareholder Solvency II coverage ratio	Interim Dividend per Share
£(1.5)bn	£375m	£486m	210%	6.6p
HY 2023: £0.7bn	HY 2023: £390m	HY 2023: £505m	YE 2023: 203%	HY 2023: 6.5p

Andrea Rossi, Group Chief Executive Officer, said:

"Over the last 18 months, we have made meaningful progress transforming M&G by focusing on our strategic priorities: Financial Strength, Simplification, and Growth. Against the backdrop of a challenging market environment in the first half of the year, we have delivered another resilient financial performance with Adjusted Operating Profit and Capital Generation nearly matching last year's excellent results.

"We have materially improved the Financial Strength of the business lifting our shareholder Solvency II coverage ratio to 210%, a very strong position. And we tackled our leverage too, reducing debt by £461 million.

"Our Simplification agenda continues at pace, delivering £121 million in cost savings so far. We have made considerable progress across all of our financial targets and, reflecting our track record of delivery and our commitment to strong shareholder outcomes, we are announcing today upgrades to our capital generation and cost savings targets.

"We are continuing to push further on our strategic priorities, combining our Life and Wealth operations to support the acceleration of our growth plan in the UK retail market. We also see growth opportunities in our international footprint and in the broadening of our product offering.

"As we look ahead, the strong foundations we have built give me confidence in the long-term outlook for M&G."

Financial strength

- Resilient adjusted operating profit of £375 million (30 June 2023: £390 million), with a 9% improvement in Asset Management contribution, and a 7% reduction in Life and Wealth due to lower contractual service margin (CSM) amortisation rates and returns on surplus assets.
- IFRS loss after tax of £56 million (30 June 2023: £75 million profit) was impacted by larger losses relating to short-term fluctuations in investment returns and mismatches arising on application of IFRS 17, although benefitted from lower restructuring costs.
- Our CSM increased by 5% to £5.8 billion (31 December 2023: £5.5 billion), a meaningful improvement in the Group's stock of future value from its insurance operations. This result was supported by a positive operating change in the CSM of £99 million, and a further £180 million largely from the favourable impact from markets.
- Operating capital generation (OCG) of £486 million (30 June 2023: £505 million) continues to be strong, taking cumulative OCG since the start of 2022 to £2.3 billion, and enabling us to increase our three-year cumulative target from £2.5 billion to £2.7 billion by the end of the year.
- Shareholder Solvency II coverage ratio improved to 210% (31 December 2023: 203%) thanks to the resilient operating result and the reversal of £216 million capital restrictions; the ratio also reflects the 2023 final dividend and deleveraging actions announced in June.
- Shareholder Solvency II leverage ratio improved to 32%[ii] (31 December 2023: 35%) after allowing for all the deleveraging actions announced in June totalling £461 million. These actions will reduce ongoing debt interest cost by £21 million per annum.
- The 2024 first interim dividend of 6.6 pence per share (30 June 2023: 6.5 pence per share) is in line with our policy of stable or increasing dividends. The first interim dividend is payable on 18 October 2024.

i. Net client flows (excluding Heritage) consist of net client flows in Asset Management, PruFund (UK and Europe), Platform and Advice and other Wealth and exclude the expected outflows in our Heritage business in Life.

ii. The £300m of subordinated debt redeemed on 20 July 2024 as part of the deleveraging actions announced in June 2024 has been excluded from both the Nominal value of the subordinated debt and own funds to calculate the leverage ratio at 30 June 2024.

Simplification

- Delivered good momentum on our Transformation programme at the halfway point of this three-year journey to create a leaner and more efficient organisation; continued to improve our ability to serve clients, reduce costs and unlock growth.
- Reduced H1 2024 managed costs by 4% compared with H1 2023, more than offsetting inflationary pressures and freeing up resources to support investment in growth initiatives, thanks to cost savings of £121 million since the launch of the programme in early 2023.
- Following a strategic review and given our commitment to operational discipline, we have decided to focus and rationalise our Wealth strategy, combining the Life and Wealth operations under the leadership of Clive Bolton. Through this change, we will better focus our efforts to serve the UK retail market, complement PruFund with life insurance solutions, reduce duplication and improve efficiency.
- Increased the cost savings target from £200 million to £220 million by 2025, reflecting the strong progress achieved to date. This increase in the target excludes any additional benefits from the streamlining of our operating model announced today.
- Reduced the Asset Management Cost-to-Income ratio to 77% (31 December 2023: 79%) through a 2% reduction in costs to £388 million (30 June 2023: £394 million) and a 1% increase in revenues to £499 million (30 June 2023: £496 million).
- Since the start of our transformation journey, migrated a total of 3.9 million policies to our strategic policy administration system, improving client service levels and reducing average claim processing time in the Life business.

Growth

- Successfully navigating a challenging macro environment, delivering a resilient performance while positioning the Group for long-term sustainable growth that is capital-lite across the Asset Management and Life business.
- Continued to deliver strong investment performance to our clients. As of 30 June 2024, 62% of our mutual funds ranked in the upper two performance quartiles over three years and 66% over five years; in institutional asset management, over 70% of funds by AUMA outperformed their benchmarks on both a three and five-year basis.
- AUMA of £346.1 billion was £2.6 billion higher than at the start of the year, due to positive markets and the consolidation of the Continuum operations offsetting net outflows.
- Reduced net client outflows in UK Institutional Asset Management to £2.4 billion (30 June 2023: £3.8 billion), and continued net client inflows in International Institutional Asset Management of £1.9 billion (30 June 2023: £2.4 billion).
- Delivered flat net flows in Wholesale Asset Management (30 June 2023: £1.3 billion net inflows), a good result in a challenging market for active investment solutions, where there have been £15 billion[iii] of net outflows in the UK and €18 billion[iv] net outflows in Europe.
- Experienced £0.9 billion net outflows in Wealth (30 June 2023: £0.6 billion net inflows) as protracted high interest rates increased the relative attractiveness of alternative solutions to PruFund, such as cash and annuities.
- Completed the third Bulk Purchase Annuity (BPA) deal since re-entering the market in 2023 (premium of £309 million) and continued to build our capabilities to grow in this attractive market.
- Continuing to develop our capital-lite solutions in Life. Expect to complete our first capital-lite BPA transaction by the end of the year, and to imminently launch a PruFund-like solution in the Middle East.

Outlook

- M&G is well positioned to navigate the current uncertain economic climate 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 underpin our continued confidence in the delivery of our strategic priorities and financial targets, as we remain focused on transforming M&G to deliver great 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.
- We are making good progress on our financial targets, in particular on the upgraded operating capital generation target of £2.7 billion by end of 2024, and the upgraded cost savings target of £220 million by end of 2025.
- Our dividend policy of delivering stable or growing dividends to our shareholders remains unchanged.

iii. Source: Investment Association. Data refers to H1 2024 net flows for active investment solutions excluding Money Market funds

iv. Source: Broadridge. Data refers to H1 2024 cross border Europe net sales, excluding the UK and excluding Money Market funds, Fund of Funds and ETFs

Performance highlights[i]	For the six months ended 30 June 2024	For the six months ended 30 June 2023	For the year ended 31 December 2023
Adjusted operating profit before tax (£m)	**375**	390	797
IFRS (loss)/profit after tax (£m)	**(56)**	75	309
Operating change in contractual service margin (CSM) (£m)	**99**	151	355
Operating capital generation (£m)	**486**	505	996
Total capital generation (£m)	**813**	73	358
Shareholder Solvency II coverage ratio (%)	**210 %**	199 %	203 %
Dividend per share (p)	**6.6**	6.5	19.7
Assets under management and administration (AUMA) (£bn)	**346.1**	332.8	343.5
Net client flows (excluding Heritage)[ii] (£bn)	**(1.5)**	0.7	1.1

i. Definitions of key performance measures are provided in the Supplementary information section of the Interim Financial Report on page 65.

ii. Net client flows 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. Our Heritage business, which is mostly closed to new clients, as it runs off, comprises Life traditional with-profits, shareholder annuities and other.

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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 shareholder view and regulatory view of the Solvency II coverage ratio as at 30 June 2024 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.
3. Total number of M&G plc shares in issue as at 30 June 2024 was 2,383,780,334.
4. A live webcast of the Half Year 2024 Results presentation and Q&A will be hosted by Andrea Rossi (CEO) and Kathryn McLeland (CFO) on Wednesday 4th September at 10:00 BST. Register to join at: https://mngresults.connectid.cloud/register

   Or dial in by phone in the UK: 0800 358 1035 or +44 20 3936 2999 Access code: 237635

   For global dial-in numbers see: https://www.netroadshow.com/events/global-numbers?confId=69614

   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 2024

Ex-dividend date	12 September 2024
Record date	13 September 2024
Payment of dividend	18 October 2024

About M&G plc

M&G plc is a leading international savings and investments business, managing money for around 4.6 million retail clients and more than 900 institutional clients in 38 offices worldwide. As at 30 June 2024, we had £346.1 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.

Management statement

In the first six months of 2024, we have made meaningful progress across our financial targets as we continue to focus on the three priorities for the business announced in March 2023: Financial Strength, Simplification and Growth. In the current high interest rate environment we have delivered a resilient financial performance with adjusted operating profit and operating capital generation nearly matching our strong results for the first half of 2023.

Financial strength

As at 30 June 2024, we have a strong capital position and the lowest level of debt since we listed as an independent company on the London Stock Exchange in 2019.

As part of our commitment to reduce our leverage ratio, on 10 June 2024 we announced a series of deleveraging actions. On 19 June 2024 we repurchased £161 million of the £600m 5.56% July 2055 subordinated notes for a consideration of £150 million and on 20 July 2024 we redeemed all £300 million 3.875% July 2049 subordinated notes at par. After allowing for both these transactions, the actions had the effect of reducing our leverage ratio (defined as the nominal value of debt as a percentage of the shareholder view of M&G plc's Solvency II available own funds) to 32%[i] as at 30 June 2024 (31 December 2023: 35%).

Operating capital generation for the six months ended 30 June 2024 is £486 million (30 June 2023: £505 million), meaning our cumulative operating capital generation since 1 January 2022 is £2.3 billion (31 December 2023: £1.8 billion). Reflecting our confidence in continuing to generate strong operating capital we have decided to upgrade our three year cumulative operating capital generation target for the end of the year to £2.7 billion from £2.5 billion. Our shareholder Solvency II coverage ratio at 30 June 2024 is 210% (31 December 2023: 203%).

The continued strength of our financial position demonstrated by our capital generation and shareholder Solvency II coverage ratio allows us to declare an interim ordinary dividend of 6.6 pence per share (30 June 2023: 6.5 pence per share), payable on 18 October 2024.

Simplification

Our transformation programme to support better outcomes for our clients has continued to progress well during the first half of 2024. The aims of the programme are to make the best use of technology, create the optimal sourcing and location strategy and deliver a leaner and more efficient organisation. We have now migrated nearly 80% of our Heritage policies onto a single, modern platform solution, which offers a better and more digital customer experience. Across the whole business we have delivered cost savings of £121 million in the first 18 months of the programme, which is 60% of our target announced in March 2023.

As part of transforming the business we have performed a strategic review of our Wealth business. On completion of this review we have concluded that our competitive position in the wealth market is not sufficiently strong to ensure profitable growth without committing significant further resources. As a result we have decided to focus and rationalise our Wealth strategy. Our future focus will be on continuing to grow the distribution of our own solutions through our restricted advice channel and independent advisers, and making our propositions more accessible on third party platforms. We will exit our adviser digital platform as part of focusing the business. We have also decided that Wealth should be more closely aligned to our Life business and we are simplifying our operating model by bringing together Wealth and Life under the leadership of Clive Bolton. Through these changes, we remain committed to the UK retail market, which offers a compelling growth opportunity for M&G. This will allow us to concentrate our resources, complementing PruFund with the life insurance solutions that our clients want, reduce duplication and improve operational efficiency. Underpinning these decisions is our ongoing drive to deliver improved client outcomes.

Given the strong progress of our cost savings initiatives we are upgrading the target by £20m to £220m by the end of 2025, as we look to create capacity, offset inflation, invest for growth and reaffirm the importance of cost discipline across the entire organisation. This increase in the target excludes any additional benefits from the streamlining of our operating model.

The continued focus on cost discipline, alongside revenue growth, has led to an improvement in the Asset Management Cost-to-Income ratio from 79% to 77% since the start of the year. However, we recognise that we need to go further, as this remains our most challenging target to achieve by the end of 2025.

Growth

We have set clear growth priorities across the business. AUMA has increased to £346.1 billion, £2.6 billion higher than at the start of the year, due to positive markets and the consolidation of Continuum operations offsetting net outflows for the first six months of the year.

In Asset Management, we continue to focus on delivering strong investment performance, build our presence across international markets, in part through strengthened teams, and capitalise on our strength and expertise in private markets. We are participating in the work of the British Infrastructure Council and will continue to bring the expertise from our strong heritage to allow further investment in UK infrastructure projects. Asset Management had net outflows of £0.5 billion for the first six months of 2024 (30 June 2023: net outflows of £0.1 billion). Against a challenging backdrop for the sector Wholesale Asset Management delivered net neutral flows (30 June 2023: £1.3 billion inflows). Institutional Asset Management net outflows improved to £0.5 billion for the first six months of 2024 (30 June 2023: £1.4 billion), with lower net outflows in the UK of £2.4 billion (30 June 2023: £3.8 billion) due to structural headwinds from defined benefit pension schemes being offset by International continuing to deliver net inflows of £1.9 billion (30 June 2023: £2.4 billion). We are excited about the long-term opportunities in private credit, which is at the heart of our private market franchise, and in particular in structured credit, where we are experiencing strong client demand.

We will further strengthen our corporate offering in Life through developing our bulk purchase annuities (BPA) capabilities for both traditional and capital-lite structures. In March, we completed the third BPA deal since re-entering the market in 2023 with a premium of £309 million. In Individual Life and Pensions, we are working towards broadening our UK propositions by adding fixed-term annuities and launching PruFund on third-party platforms. This will further improve access to PruFund and support us in attracting flows from clients. We expect to see meaningful progress on both these initiatives over the next six months. In International, we expect to imminently launch a PruFund-like guaranteed product in the Middle East, as we also keep redesigning the proposition for European markets.

i. The £300m of subordinated debt redeemed on 20 July 2024 as part of the deleveraging actions announced in June 2024 has been excluded from both the Nominal value of the subordinated debt and own funds to calculate the leverage ratio at 30 June 2024

Management statement (continued)

We have already taken a number of steps to create a more focused Wealth business, delivering better outcomes for customers and advisers, as well as improving profitability. By combining Wealth and Life, we believe we will better coordinate our sales efforts in the UK and improve our operational efficiency.

Wealth experienced net outflows of £0.9 billion (30 June 2023: net inflows of £0.6 billion) for the first six months of 2024, as in the higher interest rate environment, many of our target customers chose to invest in cash and guaranteed solution products rather than multi-asset investment solutions, such as PruFund.

Financial review

Adjusted operating profit before tax of £375 million (30 June 2023: £390 million) reflects a modest reduction due to the with-profit businesses and shareholder annuities. In line with expectations, there was a lower release of contractual service margin (CSM) in the with-profits businesses reflecting improvements in persistency recognised at the end of 2023 reducing the amortisation rate and a reduction in the expected return on excess assets in our shareholder annuities portfolio. Cost reductions from our transformation programme have benefitted Asset Management leading to a 9% improvement in its adjusted operating profit before tax. Strong commercial discipline has also contributed to a reduction in losses from our Platform and Advice business in Wealth.

Operating change in CSM reduced to £99 million (30 June 2023: £151 million) primarily due to shareholder annuities, which benefited in the six months to the end of June 2023 from favourable longevity experience which did not repeat to the same extent in the first six months of 2024. The with-profits businesses were broadly flat, with lower contributions from new business offset by improved persistency experience. The increased closing CSM of £5.8 billion (30 June 2023: £5.5 billion) demonstrates a strong store of future value.

Our IFRS result is a loss after tax attributable to equity holders of £56 million (30 June 2023: £75 million profit) and includes increased losses on short-term fluctuations in investment returns and the mismatch on the application of IFRS 17 which are partly offset by reductions we have made in restructuring costs and gains relating to the deleveraging actions taken in June.

Underlying capital generation of £297 million (30 June 2023: £352 million) reduced mainly as a result of lower expected returns on surplus assets in the shareholder annuities portfolio. This was partly offset by an increase in other operating capital generation to £189 million (30 June 2023: £153 million) arising from management actions, resulting in operating capital generation of £486 million for the six months ended 30 June 2024 (30 June 2023: £505 million). Total capital generation was £813 million (30 June 2023: £73 million) reflecting benefits from market movements and the impact of removing the eligible own funds restriction following the deleveraging actions.

Outlook

Our focus is to build on the progress we have made in the first six months of the year on each of our strategic priorities as we remain committed to transforming M&G to deliver great client and shareholder outcomes. M&G is well positioned to navigate the current uncertain economic climate due to its diversified business model, international footprint, compelling products and services, investment capabilities and expertise.

Given the good progress we are making we are upgrading two of our financial targets. We are increasing our operating capital generation target to £2.7 billion by the end of 2024 from £2.5 billion and we are increasing our cost savings target from £200 million to £220 million by the end of 2025.

Our dividend policy of delivering stable or growing dividends to our shareholders remains unchanged and we announce today an interim dividend of 6.6p.

Overview of Group results

Adjusted operating profit before tax

The following table shows adjusted operating profit before tax split by segment:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Asset Management	**129**	118	242
Life[i]	**263**	283	586
Wealth[i]	**83**	91	180
Corporate Centre	**(100)**	(102)	(211)
Adjusted operating profit before tax	**375**	390	797

i. Life and Wealth were previously reported under Retail and Savings in the 2023 interim financial statements.

Adjusted operating profit before tax decreased to £375 million in the six months to 30 June 2024 (30 June 2023: £390 million) driven by reductions in Life and Wealth, partly offset by an improvement in Asset Management.

In Asset Management, the increase in adjusted operating profit before tax to £129 million (30 June 2023: £118 million) is driven by a reduction in operating expenses from the delivery of initiatives that are part of our transformation programme and continued focus on cost discipline. Asset management earned marginally higher revenue due to increased AUMA. Our average asset management revenue margin remained constant at 32 bps compared to 33 bps in 2023 reflecting changes in the mix of our funds and despite pricing pressures in the market.

Life adjusted operating profit before tax decreased by £20 million to £263 million (30 June 2023: £283 million) with reductions in both traditional with-profits business and shareholder annuities. The reduction in traditional with-profits adjusted operating profit is due to a lower release of the CSM to profit predominately as a result of a reduction in the CSM amortisation rate following a strengthening of persistency assumptions at 31 December 2023. A lower expected real-world return on excess assets drove the reduction in the shareholder annuities adjusted operating profit. These reductions in traditional with-profits business and shareholder annuities are partly offset by increases in Europe and Other Life.

In Wealth, the reduction in adjusted operating profit before tax to £83 million (30 June 2023: £91 million) is driven by a fall in the PruFund UK business adjusted operating profit which is impacted by the reduction in CSM amortisation rate, similar to the Life traditional with-profits business, and lower expected return on excess assets. This reduction in PruFund UK is partly offset by lower losses in the Platform and Advice business following a reduction in costs.

The Corporate Centre, including stable Head Office expenses, improved marginally on the same period in the prior year.

Adjusted operating profit before tax to IFRS result before tax

The following table shows a reconciliation of adjusted operating profit before tax to IFRS profit/(loss) after tax:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Adjusted operating profit before tax	**375**	390	797
Short-term fluctuations in investment returns	**(284)**	(177)	(171)
Mismatches arising on application of IFRS 17	**(119)**	(40)	(41)
Amortisation and impairment of intangible assets acquired in business combinations	**(19)**	(6)	(39)
Profit on disposal of business and corporate transactions	**11**	—	—
Restructuring costs and other[i]	**(29)**	(74)	(141)
IFRS (loss)/profit before tax and non-controlling interests attributable to equity holders	**(65)**	93	405
IFRS profit attributable to non-controlling interests	**8**	8	16
IFRS (loss)/profit before tax attributable to equity holders	**(57)**	101	421
Tax credit/(charge) attributable to equity holders	**1**	(26)	(112)
IFRS (loss)/profit after tax attributable to equity holders	**(56)**	75	309

i. Restructuring costs and other 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 policyholder.

IFRS result after tax

The IFRS result after tax attributable to equity holders is a loss of £56 million compared to a profit of £75 million for the six months ended 30 June 2023. Adjusted operating profit before tax for the first six months of 2024 has been offset by losses on non-operating items predominately due to losses from short-term fluctuations in investment returns and an increased loss in the mismatch arising on application of IFRS 17.

Overview of Group results (continued)

IFRS result after tax (continued)

Losses from short-term fluctuations in investment returns continued in the six months to 30 June 2024. These losses primarily comprise a £151 million loss (30 June 2023: £118 million loss) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates driven by rises in risk-free rates in the six months ended 30 June 2024. There were also losses of £101 million (30 June 2023: £101 million loss) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rises in equity values during the period.

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 generating a £114 million loss in the six months ended 30 June 2024 (30 June 2023: £36 million loss). This mismatch increased in the six months ended 30 June 2024 relative to the same period in 2023 due to a reduction in the fair value of non-profit business in the With-Profits Fund driven by a revised fair value calibration of the business to allow for the UK reforms to Solvency II. Over the expected term of the contracts this mismatch is expected to slowly unwind as the profit on non-profit business in the With-Profits Fund is recognised.

Amortisation and impairment of intangible assets of £19 million (30 June 2023: £6 million) includes a £12 million (30 June 2023: £nil) impairment of goodwill in relation to the M&G Wealth Platform business related to uncertainty around long-term market growth.

Profit on disposal of business and corporate transactions includes gains resulting from the repurchase of subordinated notes in June 2024 (see Note 13) of £28 million, partly offset by the increase in a provision for redress to customers in Wealth which occurred prior to the Group's acquisition of the relevant business.

In the six months to 30 June 2024, restructuring costs and other of £29 million (30 June 2023: £74 million) mainly relates to transformation costs of £10 million (30 June 2023: £40 million), £8 million (30 June 2023: £15 million) of investment spend in building out capability in our Asset Management business and £4 million (30 June 2023: £11 million) for the development of the Wealth platform business.

The equity holders' tax credit for the six months ended 30 June 2024 was £1 million (30 June 2023: £26 million tax charge) representing an effective tax rate of 1.8% (30 June 2023: 25.7%). The equity holders' effective tax rate of 1.8% is significantly lower compared to the UK statutory rate of 25.0% (30 June 2023: 23.5%) primarily due to the detrimental impact arising from non-deductible expenses. The impact of the detrimental tax adjustments on the effective tax rate is more significant in the current period due to the lower profit base.

Operating change in Contractual Service Margin (CSM)

Operating change in CSM, an alternative performance measure introduced in 2023 on the adoption of IFRS 17, supplements the adjusted operating profit metric for the Life and Wealth segments. It represents the change in CSM during the period resulting from new business, interest accretion, experience changes and release of CSM to adjusted operating profit but excludes the impact of short-term fluctuations in investment return and mismatches arising on the adoption of IFRS 17.

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Life	**17**	74	125
Wealth	**82**	77	230
Operating change in CSM	**99**	151	355

Operating change in CSM reduced to £99 million in the six months ended 30 June 2024 (30 June 2023: £151 million), driven by the shareholder annuities business.

In Life, operating change in CSM arises from traditional with-profits, shareholder annuities and PruFund Europe business and decreased by £57 million to £17 million (30 June 2023: £74 million). The expected real-world return on the CSM for the with-profits businesses and interest accreted on the CSM in shareholder annuities exceeded the CSM released to adjusted operating profit by £10 million, which was the same in the first half of 2023. The reduction in operating change in CSM is predominately due to a lower impact from mortality experience in shareholder annuities and a lower contribution from PruFund Europe new business.

Wealth operating change in CSM relates to PruFund UK business and increased by £5 million to £82 million (30 June 2023: £77 million). The expected real-world return on the CSM for PruFund UK business of £154 million (30 June 2023: £148 million) more than offset the CSM released to operating profit of £97 million (30 June 2023: £101 million) resulting in a net contribution to operating change in CSM of £57 million (30 June 2023: £47 million). A lower contribution from new business of £32 million (30 June 2023: £52 million) is offset partly by a £14 million increase in operating change in CSM from improvements in persistency experience.

Overview of Group results (continued)

Capital generation

The following table shows an analysis of total capital generation:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Asset Management	**118**	119	246
Life	**207**	269	574
Wealth	**82**	75	163
Corporate Centre	**(110)**	(111)	(231)
Underlying capital generation	**297**	352	752
Other operating capital generation	**189**	153	244
Operating capital generation	**486**	505	996
Market movements	**27**	(141)	(507)
Restructuring and other	**(21)**	(61)	49
Tax	**105**	50	36
Eligible own funds restriction	**216**	(280)	(216)
Total capital generation	**813**	73	358

Total capital generation was £813 million for the six months ended 30 June 2024 (30 June 2023: £73 million), reflecting benefits from market movements, tax and the impact of removing the eligible own funds restriction. 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. As at 31 December 2023 the restriction was £216 million. This was released in the six month period to 30 June 2024 when at that date there is no restriction following deleveraging actions taken in June 2024.

Underlying capital generation fell to £297 million (30 June 2023: £352 million). The fall is mainly attributable to lower underlying capital generated by Life due a lower expected return on the surplus assets in the annuity portfolio.

The increase in other operating capital generation in the first half of 2024 to £189 million (30 June 2023: £153 million) reflects a £144 million capital benefit resulting from a change to the strategic asset allocation of the With-Profits Fund and an increase in the level of equity hedging in the With-Profits Fund. A further contribution of £62 million in the first six months of 2024 arises from the distribution of excess surplus from the with-profits inherited estate which increases future shareholder transfers. A similar benefit in 2023 was offset by a reduction in PAC's Transitional Measure on Technical Provisions (TMTP) which no longer occurs due to the removal of a restriction that applied in relation to transition from Solvency I to Solvency II at 31 December 2023.

Market movements in the first half of 2024 have resulted in a positive impact of £27 million (30 June 2023: negative £141 million). Returns in the With-Profits Fund have improved compared to the first half of 2023 and are closer to the expected returns for which credit has been taken in underlying capital generation. The Solvency II capital position is hedged using interest rate swaps to protect against falls in interest rates, these instruments reduce in value as interest rates rise and therefore partially offset the gain in future shareholder transfers from the rise in interest rates over the first six months of 2024 resulting in a £54 million increase in capital generation (30 June 2023: £72 million gain). Other market impacts include a loss on the value of surplus assets in the annuity fund of £67 million (30 June 2023: £42 million loss) offset by a reduction in SCR and risk margin net of TMTP of £96 million (30 June 2023: £154 million reduction), driven by the increase in risk-free rates.

Restructuring and other costs of £21 million (30 June 2023: £61 million) reflect the impact on the capital position of restructuring costs partially offset by the impact of the parts of the Solvency II UK reform which we have implemented at 30 June 2024. The matching adjustment cap on sub-investment grade assets has been removed and the fundamental spread is now applied by notched credit rating, rather than whole letter ratings. Overall, these changes result in a £53 million capital benefit at 30 June 2024 (30 June 2023: £nil).

Capital position

The Group's shareholder Solvency II coverage ratio increased to 210% (31 December 2023: 203%). Shareholder Solvency II surplus increased to £4.6 billion as at 30 June 2024 (31 December 2023: £4.5 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 £4.3 billion (30 June 2023: £4.0 billion). The increase in surplus reflects the total capital generation of £813 million, offset by capital movements of £771 million. These were mainly the payment of dividends to shareholders and the impact of subordinated debt deleveraging actions, including the post balance sheet redemption of the £300 million 3.875% Sterling fixed rate subordinated notes on 20 July 2024. The reduction in SCR was driven by benefits from management actions and the rise in yields.

Our With-Profits Fund continues to have a strong Solvency II coverage ratio of 429%. Although the surplus has decreased, the ratio increased from the 403% reported at 31 December 2023 due to a reduction in SCR driven by the expected surplus from in-force business, management actions including the distribution of excess surplus from the with-profits inherited estate, and market movements in the period.

The regulatory Solvency II coverage ratio of the Group as at 30 June 2024 was 173% (31 December 2023: 167%). This view of solvency combines the shareholder position and the With-Profits Fund, but excludes all surplus within the With-Profits Fund.

Overview of Group results (continued)

Leverage and liquidity

The following table shows key leverage and liquidity information:

	As at 30 June		As at 31 December
	2024	2023	2023
	£m	£m	£m
Nominal value of subordinated debt[i]	**2,784**	3,243	3,242
Shareholder Solvency II own funds[i]	**8,714**	9,086	9,143
Leverage ratio	**32%**	36%	35%

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.

The leverage ratio is defined as the nominal value of 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 position section above. Our leverage ratio of 32% (31 December 2023: 35%) has decreased as a result of the deleveraging actions announced in June 2024. The deleveraging actions comprised a repurchase of £161 million of 5.56% Sterling fixed rate subordinated notes for a consideration of £150 million on 19 June 2024 and, on 20 July 2024, the redemption of all £300m 3.875% Sterling fixed rate subordinated loan notes in issue, as described in Note 17. While the liability for the 3.875% notes remained unsettled at 30 June 2024, the Group's commitment to redeeming the debt at the call date means these are no longer recognised within Tier 2 Solvency II own funds.

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
	2024	2023	2023
	£m	£m	£m
Opening cash and liquid assets at the beginning of the period	**977**	986	986
Cash remittances from subsidiaries	**541**	333	725
Corporate costs	**(59)**	(80)	(129)
Interest paid on core structural borrowings	**(98)**	(94)	(189)
Debt repurchase[i]	**(150)**	—	—
Cash dividends paid to equity holders	**(311)**	(310)	(462)
Shares purchased by employee benefits trust	**—**	(5)	(5)
Acquisition of and capital injections to subsidiaries	**(62)**	(46)	(66)
Interest income on intercompany loans	**21**	19	42
Other	**32**	28	75
Closing cash and liquid assets at the end of the period[ii]	**891**	831	977

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, see note 13 for further information.

ii. Closing cash and liquid assets at 30 June 2024 included a £859 million (31 December 2023: £940 million) inter-company loan asset with Prudential Capital plc, which acts as the Group's treasury function.

The cash and liquid assets held by the Group's holding companies has only fallen by £86 million since the start of the year despite the debt repurchase of £150 million as part of the deleveraging actions taken in June 2024. Cash remittances from subsidiaries have increased to £541 million for the first half of 2024 compared to £333 million for the first half of 2023. In the first half of 2024, the dividend from The Prudential Assurance Company Limited increased reflecting the strength of its capital position. Additionally, in the six months to 30 June 2023, M&G Group Limited did not pay a dividend due to the funding of the acquisition of responsAbility which took place in 2022. Other movements in cash and liquid assets held by the holding companies for the six months ended 30 June 2024 represent the dividends and payments that will arise in the normal course of business, including interest paid on structural borrowings of £98 million.

Asset Management

Improved cost/income ratio due to higher revenue and lower costs as the focus on the strategic priorities - simplification and profitable growth - starts to benefit the financial performance of Asset Management

Assets under management and administration and net client flows

	Net client flows			AUMA[i]	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	For the year ended 31 December 2023	**As at 30 June 2024**	As at 31 December 2023
	£bn	£bn	£bn	**£bn**	£bn
Institutional Asset Management	**(0.5)**	(1.4)	(0.7)	**97.8**	98.2
Wholesale Asset Management	**—**	1.3	1.5	**56.1**	55.0
Other	**—**	—	—	**1.0**	1.0
Total External Asset Management	**(0.5)**	(0.1)	0.8	**154.9**	154.2
Internal Asset Management				**158.7**	160.3
Total Asset Management				**313.6**	314.5

i. £11.8 billion (31 December 2023: £11.2 billion restated) relates to assets under advice. The comparative has been restated as it previously included £2.9 billion of assets under advice that related to the Wealth segment.

In Wholesale Asset Management, challenges seen in the market are reflected in net nil flows in the first six months of the year (30 June 2023: £1.3 billion net inflows). Outflows where some clients have adjusted their investment strategy to lower risk alternatives have been offset by growth in our specialised Investment Solutions channel which secured further mandates and net inflows in the six months to 30 June 2024. Our Wholesale funds performance over one year has strengthened relative to the start of the year, with 64% (31 December 2023: 51%) ranked in the upper performance quartiles over one year. Over three and five years our performance remains strong with 62% (31 December 2023: 64%) and 66% (31 December 2023: 69%) of our Wholesale funds ranked in the upper performance quartiles.

Wholesale assets under management and administration (AUMA) increased by £1.1 billion to £56.1 billion due to positive market and other movements of £1.1 billion in the year to date, which are driven by stronger equity markets in the UK and Europe.

Net client outflows of £0.5 billion (30 June 2023: £1.4 billion) in Institutional Asset Management are mainly as a result of expected redemptions in South Africa and poorer performance in Real Estate. However, a focus on strengthened performance in our international business, particularly in fixed income channels, attracted net inflows.

Institutional AUMA decreased by £0.4 billion to £97.8 billion due to the net client outflows which were partly offset by positive market and other movements of £0.1 billion during the six months to 30 June 2024 due to the strengthening of foreign currencies, notably South African Rand. Over 70% of Institutional funds by AUMA outperformed their benchmarks on both a three and five-year basis.

Our expertise in private markets, which offers private credit, structured credit, impact and private equity, real estate and infrastructure offerings, is a key component of our institutional investment capability, and represents a resilient, high-margin source of revenues. Our private assets under management AUMA remained stable at £73.1 billion of AUMA as at 30 June 2024 (31 December 2023: £73.4 billion).

Adjusted operating profit before tax

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

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Fee-based revenue[i]	**512**	507	1,025
Asset Management operating expenses	**(388)**	(394)	(791)
Investment return	**13**	13	24
Adjusted operating profit attributable to non-controlling interests	**(8)**	(8)	(16)
Adjusted operating profit before tax	**129**	118	242

i. £160 million of the fee-based revenue is in respect of assets managed on behalf of Life and Wealth (6 months ended 30 June 2023: £152 million, year ended 31 December 2023: £309 million).

Asset Management adjusted operating profit before tax increased 9% to £129 million in the six months to 30 June 2024 (30 June 2023: £118 million) with a reduction in operating expenses and improved fee-based revenue.

Asset Management (continued)

Adjusted operating profit before tax (continued)

Revenue earned by Institutional Asset Management was £294 million (30 June 2023: £293 million) and from Wholesale Asset Management was £205 million (30 June 2023: £203 million). Income earned from performance fees and carried interest included in fee-based revenue was £13 million (30 June 2023: £11 million). The increase in AUMA has driven the rise in revenue and margins remained resilient with average fee margins 32bps, down 1bp from 33bps at 30 June 2023. Average fee margins for Wholesale Asset Management reduced to 55bps (30 June 2023: 58bps) and to 38bps for Institutional Asset Management (30 June 2023: 39bps), the impact in our Wholesale business is mainly due to the concentration of new flows in lower margin funds.

Asset Management operating expenses have reduced by £6 million to £388 million (30 June 2023: £394 million) driven by cost reductions from the delivery of initiatives that are part of our transformation programme and the continued focus on cost discipline, partly offset by the ongoing impact of inflation. The increase in revenue and the reduction in cost has resulted in an improvement to the cost to income ratio for the Asset Management business to 77% (30 June 2023: 79%).

Investment return relates to returns on seed investments, units held to hedge management incentive schemes and interest income on cash balances and remains at £13 million.

Capital generation

The following table shows an analysis of operating capital generation:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Underlying capital generation	**118**	119	246
Other operating capital generation	**1**	(5)	50
Operating capital generation	**119**	114	296

Operating capital generation for the six months ended 30 June 2024 increased to £119 million (30 June 2023: £114 million). Underlying capital generation remained stable at £118 million (30 June 2023: £119 million) with a higher adjusted operating profit before tax for the six months ended 30 June 2024 whereas 2023 benefited from a reduction in the capital required to be held in respect of market risks.

Other operating capital generation has improved; this mainly reflects investment income offset by adverse foreign exchange movements.

Life

Our Life business has delivered resilient results as we continue to work on extending our individual and corporate offerings.

Assets under management and administration and net client flows

	Net client flows			AUMA	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	For the year ended 31 December 2023	**As at 30 June 2024**	As at 31 December 2023
	£bn	£bn	£bn	**£bn**	£bn
Traditional with-profits	**(2.3)**	(2.3)	(4.2)	**63.7**	65.0
Shareholder annuities	**(0.2)**	(0.5)	(0.4)	**15.2**	15.8
Europe	**(0.1)**	0.2	0.1	**6.5**	6.4
Other	**(0.7)**	(0.4)	(1.2)	**13.5**	13.7
Total Life	**(3.3)**	(3.0)	(5.7)	**98.9**	100.9

The Life business experienced total net client outflows of £3.3 billion (30 June 2023: £3.0 billion), as the legacy business runs off. The bulk purchase annuity transaction in March 2024 contributed £0.3 billion gross client inflows, and follows our strategic decision to re-enter the bulk purchase annuity market in 2023. There were also net client outflows of £0.1 billion (30 June 2023: £0.2 billion net client inflows) as PruFund clients in Europe moved to alternative cash investments due to the higher interest rates.

Life AUMA decreased to £98.9 billion (31 December 2023: £100.9 billion) driven by the net client outflows, partly offset by positive market and other movements of £1.3 billion (31 December 2023: £3.6 billion), reflecting strengthening equity markets.

Adjusted operating profit before tax by source of earnings

The following table shows adjusted operating profit before tax split by source of earnings:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023[i]	2023[i]
	£m	£m	£m
Traditional with-profits	**108**	129	263
Shareholder annuities	**132**	151	331
Europe	**10**	4	(3)
Other	**13**	(1)	(5)
Total Life adjusted operating profit before tax	**263**	283	586

i. Life (and Wealth) were previously reported under Retail and Savings in the 2023 interim financial statements.

Adjusted operating profit before tax from our Life business decreased to £263 million (30 June 2023: £283 million) driven by reductions in both the with-profits business and shareholder annuities business. The reduction in traditional with-profits business adjusted operating profit reflects a lower amount of CSM released in the six months to 30 June 2024 due to a reduction in amortisation rate. The shareholder annuities business adjusted operating profit is impacted by a reduction in expected real-world return on excess assets and lower expenses than expected.

Europe includes the results of business written by Prudential International Assurance plc. Other Life adjusted operating profit before tax of £13 million (30 June 2023: £1 million loss) includes £6 million interest on cash received in 2024 (30 June 2023: £nil) following the arrangement, relating to the monetisation of future shareholder transfers, entered into in the second half of 2023.

Traditional with-profits

The following table provides further analysis of the traditional with-profits business result in Life:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
CSM release	**90**	111	238
Expected return on excess assets	**18**	17	35
Other	**—**	1	(10)
Traditional with-profits	**108**	129	263

The contractual service margin (CSM) for with-profits business is primarily based on the expected value of future shareholder transfers. Largely as a result of negative market movements over 2023, the CSM at the start of 2024 is lower than at the start of 2023. There has also been a decrease in the CSM amortisation rate, driven by strengthening of persistency assumptions at the end of 2023, resulting in profit being spread over a longer period. Both these factors result in a reduction in amount of CSM released to adjusted operating profit to £90 million compared to £111 million for the six months ended 30 June 2023, representing 12.8% pa of the opening CSM attributable to the shareholder (2023: 14.0% pa).

The expected return on the shareholders' share of excess assets in traditional with-profits has increased by £1 million to £18 million for the six months ended 30 June 2024. As the expected rate is set at the start of the reporting period, a rise in risk-free rates and a refinement in the expected return calculation resulted in an increased expected rate of return from 6.0% pa for 2023, to 6.8% pa for 2024. The increase in expected return rate largely offsets the reduction in With-Profits Fund excess assets allocated to Life.

Life (continued)

Adjusted operating profit before tax by source of earnings (continued)

Shareholder annuities

The following table provides further analysis of the shareholder annuities result in Life:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Expected return on excess assets	**74**	101	205
CSM release	**48**	47	96
Risk adjustment unwind	**9**	9	19
Asset trading and portfolio management actions	**3**	12	2
Experience variances	**(2)**	(16)	9
Other provisions and reserves	**—**	(2)	—
Shareholder annuities	**132**	151	331

The shareholder annuities result has decreased by £19 million to £132 million (30 June 2023: £151 million). The recurring sources of earnings from the annuity book are primarily the returns on excess assets over and above the IFRS 17 insurance liabilities based on expected investment returns and the release of the CSM.

The expected return on excess assets, has decreased by £27 million to £74 million (30 June 2023: £101 million) as a result of a reduction in the expected rate of return, which is set at the start of the reporting period, from 6.6% pa for 2023 to 5.6% for 2024, driven by a reduction in expected risk premium above risk-free. The expected risk premium has reduced due to a move out of credit risky assets to lower risk, more liquid assets in the annuity excess assets portfolio.

The release of the CSM to adjusted operating profit for shareholder annuities was £48 million compared to £47 million in the six months ended 30 June 2023. The amount of CSM released represents 7.6% pa of the 30 June 2024 CSM before amortisation (30 June 2023: 7.4% pa). Experience variances for the six months to 30 June 2023 primarily relate to exceptional expenses costs which have reduced in 2024.

The credit quality of fixed income assets in the annuity portfolio remained strong over the first half of 2024. 99% of the debt securities held by the shareholder annuity portfolio are investment grade and only 18% are BBB. In addition 83% of the shareholder annuity portfolio is held in debt securities either categorised as Risk Free or Secured (including cash). Rating migrations resulted in a very low level of downgrade experience (defined as movements in BBB notching and, otherwise, letter downgrades), with less than 1% of bonds in the portfolio being impacted.

Operating change in Contractual Service Margin (CSM)

The following table shows operating change in CSM by source of earnings:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Traditional with-profits	**46**	55	67
Shareholder annuities	**(24)**	(1)	36
Europe	**(3)**	14	26
Other	**(2)**	6	(4)
Total Life operating change in CSM	**17**	74	125

Operating change in CSM from the Life business decreased to £17 million (30 June 2023: £74 million) primarily due to a larger negative contribution from shareholder annuities and Europe.

The following table shows the traditional with-profits operating change in CSM in the period:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Expected real-world return on CSM	**137**	158	309
Release of CSM to adjusted operating profit before tax	**(90)**	(111)	(238)
Assumptions changes and variances	**(1)**	8	(4)
Operating change in CSM	**46**	55	67

The expected real-world return on the CSM more than offset the release of the CSM to adjusted operating profit, resulting in the same net contribution to operating change in CSM of £47 million as for the first six months of 2023. The total expected rate of return on the CSM is determined at the start of the year and reduced to 8.2% pa for 2024 compared to 8.5% pa for 2023, driven by a reduction in the expected risk premium on the With-Profits Fund above risk-free. The reduction in expected risk premium is due to equity de-risking in the With-Profits Fund during 2023.

Life (continued)

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

The following table shows the shareholder annuities operating change in CSM in the period:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Interest accreted on the CSM	**16**	14	30
Release of CSM to adjusted operating profit before tax	**(48)**	(47)	(96)
New business	**6**	3	42
Assumption changes and variances	**2**	29	60
Operating change in CSM	**(24)**	(1)	36

Interest accreted on the CSM at 2.3% pa in 2024 (30 June 2023: 2.3% pa) has increased by £2 million to £16 million. The interest rate is based on the forward curve 'locked in' at IFRS 17 transition date (1 January 2022) and as limited new business is written the interest applied will increase over time, moving along the upward-sloping December 2021 yield curve.

The bulk purchase annuity transactions completed in March 2024 contributed to the new business included in the operating change in CSM in the six months ended 30 June 2024. No bulk purchase annuity transactions were completed in the equivalent period in 2023 and two transactions completed in the year ended 31 December 2023.

Assumption changes and variances have fallen to £2 million (30 June 2023: £29 million). The six months to the end of June 2023 benefitted from favourable longevity experience of £22 million which did not repeat to the same extent in the first six months of 2024 reducing to £5 million.

Capital generation

The following table shows an analysis of operating capital generation:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Traditional with-profits	**94**	96	182
Shareholder annuity and other Life	**92**	153	350
Europe	**21**	20	42
Underlying capital generation	**207**	269	574
Model improvements	**—**	—	77
Assumption changes	**—**	6	8
Management actions and other (incl. experience variances)	**87**	102	62
Other operating capital generation	**87**	108	147
Operating capital generation	**294**	377	721

Traditional with-profits business generated underlying capital of £94 million in the six months ended 30 June 2024, broadly flat on the prior year (30 June 2023: £96 million). The impact from the equity hedges to protect future shareholder transfers reduced following a fall in the level of hedging over 2023, in line with a fall in exposure to equity markets, which led to an increase in underlying capital generation for the six months ended 30 June 2024. However, this benefit has been offset by an increase in a provision for expense overruns on top-ups to traditional with-profits policies.

Underlying capital generation from the shareholder annuity and other life business decreased in the six months to 30 June 2024 to £92 million (30 June 2023: £153 million). A reduction in the surplus assets in the annuity fund, and a lower expected rate of return on the surplus assets, contributes £25 million of the reduction. A one-off reduction in underlying capital generation of £24 million in the six months to 30 June 2024 is due to the regulatory change at 31 December 2023 to remove a restriction that applied in relation to the transition from Solvency I to Solvency II. Underlying capital generation also includes the capital strain of writing new bulk purchase annuities.

Other operating capital generation decreased to £87 million (30 June 2023: £108 million). Management actions largely reflect the £55 million beneficial impact of changes to the strategic asset allocation of the With-Profits Fund and the decrease in capital requirements following increased equity hedging, in line with exposure, in the first six months of 2024 due to the rise in equity markets . A further £34 million contribution arises from the distribution of excess surplus from the with-profits inherited estate which increases future shareholder transfers; in 2023 the equivalent benefit was offset by a reduction in PAC's Transitional Measure on Technical Provisions (TMTP) which no longer occurs due to the removal of a restriction that applied in relation to transition from Solvency I to Solvency II at 31 December 2023. Asset trading in the annuity portfolio is £2 million in the six months to 30 June 2024 (30 June 2023: £23 million contribution). In the first six months of 2023 management actions also benefited from favourable longevity experience on shareholder annuity business which is not repeated in 2024.

Wealth

High interest rates have contributed to a challenging first six months of 2024 for net flows in PruFund. Benefits of the cost transformation programme are starting to be achieved with an improved performance from Platform and Advice business.

Assets under management and administration and net client flows

	Net client flows			AUMA[i]	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	For the year ended 31 December 2023	**As at 30 June 2024**	As at 31 December 2023
	£bn	£bn	£bn	**£bn**	£bn
PruFund UK	**(0.5)**	0.9	0.9	**56.4**	54.8
Platform and Advice	**0.1**	0.1	0.3	**21.8**	19.2
Other Wealth	**(0.5)**	(0.4)	(1.0)	**13.0**	13.1
Total Wealth	**(0.9)**	0.6	0.2	**91.2**	87.1

i. £5.3 billion of total Wealth AUMA relates to assets under advice (£2.8 billion as at 30 June 2023, £2.9 billion as at 31 December 2023).

Wealth net client outflows are £0.9 billion for the six months ended 30 June 2024 (30 June 2023: £0.6 billion inflows). Wealth AUMA increased to £91.2 billion (31 December 2023: £87.1 billion) driven by positive market and other movements. Stronger equity markets and the inclusion of £2.0 billion AUMA following the acquisition of an increased share of the Continuum business in the period contributed to market and other movements of £5.0 billion.

PruFund is an insurance-based smoothing solution offering a blend of public and private investments to clients of Wealth and Life. PruFund UK had net client outflows of £0.5 billion (£0.6 billion outflows across all PruFund) for the six months ended 30 June 2024 (30 June 2023: £0.9 billion inflows; £1.1 billion inflows including non-UK in Life). Higher interest rates contribute to the net outflows, as clients are attracted to cash and guaranteed solutions.

Adjusted operating profit before tax by source of earnings

The following table shows adjusted operating profit before tax split by source of earnings:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023[i]	2023[i]
	£m	£m	£m
PruFund UK	**96**	119	228
Platform and Advice	**(9)**	(19)	(32)
Other	**(4)**	(9)	(16)
Total Wealth adjusted operating profit before tax	**83**	91	180

i. Wealth (and Life) were previously reported under Retail and Savings in the 2023 interim financial statements.

Wealth adjusted operating profit before tax decreased to £83 million (30 June 2023: £91 million) with a decrease in the adjusted operating profit arising from PruFund UK business being partly offset by improved financial performance from our Platform and Advice business. The losses from the Platform and Advice business decreased to £9 million (30 June 2023: £19 million) due to lower costs across the business following the delivery of initiatives that are part of our transformation programme and the impact of the impairment of an intangible asset in 2023.

The following table provides further analysis of the with-profits business (PruFund UK) result in Wealth:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
CSM release	**97**	101	231
Expected return on excess assets	**9**	21	34
Other	**(10)**	(3)	(37)
PruFund UK	**96**	119	228

CSM release has decreased due to a reduction in the amortisation rate as outlined in Life, resulting in £97 million being released to profit (30 June 2023: £101 million). This represents 10.9% pa of the opening CSM attributable to the shareholder (2023: 11.6% pa). The amortisation rate for PruFund business is lower than the rate for the traditional with-profits business in Life as that business is more mature and is running off faster.

The expected return on excess assets decreased by £12 million to £9 million. The higher expected real-world rate of return of 6.8% pa in 2024 compared to 6.0% pa in 2023 increased the expected return on excess assets allocated to Wealth. However, this is offset by a £15 million loss as a result of the swap arrangement entered into between the With-Profits Fund and the shareholder fund in 2023 to monetise a proportion of future shareholder transfers. Over time, the real-world discounting on this swap liability unwinds, increasing the liability and creates a loss which partially offsets the return on excess assets allocated to the Wealth segment. The inclusion of the effect of unwinding this liability creates a loss relative to the same period in 2023.

In Other, the six months ended 30 June 2024 included a £10 million loss due to an increase in expected expense overrun on writing new PruFund UK business during the year to date.

Wealth (continued)

Operating change in Contractual Service Margin (CSM)

The following table shows operating change in CSM for PruFund business in Wealth in the period:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Expected real-world return on CSM	**154**	148	330
Release of CSM to adjusted operating profit before tax	**(97)**	(101)	(231)
New business	**32**	52	94
Assumption changes and variances	**(7)**	(22)	37
Operating change in CSM	**82**	77	230

The expected real-world return on the CSM for PruFund UK business more than offset the release of the CSM to adjusted operating profit, resulting in a net contribution to operating change in CSM of £57 million (30 June 2023: £47 million). Similar to traditional with-profits business in Life, the expected rate of return on the CSM decreased to 8.2% pa for 2024 compared to 8.5% pa for 2023, driven by a reduction in the risk premium. However, this is more than offset by an increase in the opening PruFund UK Variable Fee[1] to which the expected real-world return is applied reflecting the growth in this business over 2023.

PruFund UK new business contribution to operating change in CSM reduced to £32 million (30 June 2023: £52 million), the decrease relative to 2023 reflects the lower levels of new business consistent with the reduction in flows for PruFund UK .

The loss from assumption changes and variances reduced to £7 million in the six months to 30 June 2024 (30 June 2023: £22 million loss), driven by an improvement in persistency experience compared to our long term assumptions.

Capital generation

The following table shows an analysis of operating capital generation:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
PruFund UK	**84**	102	207
– In-force	**119**	118	229
– New business	**(35)**	(16)	(22)
Platform and Advice	**(3)**	(17)	(29)
Other Wealth	**1**	(10)	(15)
Underlying capital generation	**82**	75	163
Model improvements	**—**	—	10
Assumption changes	**—**	—	(18)
Management actions and other (incl. experience variances)	**102**	55	90
Other operating capital generation	**102**	55	82
Operating capital generation	**184**	130	245

Underlying capital generation from Wealth increased in the six months to 30 June 2024 to £82 million (30 June 2023: £75 million).

The contribution from in-force PruFund UK business remained stable at £119 million (30 June 2023: £118 million). The impact of reductions in the expected real-world return on shareholder transfers from 8.5% pa in 2023 to 8.2% pa in 2024, was offset, consistent with Life, by the reduction in the impact from equity hedging following a decrease in exposure over 2023.

New business strain from the PruFund UK business has increased to £35 million (30 June 2023: £16 million) primarily due to establishing a £22 million provision for new business expense overruns.

The negative contribution from Platform and Advice and Other Wealth business has reduced in 2024 reflecting the benefits of reductions in costs.

Other operating capital generation of £102 million reflects an £89 million benefit from asset trading in the With-Profits Fund and, consistent with Life, a decrease in capital requirements following increased equity hedging over the first six months of 2024. A further contribution arises from the distribution of excess surplus from the with-profits inherited estate which increases future shareholder transfers.

[1] The Variable Fee is the amount of the Group's share of the fair value of the underlying items less fulfilment 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 2023 Annual Report & Accounts.

Risk management statement

Overview of risk profile

The principal risks we are currently facing and to which we will continue to be exposed to remain broadly unchanged from those detailed in the 2023 Annual Report and Accounts, which are: business environment and market forces; sustainability and ESG; investment; financial (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 investment and economic landscape remains challenging as a result of geopolitical and macro-economic uncertainty. Recent global events have introduced a new level of macro-economic risk, which makes saving for the future more challenging. The drivers include the rising costs from disruption to supply chain and energy security; market volatility; and from factors including monetary policy and geopolitics.
- Geopolitical risk remains elevated with the conflicts in the Middle East and Ukraine, and ongoing tensions between China and the US. The impact of the recent UK election result on the savings and investment environment in the UK remains to be seen. Furthermore, the outcomes of the upcoming US election have the potential to impact the future global economic, pathway for climate change policy and geopolitical outlook.
- The external sustainability risk environment continues to evolve. Climate change physical and transition risks are accelerating, biodiversity risks are emerging, and social issues continue to be important. The importance of robust sustainability risk management and controls will continue to grow as the industry develops its approach to sustainability. This includes addressing issues such as: the quality of sustainability data; greenwashing; enhancement of climate change methodologies; and the implementation of regulatory requirements.
- With respect to technology and artificial intelligence, 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 continues across our businesses and we remain focused on adapting to meet the expectations of our regulators. This includes Group-wide programmes on Consumer Duty and Financial Crime. Our Consumer Duty programme strengthens the framework in place to deliver good outcomes to retail customers. We continued our focus to monitor and embed compliance for open products and services; and to implement closed book requirements to achieve substantive compliance by 31 July 2024. Our Financial Crime programme continues to enhance and strengthen processes and controls across all of our products and markets. Our approach to delivering good customer outcomes and preventing and mitigating financial crime, and how we manage these risks is expected to evolve in accordance with regulatory expectations.

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 2023, with the exception of the following change in the period, Elisabeth Stheeman appointed on 1 August 2024.

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

By order of the board:

Andrea Rossi	Kathryn McLeland
Group Chief Executive Officer	Chief Financial Officer
3 September 2024	**3 September 2024**

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 6 month period ended 30 June 2024 (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 2024;
- 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

3 September 2024

Condensed consolidated income statement (unaudited)

	Note	For the six months ended 30 June 2024 £m	Restated[i] 2023 £m	For the year ended 31 December 2023 £m
Insurance revenue	4	**1,978**	1,834	3,887
Insurance service expenses		**(1,425)**	(1,495)	(2,834)
Net expenses from reinsurance contracts held		**(15)**	(5)	(95)
Insurance service result		**538**	334	958
Interest revenue from financial assets not measured at fair value through profit or loss (FVTPL)		**340**	318	672
Interest revenue from financial assets measured at FVTPL		**1,272**	1,155	2,446
Net change in investment contract liabilities without discretionary participation features (DPF)		**(224)**	(204)	(700)
Net credit impairment (losses)/reversal		**(11)**	(6)	2
Other investment return		**3,097**	(125)	6,214
Investment return		**4,474**	1,138	8,634
Finance expenses from insurance contracts issued		**(4,196)**	(673)	(7,318)
Finance (expenses)/income from reinsurance contracts held		**(50)**	(19)	39
Net insurance finance expenses		**(4,246)**	(692)	(7,279)
Net insurance and investment result		**766**	780	2,313
Fee income	5	**508**	508	1,003
Other income		**25**	30	37
Administrative and other expenses	6	**(1,147)**	(1,053)	(2,241)
Finance costs	6	**(50)**	(79)	(160)
Movements in third party interest in consolidated funds		**96**	(94)	(226)
Share of profit from joint ventures and associates		**11**	36	23
Profit before tax[ii]		**209**	128	749
Tax charge attributable to policyholders' returns	7	**(266)**	(27)	(328)
(Loss)/profit before tax attributable to equity holders		**(57)**	101	421
Total tax charge		**(265)**	(53)	(440)
Less tax charge attributable to policyholders' returns	7	**266**	27	328
Tax credit/(charge) attributable to equity holders	7	**1**	(26)	(112)
(Loss)/profit for the period		**(56)**	75	309
Attributable to equity holders of M&G plc		**(62)**	68	297
Attributable to non-controlling interests		**6**	7	12
(Loss)/profit for the period		**(56)**	75	309
Earnings per share:				
Basic (pence per share)	8	**(2.6)**	2.9	12.7
Diluted (pence per share)	8	**(2.6)**	2.9	12.4

i. Following a review of the Group's presentation of policyholder tax reflected in the Group's 2023 Annual Report and Accounts, comparatives for 30 June 2023 have been restated from those previously reported in the condensed consolidated income statement. This restatement results in an increase of £19m in insurance revenue and in finance expenses from insurance contracts issued but has no impact on the tax charge or profit for the period.

ii. The profit/(loss) 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/(credit) 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 profits 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
	2024	2023	2023
	£m	£m	£m
(Loss)/profit for the period	**(56)**	75	309
Items that may be reclassified subsequently to profit or loss:			
Exchange movements arising on foreign operations[i]	**(10)**	(28)	(12)
Other comprehensive loss on items that may be reclassified subsequently to profit or loss	**(10)**	(28)	(12)
Items that will not be reclassified to profit or loss:			
Gain/(loss) on remeasurement of defined benefit pension scheme	**30**	(34)	(124)
Tax on remeasurement of defined benefit pension scheme	**(8)**	8	28
Other comprehensive income/(loss) on items that will not be reclassified to profit or loss	**22**	(26)	(96)
Other comprehensive income/(loss) for the period, net of related tax	**12**	(54)	(108)
Total comprehensive (loss)/income for the period	**(44)**	21	201
Attributable to equity holders of M&G plc	**(50)**	21	193
Attributable to non-controlling interests	**6**	—	8
Total comprehensive (loss)/income for the period	**(44)**	21	201

i. Of the exchange movements arising on foreign operations, £10m loss is attributable to equity holders of M&G plc (six months ended 30 June 2023: £21m loss, year ended 31 December 2023: £8m loss) and £nil is attributable to non-controlling interests (six months ended 30 June 2023: £7m loss, year ended 31 December 2023: £4m loss).

Condensed consolidated statement of financial position (unaudited)

	Note	As at 30 June 2024 £m	As at 31 December 2023 £m
Assets			
Goodwill and intangible assets		**1,801**	1,815
Deferred acquisition costs		**19**	23
Defined benefit pension asset	10	**36**	19
Investment in joint ventures and associates accounted for using the equity method		**274**	287
Property, plant and equipment		**2,303**	2,065
Investment property		**14,875**	15,422
Deferred tax assets	7	**444**	443
Insurance contract assets	11	**41**	44
Reinsurance contract assets	11	**1,030**	1,099
Equity securities and pooled investment funds		**65,001**	66,248
Loans		**4,065**	3,908
Debt securities		**70,396**	70,683
Derivative assets		**1,154**	1,693
Deposits		**17,793**	16,324
Current tax assets	7	**67**	67
Accrued investment income and other debtors		**2,700**	2,536
Assets held for sale[i]		**1,284**	1,356
Cash and cash equivalents		**5,400**	5,590
Total assets		**188,683**	189,622
Equity			
Share capital		**119**	119
Share premium reserve		**381**	379
Shares held by employee benefit trust		**(12)**	(26)
Treasury shares		**(5)**	(21)
Retained earnings		**14,873**	15,223
Other reserves		**(11,655)**	(11,633)
Equity attributable to equity holders of M&G plc		**3,701**	4,041
Non-controlling interests		**38**	43
Total equity		**3,739**	4,084
Liabilities			
Insurance contract liabilities	11	**141,681**	142,135
Reinsurance contract liabilities	11	**339**	357
Investment contract liabilities without discretionary participation features (DPF)	12	**12,684**	12,535
Third party interest in consolidated funds		**9,712**	9,893
Subordinated liabilities and other borrowings	13	**8,094**	8,089
Defined benefit pension liability	10	**271**	294
Deferred tax liabilities	7	**706**	682
Lease liabilities		**451**	387
Current tax liabilities	7	**99**	97
Derivative liabilities		**2,822**	2,910
Other financial liabilities		**1,111**	1,186
Provisions		**105**	82
Accruals, deferred income and other liabilities		**6,606**	6,226
Liabilities held for sale[i]		**263**	665
Total liabilities		**184,944**	185,538
Total equity and liabilities		**188,683**	189,622

i. Assets held for sale as at 30 June 2024 includes £142m (31 December 2023: £138m) of seed capital classified as held for sale as it is expected to be divested within 12 months and £694m of investment property (31 December 2023: £211m). Additionally £448m (31 December 2023: £1,007m) of assets held for sale and £236m (31 December 2023: £665m) of liabilities held for sale are in relation to the Group's consolidated infrastructure capital private equity vehicles. Other liabilities held for sale total £27m (31 December 2023: £nil).

Condensed consolidated statement of changes in equity (unaudited)

	Share capital £m	Share premium £m	Shares held by employee benefit trust £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 acquired by and 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**

	Share capital £m	Share premium £m	Shares held by employee benefit trust £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 2023	119	370	(70)	(47)	15,504	(11,613)	4,263	48	4,311
Profit for the period	—	—	—	—	68	—	68	7	75
Other comprehensive loss for the period	—	—	—	—	(26)	(21)	(47)	(7)	(54)
Total comprehensive income for the period	—	—	—	—	42	(21)	21	—	21
Dividends paid to equity holders of M&G plc	—	—	—	—	(310)	—	(310)	—	(310)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(10)	(10)
Shares distributed by employee trusts or from treasury shares	—	—	49	3	(49)	—	3	—	3
Vested employee share-based payments	—	—	—	—	27	(27)	—	—	—
Expense recognised in respect of share-based payments	—	—	—	—	—	29	29	—	29
Shares acquired by and transferred to employee trusts	—	—	(5)	—	—	—	(5)	—	(5)
Tax effect of items recognised directly in equity	—	—	—	—	—	2	2	—	2
Net increase/(decrease) in equity	—	—	44	3	(290)	(17)	(260)	(10)	(270)
As at 30 June 2023	119	370	(26)	(44)	15,214	(11,630)	4,003	38	4,041

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

	Share capital	Share premium	Shares held by employee benefit trust	Treasury shares	Retained earnings	Other reserves	Total equity attributable to equity holders of M&G plc	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 1 January 2023	119	370	(70)	(47)	15,504	(11,613)	4,263	48	4,311
Profit for the year	—	—	—	—	297	—	297	12	309
Other comprehensive loss for the year	—	—	—	—	(96)	(8)	(104)	(4)	(108)
Total comprehensive income for the year	—	—	—	—	201	(8)	193	8	201
Dividends paid to equity holders of M&G plc	—	—	—	—	(462)	—	(462)	—	(462)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(13)	(13)
Shares issued to settle employee share option schemes	—	9	—	—	—	—	9	—	9
Shares distributed by employee trusts or from treasury shares	—	—	71	4	(71)	—	4	—	4
Vested employee share-based payments	—	—	—	—	42	(42)	—	—	—
Expense recognised in respect of share-based payments	—	—	—	—	—	32	32	—	32
Shares acquired by and transferred to employee trusts	—	—	(27)	22	—	—	(5)	—	(5)
Tax effect of items recognised directly in equity	—	—	—	—	9	(2)	7	—	7
Net increase/(decrease) in equity	—	9	44	26	(281)	(20)	(222)	(5)	(227)
As at 31 December 2023	119	379	(26)	(21)	15,223	(11,633)	4,041	43	4,084

Condensed consolidated statement of cash flows (unaudited)

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Cash flows from operating activities:			
Profit before tax	**209**	128	749
Non-cash and other movements in operating assets and liabilities included in profit before tax:			
Investments	**348**	791	852
Other non-investment and non-cash assets	**(144)**	(203)	509
Insurance and reinsurance contract liabilities	**(464)**	(2,043)	167
Investment contract liabilities	**149**	170	671
Other liabilities (including operational borrowings)	**501**	1,433	(679)
Interest income and expense and dividend income included in profit before tax	**(2,425)**	(2,786)	(5,149)
Other non-cash items	**(152)**	366	(100)
Operating cash items:			
Interest receipts	**1,554**	1,517	3,086
Interest payments	**(168)**	(98)	(204)
Dividend receipts	**1,065**	1,392	2,364
Tax paid[i]	**(224)**	(149)	(250)
Net cash flows from operating activities[ii]	**249**	518	2,016
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(151)**	(232)	(496)
Proceeds from disposal of property, plant and equipment	**2**	—	1
Net cash paid on acquisition of subsidiaries, joint ventures and associates[iii]	**(9)**	(22)	(103)
Divestment in subsidiaries by consolidated private equity vehicles[iv]	**300**	55	105
Investment in subsidiaries by consolidated private equity vehicles[iv]	**—**	—	(110)
Net cash flows from investing activities	**142**	(199)	(603)
Cash flows from financing activities:			
Interest paid	**(98)**	(93)	(189)
Lease capital repayments	**(12)**	(20)	(25)
Repurchase of subordinated debt	**(150)**	—	—
Proceeds from shares issued under employee share option scheme	**2**	—	9
Dividends paid to equity holders of M&G plc	**(311)**	(310)	(462)
Dividends paid to non-controlling interests	**(11)**	(10)	(13)
Net cash flows from financing activities	**(580)**	(433)	(680)
Net (decrease)/increase in cash and cash equivalents	**(189)**	(114)	733
Cash and cash equivalents at 1 January	**5,590**	4,884	4,884
Effect of exchange rate changes on cash and cash equivalents	**(1)**	(27)	(27)
Cash and cash equivalents at end of period	**5,400**	4,743	5,590

i. Tax paid for the six months ended 30 June 2024 includes £138m (30 June 2023: £45m, year ended 31 December 2023: £99m) paid on profit taxable at policyholder rather than shareholder rates.

ii. 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.

iii. Net cash paid on acquisition of subsidiaries, joint ventures and associates consists of £12m of cash paid (30 June 2023: £22m, year ended 31 December 2023: £22m), net of £3m cash acquired (30 June 2023: £nil, year ended 31 December 2023: £nil). Refer to note 2.2 for further information. The acquisition of controlling stakes in equity accounted joint ventures amounts to £nil (30 June 2023: £nil, year ended 31 December 2023: £81m).

iv. Divestment/(investment) 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 2024, £300m (30 June 2023: £55m, year ended 31 December 2023: £105m) relates to divestment in these vehicles and £nil (30 June 2023: £nil, year ended 31 December 2023: £110m) relates to investments 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 2024 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 2023 consolidated financial statements, except for the new standards, interpretations and amendments that became effective in the current period, as stated 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 2023 consolidated financial statements and do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's 2023 Annual Report and Accounts for the year ended 31 December 2023 were 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.

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.

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).

We have also assessed the strength of our solvency position to any potential future legislative change that may impact the valuation of our residential ground rent portfolio.

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 Basis of preparation and material accounting policies (continued)

1.2 New accounting pronouncements

The Group has adopted the following amendments to standards which became effective from 1 January 2024:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), issued in January 2020;
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), issued in September 2022;
- Non-current Liabilities with Covenants (Amendments to IAS 1), issued in October 2022; and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7), issued in May 2023.

The above amendments to standards do 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

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 may 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

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.

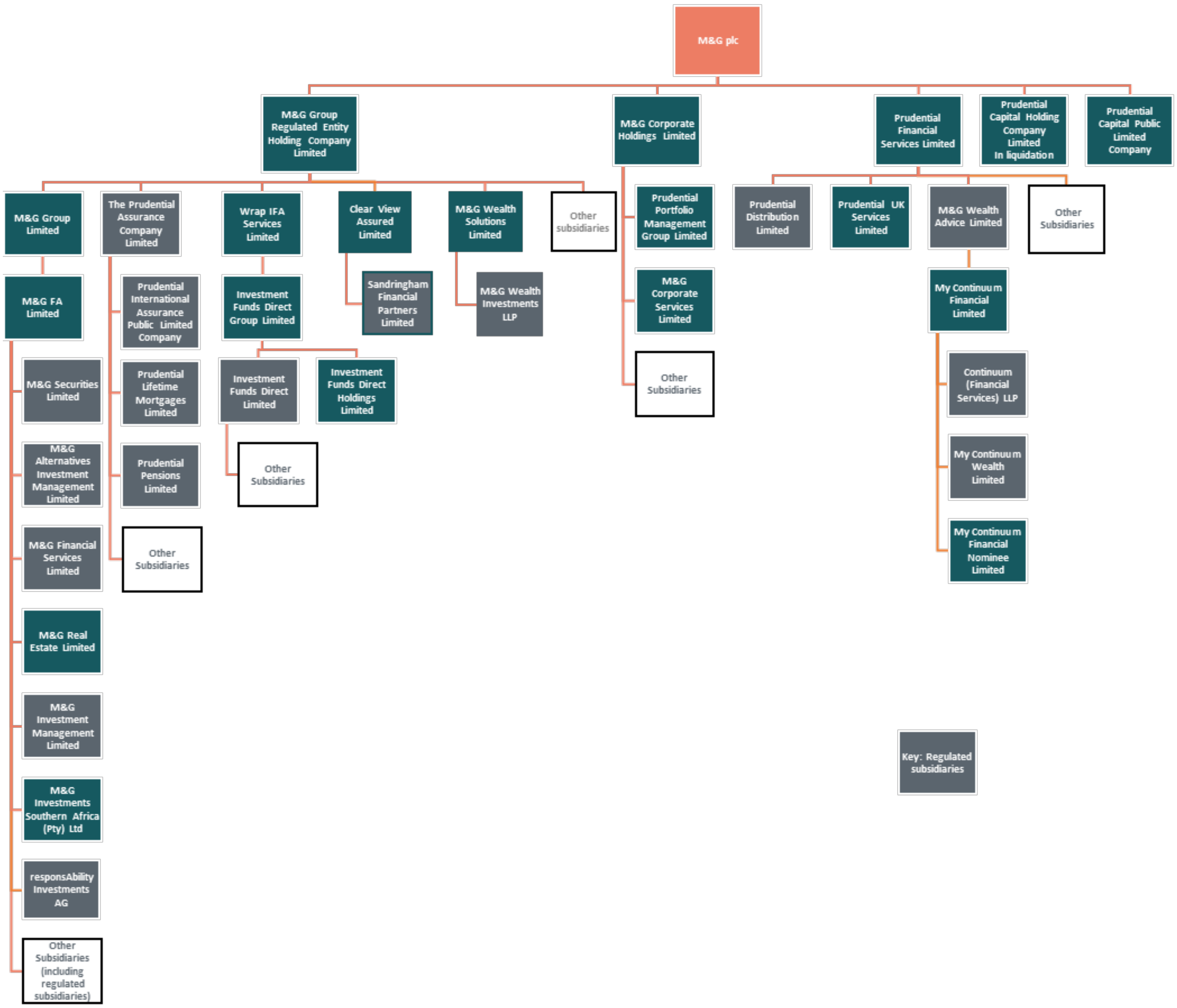
The standard is not expected to have any impact on the Group.

Furthermore, the Group has not early adopted any other interpretation or amendment that has been issued but is not yet effective.

2 Group structure and products

2.1 Group composition

The following diagram is an extract of the Group structure at 30 June 2024 and gives an overview of the composition of the Group. M&G plc is the holding company of the Group.



2.2 Corporate transactions

My Continuum Financial Limited acquisition

On 8 March 2023, M&G Wealth Advice Limited (MGWAL), a wholly owned subsidiary of the Group, acquired a 49.9% holding in My Continuum Financial Limited (MCFL), the holding company of Continuum (Financial Services) LLP (CFSL), My Continuum Wealth (MCW), and My Continuum Financial Nominee Limited (MCFNL), collectively referred to as 'Continuum', for a purchase consideration of £22m, including an adjustment for capital. The Group acquired a further 25% stake on 19 March 2024, for a purchase consideration of £12m, including an adjustment for capital.

Continuum is now part of Platform and Advice within our Wealth segment, allowing M&G to further grow and build our advisory capability across the UK, providing a wider range of investment solutions to more clients, including through its central investment offering, a fast growing in-house discretionary Model Portfolio Service. Continuum is based in Plymouth and has more than 70 self-employed advisers operating nationally.

The Group retains call options and the seller retains put options over the remaining holding where the exercise price is fixed based on historical financial performance. For accounting purposes, the Group has accounted for the transaction on the basis it controls 100% of Continuum from the date of acquisition of the additional 25% stake on 19 March 2024. A liability has been recognised in respect of the Group's obligation under the call option arrangement. The Group expects to acquire the remaining shares in March 2025.

2 Group structure and products (continued)

2.2 Corporate transactions (continued)

The total consideration includes the fair value of the 49.9% equity interest held immediately before the acquisition date of 19 March 2024. A gain of £3m recognised as a result of remeasuring to fair value, the 49.9% equity interest, is presented in the Other investment return line of the condensed consolidated income statement.

The full purchase price allocation has yet to be finalised and will be disclosed in the annual consolidated financial statements for the year ended 31 December 2024. An amount of £47m is presented as Goodwill within Goodwill and intangible assets on the condensed consolidated statement of financial position, in relation to the acquisition of Continuum in the period.

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

	£m
Total consideration	**49**
Net assets acquired:	
Accrued investment income and other debtors	**1**
Cash and cash equivalents	**3**
Total assets	**4**
Accruals, deferred income and other liabilities	**(2)**
Total liabilities	**(2)**
Goodwill and intangible assets	**47**

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 2023 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 2023 to reflect a change in management structure. Our previous operating segment, 'Retail and Savings' was replaced with two new operating segments: 'Life' and 'Wealth'. Comparatives for the six months ended 30 June 2023 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 Open Ended Investment Companies (OEICs) or Luxembourg domiciled Sociétés d’Investissement à Capital Variables (SICAVs) and have access to a broad range of actively managed investment products, including Equities, Fixed Income, Multi-Asset and Real Estate. 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 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. This includes investment management revenues from the significant proportion of Life and Wealth assets it manages.

Life

The Life business operates in the savings and pensions market and includes corporate risk, individual and international solutions. The majority of the products in the Life business are closed to new customers but may accept further contributions from existing policy holders[i]. During 2023, the Life business re-entered the bulk purchase annuity market and transacted with certain schemes to secure the annuity benefits of immediate and deferred annuity members. The bulk purchase annuities, along with workplace pensions make up our corporate risk solutions.

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, lifetime 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.

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.

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

i. The Group accepts new members to existing Corporate Pension schemes and writes a small number of new annuity policies with clients who have a pension issued by PAC.

3 Segmental analysis (continued)

3.1 Operating segments (continued)

Wealth

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

All of the Group's products that give access to the PruFund UK investment proposition are included in M&G Wealth. The PruFund UK 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 in the Life business, 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.

The Group's other reportable segment is:

Corporate Centre

Corporate Centre includes central corporate costs and debt costs.

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:

Fee based business

For the Group's fee based business written by Asset Management, Life and Wealth 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 presented in the Life and Wealth segments, adjusted operating profit before tax includes the release of the risk adjustment and the expected release of the Contractual Service Margin (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 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 the six months ended 30 June 2024 were 8.2% pa (8.5% pa for the six months ended 30 June 2023 , 8.5% pa for the year ended 31 December 2023).
- 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 used for the six months ended 30 June 2024 was 11.7% pa (12.7% pa for the six months ended 30 June 2023, 12.7% pa for the year ended 31 December 2023).

Adjusted operating profit before tax for the Group’s business written in the With-Profits Fund also includes the expected investment return for the shareholders' share of the IFRS value of the excess assets in the Fund. For the six months ended 30 June 2024, the return was 6.8% pa (6.0% pa for the six months ended 30 June 2023, 6.0% pa for the year ended 31 December 2023).

Adjusted operating profit does not include the impact of any margins on investment management fees 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 funds results in a mismatch due to the difference between their value under the IFRS 17 General Measurement Model 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 in 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 the six months ended 30 June 2024 the long term expected investment returns for shareholder annuities were 5.6% pa (6.6% pa for the six months ended 30 June 2023, 6.6% pa for the year ended 31 December 2023). 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.

Corporate Centre

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

3 Segmental analysis (continued)

3.2 Adjusted operating profit before tax methodology (continued)

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 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;
- Movements in the fair value of instruments held to mitigate equity risk in the future with-profits shareholder transfer and to optimise 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; and
- 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.

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 the mismatch has been excluded.

- Difference between the value under IFRS 17 General Measurement Model 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; and
- Mismatch resulting from measurement of fulfilment cashflows for shareholder non-profit business (primarily annuities) using current interest rates while related changes to the CSM are measured using locked-in rates.

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.

This also includes the elimination on consolidation of the results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC in 2023.

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
	2024	2023	2023
	£m	£m	£m
Asset Management	**129**	118	242
Life[i]	**263**	283	586
Wealth[i]	**83**	91	180
Corporate Centre	**(100)**	(102)	(211)
Total segmented adjusted operating profit before tax	**375**	390	797
Short term fluctuations in investment returns[ii]	**(284)**	(177)	(171)
Mismatches arising on application of IFRS 17	**(119)**	(40)	(41)
Amortisation and impairment of intangible assets acquired in business combinations	**(19)**	(6)	(39)
Profit on disposal of business and corporate transactions[iii]	**11**	—	—
Restructuring costs and other[iv]	**(29)**	(74)	(141)
IFRS (loss)/profit before tax and non-controlling interests attributable to equity holders	**(65)**	93	405
IFRS profit attributable to non-controlling interests[v]	**8**	8	16
IFRS (loss)/profit before tax attributable to equity holders	**(57)**	101	421

i. Life and Wealth were previously reported under Retail and Savings in the 2023 interim financial statements.

ii. Losses from short-term fluctuations in investment returns continued in the six months to 30 June 2024. These losses primarily comprise a £151m loss (30 June 2023: £118m loss, 31 December 2023: £4m gain) on interest rate swaps purchased to protect PAC's Solvency II capital position against falls in interest rates driven by rises in risk-free rates in the six months ended 30 June 2024. There were also losses of £101m (30 June 2023: £101m loss, 31 December 2023: £123m loss) on the hedging instruments held to protect the Solvency II capital position from falling equity markets, due to rise in equities during the period.

iii. Profit/(loss) on disposal of business and corporate transactions for the six months to 30 June 2024 includes gains resulting from the repurchase of subordinated notes in June 2024 (see Note 13) of £28m, partly offset by a corporate transaction expense of £20m increase in provision for redress in Wealth, which occurred prior to the Group's acquisition of the relevant business.

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 Policyholder. In the six months to 30 June 2024, restructuring costs and other of £29m (30 June 2023: £74m, 31 December 2023: £141m) mainly relate to transformation costs of £10m (30 June 2023: £40m, 31 December 2023: £73m), £8m (30 June 2023: £15m, 31 December 2023: £30m) of investment spend in building out capability in our Asset Management business and £4m (30 June 2023: £11m, 31 December 2023: £19m) for the development of the M&G Wealth platform business.

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.

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
	2024	2023	2023
	£m	£m	£m
Life	**1,605**	1,591	3,235
Wealth	**373**	243	652
Total segmented insurance revenue[i]	**1,978**	1,834	3,887
Asset Management	**6**	3	11
Life	**834**	790	1,663
Wealth	**745**	655	1,391
Corporate Centre	**27**	25	53
Total segmented interest revenue	**1,612**	1,473	3,118
Asset Management[ii]	**512**	507	1,025
Life	**19**	18	37
Wealth	**60**	53	106
Total segmented fee income	**591**	578	1,168

i. Following a review of the Group's presentation of policyholder tax, comparatives for 30 June 2023 have been restated from those previously reported in the 2023 interim financial statements.

ii. The Asset Management segmented fee income differs from the fee income in Note 5 due to the netting of certain items that have a nil profit impact in adjusted operating profit. Asset Management fee income includes net inter-segment fee income of £83m (30 June 2023: £70m, 31 December 2023: £165m).

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 2024			
	With-profits sub-funds	**Unit-linked liabilities**	**Annuity and other long-term business**	**Total**
	£m	**£m**	**£m**	**£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 six months ended 30 June 2023			
	With-profits sub-funds	Unit-linked liabilities	Annuity and other long-term business	Total
	£m	£m	£m	£m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	827	19	583	1,429
Change in the risk adjustment for non-financial risk for the risk expired	8	—	14	22
CSM recognised in profit or loss for the services provided	267	4	68	339
Revenue recognised for incurred policyholder tax[i]	18	1	—	19
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	10	—	15	25
Total insurance revenue	1,130	24	680	1,834

	For the year ended 31 December 2023			
	With-profits sub-funds	Unit-linked liabilities	Annuity and other long-term business	Total
	£m	£m	£m	£m
Amounts relating to the changes in the liability for remaining coverage:				
Expected incurred claims and other expenses	1,609	36	1,226	2,871
Change in the risk adjustment for non-financial risk for the risk expired	24	1	32	57
CSM recognised in profit or loss for the services provided	499	9	141	649
Revenue recognised for incurred policyholder tax	249	6	—	255
Amounts relating to the recovery of insurance acquisition cash flows:				
Allocation of premium	26	—	29	55
Total insurance revenue	2,407	52	1,428	3,887

i. Following a review of the Group's presentation of policyholder tax, comparatives for the six months ended 30 June 2023 have been restated from those previously reported in the 2023 interim financial statements.

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 entity expects to be entitled in exchange for those services but excludes investment components.

The amount of CSM recognised in the 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
	2024	2023	2023
	£m	£m	£m
Management fees	**436**	441	870
Rebates	**(10)**	(10)	(19)
Performance fees and carried interest	**3**	6	9
Total Asset Management fee income	**429**	437	860
Investment contracts without DPF	**19**	18	37
Total Life fee income	**19**	18	37
Platform fees	**16**	15	30
Advice fees	**44**	38	76
Total Wealth fee income	**60**	53	106
Total fee income	**508**	508	1,003

6 Administrative and other expenses

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Staff and employment costs	**465**	437	874
Acquisition costs incurred:			
Investment contracts without DPF	**9**	7	14
Other contracts	**70**	69	144
Acquisition costs deferred:			
Other contracts	**(1)**	(1)	(2)
Amortisation of deferred acquisition costs:			
Investment contracts without DPF	**—**	—	5
Other contracts	**5**	2	5
Depreciation of property, plant and equipment	**79**	68	143
Impairment of property, plant and equipment[i]	**35**	14	65
Amortisation of intangible assets	**16**	17	33
Impairment of goodwill and intangible assets	**27**	6	17
Restructuring costs	**58**	108	226
Interest expense	**132**	84	206
Commission expense	**77**	79	159
Investment management fees	**55**	64	128
Property-related costs	**102**	91	201
Other expenses	**375**	416	802
	1,504	1,461	3,020
Less amounts directly attributable to insurance results:			
Expenses attributed to insurance acquisition cash flows incurred during the year	**(67)**	(70)	(142)
Other directly attributable expenses	**(290)**	(338)	(637)
Total administrative and other expenses	**1,147**	1,053	2,241

i. Includes impairment of certain property, plant and equipment held by the Group's infrastructure capital private equity vehicles of £30m (30 June 2023: £3m, year ended 31 December 2023: £75m).

In addition to the interest expense shown above of £132m (30 June 2023: £84m, 31 December 2023: £206m), the interest expense incurred in respect of subordinated liabilities for the six months ended 30 June 2024 was £50m (30 June 2023: £79m, year ended 31 December 2023: £160m) net of a 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
	2024	2023	2023
	£m	£m	£m
Total current tax charge	**249**	170	498
Total deferred tax charge/(credit)	**16**	(117)	(58)
Total tax charge	**265**	53	440

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 2024 of £209m (30 June 2023: £128m, year ended 31 December 2023: £749m) 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 profits 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.

	For the six months ended 30 June						For the year ended 31 December		
	2024			2023			2023		
	Equity holders	**Policyholders**	**Total**	Equity holders	Policyholders	Total	Equity holders	Policyholders	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
(Loss)/profit before tax	**(57)**	**266**	**209**	101	27	128	421	328	749
Tax credit/(charge)	**1**	**(266)**	**(265)**	(26)	(27)	(53)	(112)	(328)	(440)
(Loss)/profit for the period	**(56)**	**—**	**(56)**	75	—	75	309	—	309

7.1.3 Equity holders effective tax rate

The equity holders tax credit for the six months ended 30 June 2024 was £1m (30 June 2023: £26m tax charge, 31 December 2023: £112m tax charge) representing an effective tax rate of 1.8% (30 June 2023: 25.7%, 31 December 2023: 26.6%). The equity holders' effective tax rate of 1.8% is significantly lower compared to the UK statutory rate of 25.0% (30 June 2023: 23.5%, 31 December 2023: 23.5%) primarily due to the detrimental impact arising from non-deductible expenses. The impact of the detrimental tax adjustments on the effective tax rate is more significant in the current period due to the lower profit base.

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 normally expected to be marginally higher than the statutory rate in the UK. The Group has unused tax losses carried forward in relation to UK capital losses of £448m (30 June 2023: £477m, 31 December 2023: £548m), on which no deferred tax is recognised. Should appropriate taxable profits arise in future periods in which these losses may be utilised it will result in tax benefits thereby reducing the future effective tax rate in the relevant periods.

The United Kingdom enacted legislation in 2023 in relation to the implementation of G20-OECD Inclusive Framework Pillar 2 rules, including a Qualified Domestic Minimum Top-Up Tax rule. This legislation will seek to ensure that UK headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits arising after 31 December 2023. The Group has reviewed the published UK legislation alongside the OECD model rules and guidance and has performed an assessment of the expected impact of the new regime. There are not expected to be additional taxes resulting from the implementation of Pillar Two in 2024, primarily due to the UK rate of corporation tax in 2024 being 25%, and the Group's business is significantly in the UK together with overseas profits being taxed at a rate higher than 15%. The Group will continue to review further guidance due to be released by the OECD and governments implementing this new tax regime to assess the potential impact.

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 an 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 recoverable, and the associated estimate of interest receivable.

As at 30 June 2024, PAC has recognised a total policyholder tax credit of £114m (31 December 2023: £114m) in respect of its claim against HMRC. Of this amount, £40m (31 December 2023: £40m) has been paid by HMRC leaving a tax recoverable balance of £74m (31 December 2023: £74m) recorded as an amount of tax due from HMRC. PAC will be entitled to interest on the tax repaid. The claim is now expected to be finalised during the second half of 2024 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 only to the extent it is considered probable, based on all available evidence, that 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 2024 £m	For the year ended 31 December 2023 £m
Unrealised gains on investments	**(706)**	(673)
Balance relating to insurance and investments contracts	**(239)**	(243)
Other short-term timing differences	**99**	123
Deferred acquisition costs	**22**	26
Defined benefit pensions	**(25)**	(21)
Capital allowances	**20**	21
Tax losses carried forward	**547**	505
Share based payments and deferred compensation	**20**	23
Net deferred tax liability	**(262)**	(239)
Assets	**981**	999
Liabilities	**(1,243)**	(1,238)
Net deferred tax liability	**(262)**	(239)

The net deferred tax liability at 30 June 2024 of £262m has increased by £23m during the period from £239m at 31 December 2023. The increase is predominantly due to unrealised gains in the period and short term timing differences offset by an increase to the deferred tax asset. The losses carried forward of £547m (31 December 2023: £505m) 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 deferred tax assets have been recognised will be utilised in less than 15 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 £456m (30 June 2023: £486m, 31 December 2023: £548m) for which no deferred tax asset is being recognised. The Group's unused tax losses primarily relate to capital losses in the UK of £448m (30 June 2023: £477m, 31 December 2023: £540m). 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 2024 was (2.6)p (30 June 2023: 2.9p, 31 December 2023: 12.7p) and diluted EPS was (2.6)p (30 June 2023: 2.9p, 31 December 2023: 12.4p). 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 31 December
	2024	2023	2023
	£m	£m	£m
(Loss)/profit attributable to equity holders of M&G plc	**(62)**	68	297

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	Millions	Millions	Millions
Weighted average number of ordinary shares outstanding	**2,382**	2,348	2,350
Dilutive effect of share options and awards	**47**	25	46
Weighted average number of diluted ordinary shares outstanding	**2,429**	2,373	2,396

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	Pence per share	Pence per share	Pence per share
Basic (loss)/earnings per share	**(2.6)**	2.9	12.7
Diluted (loss)/earnings per share	**(2.6)**	2.9	12.4

As the Group has made a loss attributable to equity holders of the Company for the six months ended 30 June 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	
	2024		2023		2023	
	Pence per share	**£m**	Pence per share	£m	Pence per share	£m
Dividends relating to reporting period:						
First interim dividend - Ordinary	**6.6**	**157**	6.5	152	6.5	152
Second interim dividend - Ordinary	**—**	**—**	—	—	13.2	311
Total	**6.6**	**157**	6.5	152	19.7	463
Dividends paid in reporting period:						
Prior year's second interim dividend - Ordinary	**13.2**	**311**	13.4	310	13.4	310
First interim dividend - Ordinary	**—**	**—**	—	—	6.5	152
Total	**13.2**	**311**	13.4	310	19.9	462

Subsequent to 30 June 2024, the Board has declared a first interim dividend for 2024 of 6.6 pence per ordinary share, an estimated £157m in total. The dividend is expected to be paid on 18 October 2024 and will be recorded as an appropriation of retained earnings in the 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 2024 is the Prudential Staff Pension Scheme (PSPS), which accounts for 83% (31 December 2023: 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 2024 was £274m (31 December 2023: £298m).

In addition, on 30 September 2023, M&GGPS agreed to transfer the liability related to all active members to the PSPS scheme. This resulted in a premium of £50m and related liability £29m being transferred to PSPS. This was accounted for as a settlement and accordingly, M&GGPS recorded a loss of £21m on derecognition and PSPS recorded a corresponding gain which was eliminated in the consolidated financial statements for the year ended 31 December 2023.

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 table below. Subsequent to the transfer of active members from M&GGPS to PSPS transacted at the same time as the buy-in, a portion (25% as at 30 June 2024) 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.

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 2024 the SASPS scheme is in surplus and the M&GGPS schemes 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.

We recognise climate change has potential to affect the value of investments within the Schemes. Both PSPS and M&GGPS incorporate climate-related factors when executing their strategic objectives.

The SASPS net economic pension deficit 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 is currently assessing the impact of the judgment and monitoring the developments in relation to the matter. As at 30 June 2024, the defined benefit obligation of the pension schemes of the Group do not include any adjustments in relation to the case.

10 Defined benefit pension schemes (continued)

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

	As at 30 June 2024			
	PSPS	SASPS	M&GGPS	Total
	£m	£m	£m	£m
Fair value of plan assets	4,330	559	288	5,177
Present value of defined benefit obligation	(3,983)	(533)	(274)	(4,790)
Effect of restriction on surplus	(337)	—	—	(337)
Net economic pension surplus[i]	10	26	14	50
Non-qualifying insurance policies	—	—	(11)	(11)
Elimination of reimbursement right asset on consolidation	—	—	(274)	(274)
Net pension surplus/(deficit)	10	26	(271)	(235)

	As at 30 June 2024			
	PSPS	SASPS	M&GGPS	Total
	£m	£m	£m	£m
Attributable to:				
Shareholder-backed business	5	16	(271)	(250)
With-Profits Fund	5	10	—	15
Net pension surplus/(deficit)	10	26	(271)	(235)

	As at 31 December 2023			
	PSPS	SASPS	M&GGPS	Total
	£m	£m	£m	£m
Fair value of plan assets	4,611	583	314	5,508
Present value of defined benefit obligation	(4,260)	(576)	(298)	(5,134)
Effect of restriction on surplus	(339)	—	—	(339)
Net economic pension surplus[i]	12	7	16	35
Non-qualifying insurance policies	—	—	(12)	(12)
Elimination of reimbursement right asset on consolidation	—	—	(298)	(298)
Net pension surplus/(deficit)	12	7	(294)	(275)

	As at 31 December 2023			
	PSPS	SASPS	M&GGPS	Total
	£m	£m	£m	£m
Attributable to:				
Shareholder-backed business	6	4	(294)	(284)
With-Profits Fund	6	3	—	9
Net pension surplus/(deficit)	12	7	(294)	(275)

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

11.1.1 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 2024 was 38bps (31 December 2023: 47bps). 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.

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.

11 Insurance liabilities (continued)

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

11.1.1 Discount rates (continued)

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. 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 Contractual Service Margin (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.

The largest adjustment made to the 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. The allowance for credit risk within the discount rate for shareholder-backed annuities as at 30 June 2024 was 56bps (31 December 2023: 56bps). The allowance for credit risk within the discount rate for annuities in the With-Profits Fund as at 30 June 2024 was 57bps (31 December 2023: 57bps).

The derivation of the discount rates include consideration of any potential future legislative change in respect of residential ground rents (further explained in note 14.9) and the resulting impact on the portfolio yield and short-term overlay.

The tables below show the discount rates used as at 30 June 2024 and 31 December 2023.

Discount rates as at 30 June 2024

	1 year	**5 years**	**10 years**	**15 years**	**20 years**	**25 years**	**30 years**
With-profits contracts	**5.27%**	**4.34%**	**4.24%**	**4.33%**	**4.37%**	**4.35%**	**4.29%**
Unit-linked contracts	**4.89%**	**3.96%**	**3.86%**	**3.96%**	**3.99%**	**3.97%**	**3.92%**
Non-profit annuities – shareholder-backed	**6.49%**	**5.56%**	**5.46%**	**5.55%**	**5.59%**	**5.57%**	**5.51%**
Non-profit annuities – in the With-Profits Fund	**6.36%**	**5.42%**	**5.32%**	**5.42%**	**5.45%**	**5.44%**	**5.38%**

Discount rates as at 31 December 2023

	1 year	5 years	10 years	15 years	20 years	25 years	30 years
With-profits contracts	5.20%	3.82%	3.75%	3.86%	3.90%	3.88%	3.82%
Unit-linked contracts	4.74%	3.35%	3.28%	3.40%	3.43%	3.41%	3.35%
Non-profit annuities – shareholder-backed	6.41%	5.03%	4.96%	5.08%	5.11%	5.09%	5.03%
Non-profit annuities – in the With-Profits Fund	6.34%	4.96%	4.89%	5.00%	5.04%	5.02%	4.96%

The tables below show the credit risk allowances for annuity business as at 30 June 2024 and 31 December 2023.

Credit risk allowances as at 30 June 2024

	Shareholder-backed annuities	**Annuities in the With-Profits Fund**
Credit risk allowance	**56 bps**	**57 bps**
Credit risk allowance as proportion of spread over swaps	**25.10%**	**25.90%**
Net of reinsurance credit reserve (£m)	**483**	**179**

Credit risk allowances as at 31 December 2023

	Shareholder-backed annuities	Annuities in the With-Profits Fund
Credit risk allowance	56 bps	57 bps
Credit risk allowance as proportion of spread over swaps	24.57%	24.73%
Net of reinsurance credit reserve (£m)	516	199

11.1.2 Persistency and expense assumptions

The table below summarises the range of lapse rate assumptions used as at 30 June 2024 and 31 December 2023. 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 2023 and will be reviewed ahead of the 31 December 2024 valuation.

Lapse rate assumptions

	30 June 2024	31 December 2023
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

11 Insurance liabilities (continued)

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

11.1.2 Persistency and expense assumptions (continued)

Maintenance expense assumptions (per policy)

The table below summarises the range of maintenance expense assumptions used as at 30 June 2024 and 31 December 2023, before allowance for future inflationary increases. The maintenance expense assumptions remain the same as at 31 December 2023 and will be reviewed ahead of the 31 December 2024 valuation.

	30 June 2024	31 December 2023
	£ pa	£ pa
With-profits contracts	**7 - 239**	7 - 239
Unit-linked contracts	**43 - 239**	43 - 239
Non-profit annuities – shareholder-backed	**35 - 57**	35 - 57
Non-profit annuities – in the With-Profits Fund	**36**	36

11.1.3 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 discretionary participation features (DPF) and investment contracts without DPF. The investment contracts without DPF are within the scope of IFRS 9 and are presented in Note 12.

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 11.1.2) 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 Fund is managed in different scenarios;
- Maintenance and, for some classes of business, termination expense assumptions are expressed as per policy amounts (see Note 11.1.2). 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 11.1.1).

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.

11 Insurance liabilities (continued)

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

11.1.3 With-profits business (continued)

Allowances for mutualisation (continued)

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.

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.

Risk adjustment for non-financial risk

The table below shows the confidence level used to determine the risk adjustment for with-profits contracts:

	30 June 2024	31 December 2023
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

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.

11.1.4 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 11.1.2). The assumed unit fund growth rates are consistent with the discount rates applied to the cash flows (see Note 11.1.1).

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.

11 Insurance liabilities (continued)

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

11.1.4 Unit-linked business (continued)

Risk adjustment for non-financial risk

The table below shows the confidence level used to determine the risk adjustment for unit-linked contracts:

	30 June 2024	31 December 2023
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

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.

11.1.5 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.

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 Consistent Mortality Investigation (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. Higher mortality experience may be expected to continue to some extent over the short-term, with significant excess deaths observed in the population over 2022. However, there is significant uncertainty and the longer-term implications for mortality rates among the annuitant population are unknown at this stage. In line with broader industry approach, zero weight has been given to pandemic experience. This is an area that will continue to be monitored by the Group.

No changes have been made to best-estimate assumptions for current mortality or mortality improvements in the six months ended 30 June 2024.

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]	Long-term improvement rate[ii]	Smoothing parameter (Sk)[iii]
30 June 2024	**CMI 2021**	**For males: 1.60% pa** **For females: 1.60% pa**	**For males: 7.25** **For females: 7.75**
31 December 2023	CMI 2021	For males: 1.60% pa For females: 1.60% pa	For males: 7.25 For females: 7.75

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.

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

iii. 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 11.1.1. 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 11.1.2). 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.

11 Insurance liabilities (continued)

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

11.1.5 Annuities and other long-term business (continued)

Risk adjustment for non-financial risk

The table below shows the confidence level used to determine the risk adjustment for annuities and other long-term business:

	30 June 2024	31 December 2023
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

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.

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

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:

		2024		
		Shareholder-backed funds and subsidiaries		
	With-profits sub-funds[i]	Unit-linked liabilities	Annuity and other long-term business	Total
As at 30 June	£m	£m	£m	£m
Insurance contract liabilities				
Insurance contract liabilities	**29,742**	**4,316**	**13,437**	**47,495**
Investment contracts with DPF liabilities	**93,947**	**—**	**239**	**94,186**
	123,689	**4,316**	**13,676**	**141,681**
Insurance contract assets				
Insurance contract assets	**—**	**—**	**41**	**41**
	—	**—**	**41**	**41**
Reinsurance contracts				
Reinsurance contract assets	**11**	**7**	**1,012**	**1,030**
Reinsurance contract liabilities	**1**	**18**	**320**	**339**

i. Includes the With-Profits Sub-Fund (WPSF) and the Defined Charge Participating Sub-Fund (DCPSF), including the non-profit business written within these funds.

		2023		
		Shareholder-backed funds and subsidiaries		
	With-profits sub-funds[i]	Unit-linked liabilities	Annuity and other long-term business	Total[i]
As at 31 December	£m	£m	£m	£m
Insurance contract liabilities				
Insurance contract liabilities	30,461	4,404	13,892	48,757
Investment contracts with DPF liabilities	93,135	—	243	93,378
	123,596	4,404	14,135	142,135
Insurance contract assets				
Insurance contract assets	—	—	44	44
	—	—	44	44
Reinsurance contracts				
Reinsurance contract assets	11	7	1,081	1,099
Reinsurance contract liabilities	1	21	335	357

i. With-profits sub-funds Insurance contract liabilities and Investment contract with DPF liabilities balances at 31 December 2023 have been restated from those previously reported in the 2023 Annual Report & Accounts following a review of presentation. The restatement results in an increase of £556m in Investment contract with DPF liabilities and corresponding decrease in Insurance contract liabilities and no impact on total Insurance contract liabilities or the consolidated primary statements or any impact on other reporting periods.

The following reconciliations show how the net carrying amounts of insurance contracts, investment contracts with DPF and reinsurance contracts, in each group of insurance contracts issued, and reinsurance contracts held, changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss. 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 Insurance liabilities (continued)

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

11.2.1 Insurance contracts

Analysis by measurement component

	For the six months ended 30 June 2024						
			Contractual service margin				
	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	Total £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	—	—	(111)	(201)	(29)	(341)	(341)
Change in the risk adjustment for non-financial risk for the risk expired	—	(28)	—	—	—	—	(28)
Expense recognised for incurred policyholder tax	(205)	—	—	—	—	—	(205)
Experience adjustments	17	—	—	—	—	—	17
	(188)	(28)	(111)	(201)	(29)	(341)	(557)
Changes that relate to future services							
Contracts initially recognised in the period	(71)	11	—	—	60	60	—
Changes in estimates reflected in the CSM	(392)	16	157	168	51	376	—
Changes in estimates that result in onerous contract losses or reversal of those losses	2	—	—	—	—	—	2
	(461)	27	157	168	111	436	2
Changes that relate to past services							
Adjustments to liabilities for incurred claims	2	—	—	—	—	—	2
	2	—	—	—	—	—	2
Insurance service result	(647)	(1)	46	(33)	82	95	(553)
Finance expense/(income) from insurance contracts issued	4,033	(25)	63	103	22	188	4,196
Total changes in the income statement	3,386	(26)	109	70	104	283	3,643
Cash flows							
Premiums received	3,356	—	—	—	—	—	3,356
Incurred claims paid and other insurance service expenses paid including investment component	(7,369)	—	—	—	—	—	(7,369)
Insurance acquisition cash flows	(81)	—	—	—	—	—	(81)
Total cash flows	(4,094)	—	—	—	—	—	(4,094)
Net closing balance	134,937	610	1,856	3,691	546	6,093	141,640
Closing insurance contract liabilities	135,032	606	1,856	3,678	509	6,043	141,681
Closing insurance contract assets	(95)	4	—	13	37	50	(41)
Net closing balance	134,937	610	1,856	3,691	546	6,093	141,640

11 Insurance liabilities (continued)

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

11.2.1 Insurance contracts (continued)

Analysis by measurement component (continued)

	For the year ended 31 December 2023						
			Contractual service margin				
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under the fair value transition approach	Other contracts	Total CSM	Total
	£m	£m	£m	£m	£m	£m	£m
Opening insurance contract liabilities	135,373	624	2,041	3,694	244	5,979	141,976
Opening insurance contract assets	(76)	3	—	11	23	34	(39)
Net opening balance	135,297	627	2,041	3,705	267	6,013	141,937
Changes that relate to current services							
CSM recognised in profit or loss for the services provided	—	—	(221)	(383)	(45)	(649)	(649)
Change in the risk adjustment for non-financial risk for the risk expired	—	(57)	—	—	—	—	(57)
Expense recognised for incurred policyholder tax	(255)	—	—	—	—	—	(255)
Experience adjustments	(18)	—	—	—	—	—	(18)
	(273)	(57)	(221)	(383)	(45)	(649)	(979)
Changes that relate to future services							
Contracts initially recognised in the period	(181)	16	—	—	165	165	—
Changes in estimates reflected in the CSM	46	31	(194)	93	24	(77)	—
Changes in estimates that result in onerous contract losses or reversal of those losses	(20)	—	—	—	—	—	(20)
	(155)	47	(194)	93	189	88	(20)
Changes that relate to past services							
Adjustments to liabilities for incurred claims	(54)	—	—	—	—	—	(54)
	(54)	—	—	—	—	—	(54)
Insurance service result	(482)	(10)	(415)	(290)	144	(561)	(1,053)
Finance expense/(income) from insurance contracts issued	6,941	19	121	206	31	358	7,318
Total changes in the income statement	6,459	9	(294)	(84)	175	(203)	6,265
Cash flows							
Premiums received	7,748	—	—	—	—	—	7,748
Incurred claims paid and other insurance service expenses paid including investment component	(13,696)	—	—	—	—	—	(13,696)
Insurance acquisition cash flows	(163)	—	—	—	—	—	(163)
Total cash flows	(6,111)	—	—	—	—	—	(6,111)
Net closing balance	135,645	636	1,747	3,621	442	5,810	142,091
Closing insurance contract liabilities	135,738	632	1,747	3,609	409	5,765	142,135
Closing insurance contract assets	(93)	4	—	12	33	45	(44)
Net closing balance	135,645	636	1,747	3,621	442	5,810	142,091

11 Insurance liabilities (continued)

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

11.2.2 Reinsurance contracts

Analysis by measurement component

	For the six months ended 30 June 2024						
			Contractual service margin				
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under the fair value transition approach	Other contracts	Total CSM	Total
	£m	£m	£m	£m	£m	£m	£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	—	—	—	5	2	7	7
Change in the risk adjustment for non-financial risk for the risk expired	—	6	—	—	—	—	6
Experience adjustments	3	—	—	—	—	—	3
	3	6	—	5	2	7	16
Changes that relate to future services							
Contracts initially recognised in the period	1	—	—	—	(1)	(1)	—
Changes in estimates reflected in the CSM	5	(1)	—	1	(4)	(3)	1
	6	(1)	—	1	(5)	(4)	1
Changes that relate to past services							
Asset for incurred claims	(2)	—	—	—	—	—	(2)
	(2)	—	—	—	—	—	(2)
Insurance service result	7	5	—	6	(3)	3	15
Net finance expenses/(income) from reinsurance contracts	42	12	—	(2)	(2)	(4)	50
Total changes in the income statement	49	17	—	4	(5)	(1)	65
Cash flows							
Premiums and similar expenses paid	(244)	—	—	—	—	—	(244)
Amounts recovered	230	—	—	—	—	—	230
Total cash flows	(14)	—	—	—	—	—	(14)
Net closing balance	(231)	(132)	(5)	(133)	(190)	(328)	(691)
Closing reinsurance contract liabilities	550	(85)	—	(125)	(1)	(126)	339
Closing reinsurance contract assets	(781)	(47)	(5)	(8)	(189)	(202)	(1,030)
Net closing balance	(231)	(132)	(5)	(133)	(190)	(328)	(691)

11 Insurance liabilities (continued)

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

11.2.2 Reinsurance contracts (continued)

Analysis by measurement component (continued)

	For the year ended 31 December 2023						
			Contractual service margin				
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under the fair value transition approach	Other contracts	Total CSM	Total
	£m	£m	£m	£m	£m	£m	£m
Opening reinsurance contract liabilities	567	(95)	—	(123)	(1)	(124)	348
Opening reinsurance contract assets	(855)	(54)	(6)	(5)	(162)	(173)	(1,082)
Net opening balance	(288)	(149)	(6)	(128)	(163)	(297)	(734)
Changes that relate to current services							
CSM recognised in profit or loss for the services received	—	—	1	11	4	16	16
Change in the risk adjustment for non-financial risk for the risk expired	—	10	—	—	—	—	10
Experience adjustments	4	—	—	—	—	—	4
	4	10	1	11	4	16	30
Changes that relate to future services							
Contracts initially recognised in the period	—	—	—	—	—	—	—
Changes in estimates reflected in the CSM	44	(4)	—	(17)	(22)	(39)	1
Changes in the fulfilment cash flows that do not adjust the CSM for the group of underlying contracts	10	—	—	—	—	—	10
	54	(4)	—	(17)	(22)	(39)	11
Changes that relate to past services							
Asset for incurred claims	54	—	—	—	—	—	54
	54	—	—	—	—	—	54
Insurance service result	112	6	1	(6)	(18)	(23)	95
Net finance expenses/(income) from reinsurance contracts	(26)	(6)	—	(3)	(4)	(7)	(39)
Total changes in the income statement	86	—	1	(9)	(22)	(30)	56
Cash flows							
Premiums and similar expenses paid	(516)	—	—	—	—	—	(516)
Amounts recovered	452	—	—	—	—	—	452
Total cash flows	(64)	—	—	—	—	—	(64)
Net closing balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)
Closing reinsurance contract liabilities	581	(94)	—	(129)	(1)	(130)	357
Closing reinsurance contract assets	(847)	(55)	(5)	(8)	(184)	(197)	(1,099)
Net closing balance	(266)	(149)	(5)	(137)	(185)	(327)	(742)

11 Insurance liabilities (continued)

11.3 Expected recognition of the contractual service margin

As at 30 June 2024	Insurance contracts issued £m	Reinsurance contracts held £m
Number of years until expected to be recognised:		
0 to 1 year	**565**	**(13)**
1 to 2 years	**527**	**(13)**
2 to 3 years	**491**	**(13)**
3 to 4 years	**449**	**(13)**
4 to 5 years	**411**	**(13)**
5 to 10 years	**1,559**	**(66)**
10 to 15 years	**939**	**(56)**
15 to 20 years	**541**	**(45)**
20 to 25 years	**295**	**(33)**
Over 25 years	**316**	**(63)**
Total	**6,093**	**(328)**

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 CSM and reinsurance liabilities CSM.

As at 31 December 2023	Insurance contracts issued £m	Reinsurance contracts held £m
Number of years until expected to be recognised:		
0 to 1 year	550	(9)
1 to 2 years	495	(9)
2 to 3 years	454	(9)
3 to 4 years	417	(10)
4 to 5 years	382	(10)
5 to 10 years	1,467	(55)
10 to 15 years	906	(56)
15 to 20 years	530	(50)
20 to 25 years	294	(40)
Over 25 years	315	(79)
Total	5,810	(327)

12 Investment contract liabilities without discretionary participation features

Investment contract liabilities without discretionary participation features (DPF) comprise unit-linked contracts that contain little or no insurance risk and certain contracts invested in PruFund with a low level of discretion (see following paragraph). 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 fair value through profit or loss (FVTPL) under IFRS 9. The carrying value of these liabilities as at 30 June 2024 is £296m (31 December 2023: £294m).

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

	30 June 2024	31 December 2023
	£m	£m
At start of period	**12,535**	11,937
Total Net flows:		
Premiums	**237**	695
Surrenders	**(350)**	(770)
Maturities/deaths	**(61)**	(133)
Total Net flows	**(174)**	(208)
Switches	**(8)**	19
Investment-related items and other movements[i]	**331**	859
Foreign exchange differences	**—**	(72)
At end of period	**12,684**	12,535

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 2024	As at 31 December 2023
	£m	£m
Subordinated liabilities	**3,486**	3,676
Operational borrowings	**133**	92
Borrowings attributable to With-Profits Fund	**4,475**	4,321
Total subordinated liabilities and other borrowings	**8,094**	8,089

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 2024		As at 31 December 2023	
	Principal amount	Carrying amount	Principal amount	Carrying amount
		£m		£m
5.625% Sterling fixed rate due on 20 October 2051	**£750m**	**827**	£750m	831
6.25% Sterling fixed rate due 20 October 2068	**£500m**	**601**	£500m	602
6.5% US Dollar fixed rate due on 20 October 2048	**$500m**	**433**	$500m	434
6.34% Sterling fixed rate due on 19 December 2063	**£700m**	**839**	£700m	841
5.56% Sterling fixed rate due on 20 July 2055	**£439m**	**486**	£600m	667
3.875% Sterling fixed rate due on 20 July 2049	**£300m**	**300**	£300m	301
Total subordinated liabilities		**3,486**		3,676

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

13 Subordinated liabilities and other borrowings (continued)

13.1 Subordinated liabilities (continued)

A description of the key features of each of the Group's subordinated notes as at 30 June 2024 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	3.875% Sterling fixed rate
Principal amount	£750m	£500m	$500m	£700m	£439m[i]	£300m
Issue date[ii]	3 October 2018	3 October 2018	3 October 2018	16 December 2013 (amended 10 June 2019)	9 June 2015 (amended 10 June 2019)	10 July 2019
Maturity date	20 October 2051	20 October 2068	20 October 2048	19 December 2063	20 July 2055	20 July 2049
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)	20 July 2024, 20 July 2029 (and each semi-annual interest payment date thereafter)[iii]
Solvency II own funds treatment	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	N/A[iii]

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 issued by Prudential plc rather than by the Company.

iii. On 20 July 2024 the Group redeemed all 3.875% sterling fixed rate subordinated loan notes in issue at par and these are no longer recognised within Tier 2 in Solvency II own funds, as described in Note 17.

As at 30 June 2024, the principal amount of all subordinated liabilities has a contractual maturity of more than 12 months and accrued interest of £38m (31 December 2023: £42m) is expected to be settled within 12 months.

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
	2024	2023	2023
	£m	£m	£m
At 1 January	**3,676**	3,729	3,729
Amortisation[i]	**(44)**	(14)	(29)
Foreign exchange movements	**4**	(23)	(24)
Repurchases	**(150)**	—	—
At end of period	**3,486**	3,692	3,676

i. Included within amortisation is £29m (30 June 2023: £nil, 31 December 2023: £nil) 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.

The amortisation of premium on the loans based on an effective interest rate 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 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, non-quoted investment funds, over-the-counter loan securities and investment contract liabilities without DPF valued with observable inputs.

14 Fair value methodology (continued)

14.1 Determination of fair value hierarchy (continued)

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 loans and debt securities 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.

14.3 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.

Exposure to climate risk is mitigated as part of the acquisition and asset management of real estate properties through careful assessment of potential acquisitions and regularly monitoring the energy intensity and carbon emissions of our existing portfolio. Where relevant, we procure independent third party advice to assess our portfolio's potential and cost of retrofitting to minimise carbon emissions and energy intensity.

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 an average credit spread based on the corporate bond universe and the relevant duration of the asset being valued. 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 were valued using matrix pricing, which is based on assessing the credit quality of the underlying borrower and allocating an internal credit rating which is unobservable, with focus on the use of comparable instruments or a comparable basket of securities to derive a credit spread for each in scope private debt investment. The internal credit rating implicitly incorporates Environmental, Social and Governance (ESG) considerations through the analysts' views of the industry and issuer. Under matrix pricing, 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 liquidity premium. The selection of comparable quoted public debt securities used to determine the credit spread is based on a credit spread matrix that takes into account the internal credit rating, maturity 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.

14 Fair value methodology (continued)

14.3 Level 3 assets and liabilities (continued)

Valuation approach for level 3 (continued)

The investment properties of the Group are externally valued by professionally qualified external valuers using the Royal Institution of Chartered Surveryors (RICS) valuation standards which includes the issued Guidance Note 'Sustainability and ESG in commercial property valuation and strategic advice'. The Group's investment properties are predominantly valued using an income capitalisation technique. This technique calculates the value through the yield and rental value depending on factors such as the lease length, building quality, covenants and location. Typically these variables used are compared to recent transactions with similar features to those being valued. The valuation of investment property inherently captures the impact of climate change if it were located in an area subject to climate change events. The key inputs of yield and rental value are proxies for a range of factors which will include climate change. The trend is towards greener buildings achieving better rents and yields than comparable buildings, all other factors being equal.

As the comparisons are not with properties that are virtually identical to the Group's investment properties, adjustments are made by the valuers where appropriate to the variables used.

Analysis of internally valued level 3 financial instruments

Level 3 financial assets, net of financial liabilities, which were internally valued as at 30 June 2024 were £7,173m (31 December 2023: £7,878m), representing 5.5% of the total fair-valued financial assets net of financial liabilities (31 December 2023: 6.0%).

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 £6,973m as at 30 June 2024 (31 December 2023: £7,278m), of which £5,447m (31 December 2023: £5,746m) 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 £1,105m (31 December 2023: £1,241m). 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 £280m as at 30 June 2024 (31 December 2023: £325m), of which investments of £280m (31 December 2023: £325m) 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 £943m as at 30 June 2024 (31 December 2023: £928m) and a corresponding liability of £228m (31 December 2023: £239m), 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.
- Other commercial loans of £1,645m as at 30 June 2024 (31 December 2023: £1,417m) were valued using discounted cash flow models with an internally developed discount rate.
- Liabilities of £2,634m as at 30 June 2024 (31 December 2023: £2,745m), 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 financial reporting 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. Adherence to this policy is monitored across the business units.

14 Fair value methodology (continued)

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 2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
With-profits:				
Investment property	—	—	14,204	14,204
Equity securities and pooled investment funds	37,001	1,695	14,307	53,003
Loans	—	749	2,045	2,794
Debt securities	28,124	19,812	4,510	52,446
Derivative assets	58	760	—	818
Total with-profits	65,183	23,016	35,066	123,265
Unit-linked:				
Investment property	—	—	5	5
Equity securities and pooled investment funds	11,085	377	45	11,507
Debt securities	2,779	1,867	14	4,660
Derivative assets	3	2	—	5
Total unit-linked	13,867	2,246	64	16,177
Annuity and other long-term business:				
Investment property	—	—	666	666
Equity securities and pooled investment funds	173	86	4	263
Loans	—	—	1,271	1,271
Debt securities	4,061	4,225	4,071	12,357
Derivative assets	—	182	28	210
Total annuity and other long-term business	4,234	4,493	6,040	14,767
Other:				
Equity securities and pooled investment funds	159	—	69	228
Debt securities	646	287	—	933
Derivative assets	—	121	—	121
Total other	805	408	69	1,282
Group:				
Investment property	—	—	14,875	14,875
Equity securities and pooled investment funds	48,418	2,158	14,425	65,001
Loans	—	749	3,316	4,065
Debt securities	35,610	26,191	8,595	70,396
Derivative assets	61	1,065	28	1,154
Total assets at fair value	84,089	30,163	41,239	155,491

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 2023			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
With-profits:				
Investment property	—	—	14,423	14,423
Equity securities and pooled investment funds	38,863	1,660	14,080	54,603
Loans	—	747	1,860	2,607
Debt securities	17,966	29,837	4,436	52,239
Derivative assets	222	1,082	—	1,304
Total with-profits	57,051	33,326	34,799	125,176
Unit-linked:				
Investment property	—	—	310	310
Equity securities and pooled investment funds	10,642	473	43	11,158
Debt securities	1,796	2,841	14	4,651
Derivative assets	18	12	—	30
Total unit-linked	12,456	3,326	367	16,149
Annuity and other long-term business:				
Investment property	—	—	689	689
Equity securities and pooled investment funds	177	88	4	269
Loans	—	—	1,301	1,301
Debt securities	2,631	5,851	4,275	12,757
Derivative assets	—	195	32	227
Total annuity and other long-term business	2,808	6,134	6,301	15,243
Other:				
Equity securities and pooled investment funds	151	—	67	218
Debt securities	678	358	—	1,036
Derivative assets	—	132	—	132
Total other	829	490	67	1,386
Group:				
Investment property	—	—	15,422	15,422
Equity securities and pooled investment funds	49,833	2,221	14,194	66,248
Loans	—	747	3,161	3,908
Debt securities	23,071	38,887	8,725	70,683
Derivative assets	240	1,421	32	1,693
Total assets at fair value	73,144	43,276	41,534	157,954

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 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Investment contract liabilities without discretionary participation features	**—**	**12,684**	**—**	**12,684**
Third party interest in consolidated funds	**6,403**	**418**	**2,891**	**9,712**
Derivative liabilities	**19**	**2,789**	**14**	**2,822**
Accruals, deferred income and other liabilities	**—**	**—**	**228**	**228**
Total liabilities at fair value	**6,422**	**15,891**	**3,133**	**25,446**

	As at 31 December 2023			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Investment contract liabilities without discretionary participation features	—	12,535	—	12,535
Third party interest in consolidated funds	6,584	342	2,967	9,893
Derivative liabilities	76	2,821	13	2,910
Accruals, deferred income and other liabilities	—	—	239	239
Total liabilities at fair value	6,660	15,698	3,219	25,577

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 2024				
	Transfers between levels				
	Equity securities and pooled investments	**Loans**	**Debt securities**	**Derivatives**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
From level 1 to level 2[i]	**22**	**—**	**2,113**	**—**	**2,135**
From level 1 to level 3	**—**	**—**	**97**	**—**	**97**
From level 2 to level 1[ii]	**—**	**—**	**12,999**	**—**	**12,999**
From level 2 to level 3	**—**	**2**	**139**	**—**	**141**
From level 3 to level 1	**—**	**—**	**—**	**—**	**—**
From level 3 to level 2	**—**	**28**	**172**	**—**	**200**

	For the year ended 31 December 2023				
	Transfers between levels				
	Equity securities and pooled investments	Loans	Debt securities	Derivatives	Total
	£m	£m	£m	£m	£m
From level 1 to level 2	—	—	3,127	—	3,127
From level 1 to level 3	39	—	45	—	84
From level 2 to level 1	—	—	3,301	—	3,301
From level 2 to level 3	632	50	310	3	995
From level 3 to level 1	—	—	5	—	5
From level 3 to level 2	—	1	171	—	172

i. The transfers in debt securities from level 1 to 2 (and level 1 to 3) are in line with the Group's levelling policy during the six months ended 30 June 2024 and year ended 31 December 2023.

ii. The transfers in debt securities from level 2 to level 1 are primarily driven by increased liquidity in the bond markets towards the end of June 2024, compared to a fall in liquidity towards the end of December 2023.

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 2024										
	At 1 Jan £m	Total gains/ (losses) recorded in income statement £m	Foreign exchange £m	Purchases and other £m	Sales and other £m	Transfer to held for sale £m	Settled £m	Issued £m	Transfers into level 3 £m	Transfers out of level 3 £m	At 30 June £m
Level 3 assets:											
Investment property	**15,422**	**(53)**	**(265)**	**574**	**(192)**	**(611)**	**—**	**—**	**—**	**—**	**14,875**
Equity securities and pooled investment funds	**14,194**	**82**	**39**	**695**	**(584)**	**(1)**	**—**	**—**	**—**	**—**	**14,425**
Loans	**3,161**	**14**	**3**	**518**	**(354)**	**—**	**—**	**—**	**2**	**(28)**	**3,316**
Debt securities	**8,725**	**(55)**	**3**	**594**	**(736)**	**—**	**—**	**—**	**236**	**(172)**	**8,595**
Derivative assets	**32**	**(3)**	**—**	**—**	**—**	**—**	**(1)**	**—**	**—**	**—**	**28**
Total level 3 assets	**41,534**	**(15)**	**(220)**	**2,381**	**(1,866)**	**(612)**	**(1)**	**—**	**238**	**(200)**	**41,239**
Level 3 liabilities:											
Third-party interest in consolidated funds	**2,967**	**(209)**	**2**	**(8)**	**—**	**—**	**(321)**	**460**	**—**	**—**	**2,891**
Derivative liabilities	**13**	**1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**14**
Other financial liabilities	**239**	**(4)**	**—**	**—**	**—**	**—**	**(7)**	**—**	**—**	**—**	**228**
Total level 3 liabilities	**3,219**	**(212)**	**2**	**(8)**	**—**	**—**	**(328)**	**460**	**—**	**—**	**3,133**

	For the year ended 31 December 2023										
	At 1 Jan £m	Total gains/ (losses) recorded in income statement £m	Foreign exchange £m	Purchases and other £m	Sales and other £m	Transfer to held for sale £m	Settled £m	Issued £m	Transfers into level 3 £m	Transfers out of level 3 £m	At 31 December £m
Level 3 assets:											
Investment property	16,505	(1,053)	(365)	1,037	(530)	(172)	—	—	—	—	15,422
Equity securities and pooled investment funds	13,180	(784)	(142)	2,632	(1,212)	(151)	—	—	671	—	14,194
Loans	2,727	21	(19)	968	(585)	—	—	—	50	(1)	3,161
Debt securities	8,950	107	(20)	853	(1,280)	(64)	—	—	355	(176)	8,725
Derivative assets	26	8	—	—	—	—	(5)	—	3	—	32
Total level 3 assets	41,388	(1,701)	(546)	5,490	(3,607)	(387)	(5)	—	1,079	(177)	41,534
Level 3 liabilities:											
Third party interest in consolidated funds	1,688	(223)	(18)	—	—	—	(9)	617	949	(37)	2,967
Derivative liabilities	9	4	—	—	—	—	—	—	—	—	13
Other financial liabilities	246	—	—	—	—	—	(7)	—	—	—	239
Total level 3 liabilities	1,943	(219)	(18)	—	—	—	(16)	617	949	(37)	3,219

14 Fair value methodology (continued)

14.8 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
	2024	Restated 2023[i]	2023
	£m	£m	£m
Investment property	**(56)**	(575)	(1,124)
Equity securities & pooled investment funds	**(11)**	(301)	(605)
Loans	**10**	(80)	11
Debt securities	**(151)**	(303)	(106)
Third party interest in consolidated funds	**209**	65	223
Derivatives	**(5)**	(10)	—
Other financial liabilities	**4**	(1)	—
Total	**—**	(1,205)	(1,601)

i. Third party interest in consolidated funds, derivatives and other financial liabilities have been restated from those previously reported following a review of presentation.

14.9 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:

			Average estimated rental value[i]		Average equivalent yield	
	Property type	Geographical location	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Investment property	Industrial	UK	**£12**	£12	**6.55%**	6.33%
		Asia/Pacific	**$119**	$126	**5.75%**	5.72%
	Office	UK	**£39**	£36	**7.74%**	7.32%
		Asia/Pacific	**$405**	$437	**6.04%**	5.57%
		North America	**$50**	$50	**8.00%**	7.75%
	Residential	UK	**£29**	£37	**5.24%**	5.24%
		Europe	**€347**	€239	**4.60%**	5.14%
		Asia/Pacific	**$212**	$249	**4.54%**	4.55%
	Retail	UK	**£26**	£25	**5.95%**	7.08%
		Asia/Pacific	**$765**	$786	**7.42%**	7.25%
	Other	UK	**£40**	£41	**5.60%**	5.73%
		Asia/Pacific	**$193**	$196	**8.75%**	8.50%

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.

Other assets:

	Unobservable input	30 June 2024	31 December 2023
Retail income strips	Discount rate	**1.25% to 6.33%**	1.1% to 5.94%
Equity release mortgages	Illiquidity premium	**2.63 %**	2.76 %
	Total portfolio property value	**c.£2.9bn**	c. £3.0bn
	Assumed property growth rate	**Risk free + 0.7%**	Risk free + 0.7%
	Property rental yield	**2.25 %**	2.25 %
Other commercial loans	Credit risk premium:		
	AAA to A	**0.45% to 2.53%**	0.58% to 5.87%
	BBB to BB	**1.01% to 6.53%**	1.09% to 6.65%
Private placement loans[i]	Credit risk premium:		
	AAA to A	**0.45% to 2.53%**	0.58% to 5.87%
	BBB to BB	**1.01% to 6.53%**	1.09% to 6.65%
Infrastructure fund investments	Discount rate	**8.5% to 12%**	8.5% to 12%

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 £1,105m (31 December 2023: £1,241m), of which £761m are held in the shareholder-backed fund (31 December 2023: £859m). As disclosed in Note 31.8.1 of the Group's 2023 consolidated financial statements and as noted in the Draft Leasehold and Commonhold Reform Bill included in the King's Speech on 17 July, 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. Consistent with the assumptions used in the 2023 consolidated financial statements, this uncertainty has been captured in the valuation of these assets through a ratings downgrade to all senior notes impacted from AA- to A+ and the application of an incremental illiquidity spread of 0.60% above the comparable spread implied by the rating to reflect the compensation that a market participant would require at reporting date due to the uncertainty in future values. During the period, the carrying value of the residential ground rents has reduced primarily due to the increase in risk-free rates, in addition, there has been a limited refinement to the probability weighting applied to different future legislative outcomes in the valuation model. The sensitivities of the valuation of the private placement loan portfolio to a change in discount rate is presented in the tables above.

14 Fair value methodology (continued)

14.9 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 after tax and shareholders' equity for those held within the shareholder backed-funds.

	As at 30 June 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 equity[vii] £m
Investment property							
Property in use	**14,304**	**666**	Income capitalisation	Equivalent yield	Increase by 50bps	**(1,239)**	**(43)**
					Decrease by 50bps	**1,521**	**53**
				Estimated rental value	Increase by 10%	**1,296**	**66**
					Decrease by 10%	**(1,272)**	**(65)**
Property under development	**571**	**5**		Development cost	Increase by 10%	**57**	**2**
					Decrease by 10%	**(57)**	**(2)**
Loans							
Equity release mortgages[i]	**943**	**943**	Discounted cash flow[ii]	Illiquidity premium	Increase by 50bps	**(57)**	**(42)**
					Decrease by 50bps	**61**	**45**
				Current property value	Increase by 10%	**38**	**28**
					Decrease by 10%	**(47)**	**(35)**
				Assumed annual property growth rate	Increase by 100bps	**88**	**65**
					Decrease by 100bps	**(126)**	**(94)**
				Assumed annual property rental yield	Increase by 100bps	**(81)**	**(60)**
					Decrease by 100bps	**79**	**59**
Other mortgage and retail loans	**728**	**—**	Broker quotes[iii]	Broker quotes	Increase by 10%	**73**	**—**
					Decrease by 10%	**(73)**	**—**
Other commercial loans	**1,645**	**328**	Broker quotes[iii]	Broker quotes	Increase by 10%	**165**	**29**
					Decrease by 10%	**(165)**	**(29)**
Equity securities and pooled investment funds	**14,303**	**118**	Net asset statements	Net asset value	Increase by 10%	**1,430**	**9**
					Decrease by 10%	**(1,430)**	**(9)**
Infrastructure fund investments[iv]	**280**	**—**	Discounted cash flow[v]	Discount rate	Increase by 10%	**(30)**	**—**
					Decrease by 10%	**33**	**—**
Debt securities[iv]							
Private placement loans[viii]	**5,261**	**3,069**	Discounted cash flow[vi]	Discount rate	Increase by 40bps	**(177)**	**(104)**
					Decrease by 40bps	**268**	**123**
Retail income strips	**186**	**186**	Discounted cash flow[vi]	Discount rate	Increase by 50bps	**(12)**	**(9)**
					Decrease by 50bps	**14**	**10**
Unquoted corporate bonds	**2,990**	**830**	Broker quotes[iii], enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	**299**	**63**
					Decrease by 10%	**(299)**	**(63)**
Derivative assets	**28**	**28**	Discounted cash flow	Discount rate	Increase by 50bps	**—**	**—**
					Decrease by 50bps	**—**	**—**
Total level 3	**41,239**	**6,173**					

14 Fair value methodology (continued)

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

	As at 31 December 2023						
	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[vii] £m
Investment property							
Property in use	14,414	994	Income capitalisation	Equivalent yield	Increase by 50bps	(1,277)	(67)
					Decrease by 50bps	1,535	81
				Estimated rental value[ix]	Increase by 10%	1,286	68
					Decrease by 10%	(1,240)	(65)
Property under development	1,008	5		Development cost	Increase by 10%	101	—
					Decrease by 10%	(101)	—
Loans							
Equity release mortgages[i]	928	928	Discounted cash flow[ii]	Illiquidity premium	Increase by 50bps	(61)	(47)
					Decrease by 50bps	66	51
				Current property value	Increase by 10%	44	33
					Decrease by 10%	(54)	(41)
				Assumed annual property growth rate	Increase by 100bps	109	84
					Decrease by 100bps	(154)	(118)
				Assumed annual property rental yield	Increase by 100bps	(77)	(59)
					Decrease by 100bps	72	55
Other mortgage and retail loans	816	—	Broker quotes[iii]	Broker quotes	Increase by 10%	82	—
					Decrease by 10%	(82)	—
Other commercial loans	1,417	373	Broker quotes[iii]	Broker quotes	Increase by 10%	142	29
					Decrease by 10%	(142)	(29)
Equity securities and pooled investment funds	14,090	104	Net asset statements	Net asset value	Increase by 10%	1,409	8
					Decrease by 10%	(1,409)	(8)
Infrastructure fund investments[iv]	325	—	Discounted cash flow[v]	Discount rate	Increase by 10%	72	—
					Decrease by 10%	(62)	—
Debt securities[iv]							
Private placement loans[viii]	5,523	3,242	Discounted cash flow[vi]	Discount rate	Increase by 40bps	(236)	(106)
					Decrease by 40bps	256	115
Retail income strips	224	188	Discounted cash flow[vi]	Discount rate	Increase by 50bps	(12)	(7)
					Decrease by 50bps	13	9
Unquoted corporate bonds	2,757	859	Broker quotes[iii], enterprise valuation, estimated recovery	Broker quotes	Increase by 10%	276	66
					Decrease by 10%	(276)	(66)
Derivative assets	32	32	Discounted cash flow	Discount rate	Increase by 50bps	—	—
					Decrease by 50bps	—	—
Total level 3	41,534	6,725					

i. 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.

ii. The equity release mortgage loans of £943m as at 30 June 2024 (31 December 2023: £928m) and a corresponding liability of £228m (31 December 2023: £239m), which 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.

iii. Quotes received from an external pricing service.

iv. Infrastructure fund investments comprises £122m (31 December 2023: £104m) of equity securities and pooled investment funds and £158m (31 December 2023: £220m) 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.

v. 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.

vi. 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 Fair value methodology (continued)

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

vii. Of the £6,173m (31 December 2023: £6,725m) of level 3 assets held in shareholder-backed funds, £64m (31 December 2023: £367m) 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 after tax and shareholder's equity.

viii. Included within private placement loans is senior and junior notes backed by residential ground rent assets with a carrying value of £1,105m of which £761m were held in the shareholder-backed fund (31 December 2023: £1,241m of which £859m in the shareholder-backed fund) which may be impacted by potential future legislative change as mentioned in note 14.9.

ix. Estimated rental value has been restated from those previously reported following a review of presentation.

14.10 Fair value of assets and liabilities at amortised cost

The tables below show the assets and liabilities carried at amortised cost on the condensed consolidated statement of financial position for which fair value is disclosed. The assets[i] and liabilities that are carried at amortised cost, where the carrying value approximates the fair value, are excluded from the analysis below:

	As at 30 June 2024				
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying value**
	£m	**£m**	**£m**	**£m**	**£m**
Liabilities:					
Subordinated liabilities and other borrowings	**—**	**7,246**	**306**	**7,552**	**8,094**

	As at 31 December 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	£m	£m	£m	£m	£m
Liabilities:					
Subordinated liabilities and other borrowings	—	7,264	260	7,524	8,089

i. As of period end, the only financial assets not held at fair value are deposits and elements of other debtors. For these the carrying value approximates their fair value.

The estimated fair value of subordinated liabilities are based on the quoted market offer price. The fair value of the other liabilities 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 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 (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 the 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 Contingencies and related obligations (continued)

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 income or expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £56m as at 30 June 2024 (31 December 2023: £56m).
- Part of the acquisition costs incurred in the early years of M&G Wealth Advice Limited (formerly Prudential Financial Planning Ltd) 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 or, the cost savings not being delivered and M&G Wealth Advice 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 consolidated income statement. The amount held within insurance contract liabilities is £nil as at 30 June 2024 (31 December 2023: £6m). At 30 June 2024, the underpin is no longer required as the costs are expected to be fully recovered.
- PAC has undertaken a project to rationalise fund structures (The Target Investment Model programme) achieved by combining existing, smaller funds with the main with-profits asset share fund in a fund umbrella structure, and is expected to yield various benefits for the business over time. If expected benefits do not materialise to the With-Profits Fund, the shareholder is committed to compensate the fund for any implementation costs borne which were not fully recouped. The assessment period for the underpin arrangement is 5 years, running to the end of 2025. The underpin is currently being reassessed as the benefits have now materialised.
- 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 for the With-Profits Fund, with changes in value recognised in finance income or expenses from insurance contracts issued in the consolidated income statement. The amount held within insurance contract liabilities is £14m as at 30 June 2024 (31 December 2023: £15m).

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 continues to be recognised within insurance contract liabilities.

Whilst 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, whilst 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 £134m as at 30 June 2024 (31 December 2023: £140m) is being held in relation to this within the 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 change in assumptions are as follows:

Assumption	Change in assumption	**As at 30 June 2024 £m**	As at 31 December 2023 £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.

15 Contingencies and related obligations (continued)

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

15.3.1 Pension mis-selling review (continued)

Costs arising from this review are met by the excess assets of the with-profits sub-fund 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 with-profits sub-funds 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 2023.

There have been no related party transactions in the six months to 30 June 2024 which have had a material effect on the results or financial position of the Group.

During the period to June 2024, the Group acquired a further 25% stake in My Continuum Financial Limited. This resulted in the Group holding a controlling interest in the entity and so it is considered a subsidiary at 30 June 2024. It was previously classified as an associate at 31 December 2023. See Note 2.2 for further information.

17 Post balance sheet events

On 20 July 2024 the Group redeemed the full amount of the £300m 3.875% Sterling fixed rate subordinated notes early for a call price at par.

Supplementary information

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
IFRS result after tax	KPM	The IFRS result after tax demonstrates to our shareholders the financial performance of the Group during the relevant period on an IFRS basis.
Adjusted operating profit before tax	APM, KPM	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 the performance over time. It is therefore key to decision-making and the internal performance management of our operating segments. 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 the adjustments is the elimination on consolidation of the results of the intercompany buy-in transaction executed between the trustees of M&G Group Pension Scheme (M&GGPS) and PAC in 2023 which are included in AOP before tax. AOP before tax 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. The AOP methodology is described in Note 3.2, along with a reconciliation of adjusted operating profit before tax to the IFRS result after tax.
Operating change in CSM	APM, KPM	Operating change in Contractual Service Margin (CSM) is an APM introduced on the adoption of IFRS 17 in 2023 and supplements the AOP metric for the Life and Wealth segments. 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 and mismatches arising on the adoption of IFRS 17. The impact on these items also includes the intercompany buy-in transaction, consistent with AOP. For the VFA business, the variance between long-term expected returns and actual returns and the impact of the mismatch arising on the application of the GMM to the non-profits business written in the With-Profits Fund, are also excluded, similar to the methodology for AOP. 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.
Net client flows (excluding Heritage)	APM, KPM	Net client flows 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. This measure does not include the net outflows in our Heritage business, which is mostly closed to new clients, as it runs off but consists of net client inflows in Asset Management, PruFund and Other Wealth. Net client flows includes flows on assets held on the Group's consolidated statement of financial position for our retail clients, and external client flows on assets belonging to wholesale and institutional clients outside of the Group which are not included in the Group's consolidated statement of financial position and as a result, this measure is not directly reconcilable to the financial statements.

Supplementary information (continued)

Alternative performance measures (continued)

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

Key performance measure	Type	Definition
Assets under management and administration (AUMA)	APM, KPM	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. Assets administered by the Group include assets which we provide investment management services for, in addition to assets we administer where the client has elected to invest in assets management by a third-party investment manager. 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. AUMA includes assets recognised in the Group's consolidated statement of financial position together with certain assets managed and/or administered by the Group belonging to external clients outside of the Group which are therefore not included within the Group's statement of financial position and, as a result, this measure is not directly reconcilable to the financial statements.
Shareholder Solvency II coverage ratio	APM, KPM	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. The regulatory Solvency II capital position considers the Group's overall own funds and SCR. 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.
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. 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.

Supplementary information (continued)

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
	2024	2023	2023
	£m	£m	£m
Asset Management	**129**	118	242
Life[i]	**263**	283	586
Wealth[i]	**83**	91	180
Corporate Centre	**(100)**	(102)	(211)
Total segmented adjusted operating profit before tax	**375**	390	797
Short-term fluctuations in investment returns	**(284)**	(177)	(171)
Mismatches arising on application of IFRS 17	**(119)**	(40)	(41)
Amortisation and impairment of intangible assets acquired in business combinations	**(19)**	(6)	(39)
Profit on disposal of business and corporate transactions	**11**	—	—
Restructuring costs and other	**(29)**	(74)	(141)
IFRS (loss)/profit before tax and non-controlling interests attributable to equity holders	**(65)**	93	405
IFRS profit attributable to non-controlling interests	**8**	8	16
IFRS (loss)/profit before tax attributable to equity holders	**(57)**	101	421

i. Life and Wealth were previously reported under Retail and Savings in the 2023 interim financial statements.

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

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Core Asset Management	**103**	94	188
Performance fees (including carried interest) and investment return	**26**	24	54
Total Asset Management	**129**	118	242
Traditional with-profits	**108**	129	263
Shareholder annuities	**132**	151	331
Europe	**10**	4	(3)
Other	**13**	(1)	(5)
Total Life	**263**	283	586
PruFund UK	**96**	119	228
Platform and Advice	**(9)**	(19)	(32)
Other	**(4)**	(9)	(16)
Total Wealth	**83**	91	180
Corporate Centre	**(100)**	(102)	(211)
Adjusted operating profit before tax	**375**	390	797

Adjusted operating profit/(loss) before tax arising from the Asset Management segment is further analysed in the table below:

	For the six months ended 30 June		For the year ended 31 December
	2024	2023	2023
	£m	£m	£m
Fee-based revenue	**512**	507	1,025
Asset Management operating expenses	**(388)**	(394)	(791)
Investment return	**13**	13	24
Adjusted operating profit attributable to non-controlling interests	**(8)**	(8)	(16)
Adjusted operating profit before tax	**129**	118	242

Supplementary information (continued)

Adjusted operating profit before tax (continued)

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

	For the six months ended 30 June				For the year ended 31 December	
	2024		2023		2023	
	Life	Wealth	Life	Wealth	Life	Wealth
	£m	£m	£m	£m	£m	£m
CSM release[i]	**90**	**97**	111	101	238	231
Expected return on excess assets	**18**	**9**	17	21	35	34
Other	**—**	**(10)**	1	(3)	(10)	(37)
With-profits[ii]	**108**	**96**	129	119	263	228

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

ii. With-profits represents traditional with-profits within the Life segment and PruFund UK within the Wealth segment. Previously reported as Heritage and Wealth, respectively, in the 2023 interim financial statements.

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
	2024	2023	2023
Breakdown of contribution from annuity margin	£m	£m	£m
Expected return on excess assets	**74**	101	205
CSM release	**48**	47	96
Risk adjustment unwind	**9**	9	19
Asset trading and portfolio management actions	**3**	12	2
Experience variances	**(2)**	(16)	9
Other provisions and reserves	**—**	(2)	—
Shareholder annuities	**132**	151	331

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 year 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 each year is based on the CSM in the table.

Operating change in CSM and reconciliation to total CSM is further analysed in the tables below:

	Life					Wealth		
	Traditional with-profits	Shareholder annuities	Europe	Other	Total Life	PruFund UK	Policyholder and group adjustments	Total
	2024	2024	2024	2024	2024	2024	2024	2024
For the six months ended 30 June	£m	£m	£m	£m	£m	£m	£m	£m
Opening CSM	**1,342**	**1,221**	**169**	**125**	**2,857**	**1,614**	**1,012**	**5,483**
Interest accreted on the CSM	**71**	**16**	**9**	**—**	**96**	**66**	**—**	**162**
Expected return in excess of risk-free on CSM	**66**	**—**	**—**	**—**	**66**	**88**	**—**	**154**
Release of CSM to adjusted operating profit before tax	**(90)**	**(48)**	**(10)**	**(4)**	**(152)**	**(97)**	**—**	**(249)**
New business[i]	**—**	**6**	**8**	**—**	**14**	**32**	**—**	**46**
Assumption changes and variances	**(1)**	**2**	**(10)**	**2**	**(7)**	**(7)**	**—**	**(14)**
Operating change in CSM	**46**	**(24)**	**(3)**	**(2)**	**17**	**82**	**—**	**99**
Market and other impacts[i]	**105**	**(5)**	**(3)**	**4**	**101**	**107**	**59**	**267**
Release of CSM to non-operating	**(15)**	**—**	**—**	**(3)**	**(18)**	**(13)**	**(53)**	**(84)**
Non-operating and other changes in CSM	**90**	**(5)**	**(3)**	**1**	**83**	**94**	**6**	**183**
Closing CSM	**1,478**	**1,192**	**163**	**124**	**2,957**	**1,790**	**1,018**	**5,765**

Supplementary information (continued)

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

	Life					Wealth		
	Traditional with-profits	Shareholder annuities	Europe	Other	Total Life	PruFund UK	Policyholder and group adjustments	Total
	2023	2023	2023	2023	2023	2023	2023	2023
For the six months ended 30 June	£m	£m	£m	£m	£m	£m	£m	£m
Opening CSM	1,466	1,206	139	122	2,933	1,666	1,117	5,716
Interest accreted on the CSM	66	14	8	—	88	62	—	150
Expected return in excess of risk-free on CSM	92	—	—	—	92	86	—	178
Release of CSM to adjusted operating profit before tax	(111)	(47)	(8)	(4)	(170)	(101)	—	(271)
New business[i]	—	3	15	—	18	52	—	70
Assumption changes and variances	8	29	(1)	10	46	(22)	—	24
Operating change in CSM	55	(1)	14	6	74	77	—	151
Market and other impacts[i]	(83)	—	—	10	(73)	(29)	59	(43)
Release of CSM to non-operating	4	—	—	(4)	—	(3)	(57)	(60)
Non-operating and other changes in CSM	(79)	—	—	6	(73)	(32)	2	(103)
Closing CSM	1,442	1,205	153	134	2,934	1,711	1,119	5,764

	Life					Wealth		
	Traditional with-profits	Shareholder annuities	Europe	Other	Total Life	PruFund UK	Policyholder and group adjustments	Total
	2023	2023	2023	2023	2023	2023	2023	2023
For the year ended 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Opening CSM	1,466	1,206	139	122	2,933	1,666	1,117	5,716
Interest accreted on the CSM	142	30	16	—	188	128	—	316
Expected return in excess of risk-free on CSM	167	—	—	—	167	202	—	369
Release of CSM to adjusted operating profit before tax	(238)	(96)	(19)	(6)	(359)	(231)	—	(590)
New business[i]	—	42	26	—	68	94	—	162
Assumption changes and variances	(4)	60	3	2	61	37	—	98
Operating change in CSM	67	36	26	(4)	125	230	—	355
Market and other impacts[i]	(239)	(21)	4	15	(241)	(309)	5	(545)
Release of CSM to non-operating	48	—	—	(8)	40	27	(110)	(43)
Non-operating and other changes in CSM	(191)	(21)	4	7	(201)	(282)	(105)	(588)
Closing CSM	1,342	1,221	169	125	2,857	1,614	1,012	5,483

i. New business includes £22m in relation to the intra-group bulk purchase annuity transaction that occurred in September 2023 which is eliminated on consolidation for IFRS purposes and appears as reconciling item in Market and other impacts in the table above. Furthermore, the margins on investment management fee earned by Group entities are excluded. Therefore, the numbers above for New business differ to the values for contracts initially recognised in the period in Note 11 analysis by measurement component.

Supplementary information (continued)

Assets under management and administration (AUMA) and net client flows

(i) Detailed AUMA and net client flows

For the period ended	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
Asset Management	**154.2**	**16.3**	**(16.8)**	**(0.5)**	**1.2**	**154.9**
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**
Life[i]	**100.9**	**1.0**	**(4.3)**	**(3.3)**	**1.3**	**98.9**
Shareholder annuities	**15.8**	**0.3**	**(0.5)**	**(0.2)**	**(0.4)**	**15.2**
Traditional with-profits	**65.0**	**0.1**	**(2.4)**	**(2.3)**	**1.0**	**63.7**
Europe (non-UK PruFund)	**6.4**	**0.3**	**(0.4)**	**(0.1)**	**0.2**	**6.5**
Other life	**13.7**	**0.3**	**(1.0)**	**(0.7)**	**0.5**	**13.5**
Wealth[i]	**87.1**	**4.1**	**(5.0)**	**(0.9)**	**5.0**	**91.2**
PruFund UK	**54.8**	**2.5**	**(3.0)**	**(0.5)**	**2.1**	**56.4**
Platform and Advice	**19.2**	**1.1**	**(1.0)**	**0.1**	**2.5**	**21.8**
Other wealth	**13.1**	**0.5**	**(1.0)**	**(0.5)**	**0.4**	**13.0**
Corporate assets	**1.3**	**—**	**—**	**—**	**(0.2)**	**1.1**
Total[ii]	**343.5**	**21.4**	**(26.1)**	**(4.7)**	**7.3**	**346.1**

For the period ended	As at 1 January 2023 £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market/ Other movements £bn	As at 30 June 2023 £bn
Asset Management	154.2	16.6	(16.7)	(0.1)	(6.7)	147.4
Institutional asset management	99.2	7.4	(8.8)	(1.4)	(3.8)	94.0
Wholesale asset management	53.9	9.2	(7.9)	1.3	(2.9)	52.3
Other asset management	1.1	—	—	—	—	1.1
Life[i]	103.0	0.9	(3.9)	(3.0)	(0.6)	99.4
Shareholder annuities	15.4	—	(0.5)	(0.5)	(0.3)	14.6
Traditional with-profits	67.5	0.1	(2.4)	(2.3)	0.7	65.9
Europe (non-UK PruFund)	6.0	0.5	(0.3)	0.2	0.1	6.3
Other life	14.1	0.3	(0.7)	(0.4)	(1.1)	12.6
Wealth[i]	83.4	4.6	(4.0)	0.6	0.6	84.6
PruFund UK	52.3	3.3	(2.4)	0.9	0.3	53.5
Platform and Advice	18.0	0.8	(0.7)	0.1	0.2	18.3
Other wealth	13.1	0.5	(0.9)	(0.4)	0.1	12.8
Corporate assets	1.4	—	—	—	—	1.4
Total[ii]	342.0	22.1	(24.6)	(2.5)	(6.7)	332.8

Supplementary information (continued)

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

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

For the period ended	As at 1 January 2023 £bn	Gross inflows £bn	Gross outflows £bn	Net client flows £bn	Market/ Other movements £bn	As at 31 December 2023 £bn
Asset Management	154.2	33.1	(32.3)	0.8	(0.8)	154.2
Institutional asset management	99.2	14.8	(15.5)	(0.7)	(0.3)	98.2
Wholesale asset management	53.9	18.3	(16.8)	1.5	(0.4)	55.0
Other asset management	1.1	—	—	—	(0.1)	1.0
Life[i]	103.0	2.2	(7.9)	(5.7)	3.6	100.9
Shareholder annuities	15.4	0.7	(1.1)	(0.4)	0.8	15.8
Traditional with-profits	67.5	0.3	(4.5)	(4.2)	1.7	65.0
Europe (non-UK PruFund)	6.0	0.7	(0.6)	0.1	0.3	6.4
Other life	14.1	0.5	(1.7)	(1.2)	0.8	13.7
Wealth[i]	83.4	9.0	(8.8)	0.2	3.5	87.1
PruFund UK	52.3	6.3	(5.4)	0.9	1.6	54.8
Platform and Advice	18.0	2.0	(1.7)	0.3	0.9	19.2
Other wealth	13.1	0.7	(1.7)	(1.0)	1.0	13.1
Corporate assets	1.4	—	—	—	(0.1)	1.3
Total[ii]	342.0	44.3	(49.0)	(4.7)	6.2	343.5

i. £158.7 billion of AUMA of Life and Wealth is managed internally by the Group's Asset Management business (£155.0 billion as at 30 June 2023, £160.3 billion as at 31 December 2023).

ii. £11.8 billion of total Asset Management AUMA relates to assets under advice (30 June 2023: £10.4 billion restated, 31 December 2023: £11.2 billion restated). £5.3 billion of total Wealth AUMA relates to assets under advice (£2.8 billion as at 30 June 2023, £2.9 billion as at 31 December 2023). The Asset Management comparatives have been restated as previously included assets under advice amounts that related to the Wealth segment.

Our key performance measure, Net client flows (excluding Heritage), consists of Asset Management, Wealth (includes PruFund UK) and Europe (non-UK PruFund).

(ii) AUMA by asset class

	As at 30 June 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	Wealth £bn	Wholesale £bn	Institutional £bn	Total external £bn	Total AUMA £bn
Investment property	**9.2**	**—**	**0.6**	**—**	**9.8**	**—**	**0.1**	**13.8**	**13.9**	**23.7**
Reinsurance contract assets	**—**	**0.1**	**1.2**	**—**	**1.3**	**—**	**—**	**—**	**—**	**1.3**
Equity securities and pooled investment funds	**76.7**	**10.0**	**—**	**0.2**	**86.9**	**4.7**	**29.3**	**13.8**	**47.8**	**134.7**
Loans	**0.5**	**—**	**1.2**	**—**	**1.7**	**—**	**—**	**8.5**	**8.5**	**10.2**
Debt securities	**32.3**	**2.0**	**12.4**	**0.9**	**47.6**	**1.1**	**25.3**	**57.0**	**83.4**	**131.0**
of which: Corporate	**20.0**	**1.2**	**8.4**	**0.9**	**30.5**	**1.1**	**15.4**	**36.0**	**52.5**	**83.0**
of which: Government	**11.5**	**0.8**	**3.4**	**—**	**15.7**	**—**	**11.0**	**9.8**	**20.8**	**36.5**
of which: asset-backed securities (ABS)	**0.8**	**—**	**0.6**	**—**	**1.4**	**—**	**(1.1)**	**11.2**	**10.1**	**11.5**
Derivatives[i]	**(0.2)**	**—**	**(1.4)**	**(0.1)**	**(1.7)**	**—**	**0.1**	**(0.5)**	**(0.4)**	**(2.1)**
Deposits[ii]	**8.8**	**1.1**	**1.3**	**—**	**11.2**	**—**	**—**	**—**	**—**	**11.2**
Cash and cash equivalents	**1.0**	**0.1**	**0.7**	**0.8**	**2.6**	**—**	**1.3**	**5.2**	**6.5**	**9.1**
Other	**1.1**	**0.1**	**0.1**	**0.3**	**1.6**	**—**	**—**	**—**	**—**	**1.6**
Other AUMA	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**25.4**
Total[iii]	**129.4**	**13.4**	**16.1**	**2.1**	**161.0**	**5.8**	**56.1**	**97.8**	**159.7**	**346.1**

Supplementary information (continued)

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

(ii) AUMA by asset class (continued)

	As at 31 December 2023									
	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	Wealth £bn	Wholesale £bn	Institutional £bn	Total external £bn	Total AUMA £bn
Investment property	8.8	—	0.6	—	9.4	—	0.1	14.4	14.5	23.9
Reinsurance contract assets	—	0.1	1.2	—	1.3	—	—	—	—	1.3
Equity securities and pooled investment funds	78.1	9.9	—	0.2	88.2	4.4	27.7	14.4	46.5	134.7
Loans	0.6	—	1.3	—	1.9	—	—	8.9	8.9	10.8
Debt securities	31.8	2.0	12.7	1.0	47.5	1.2	25.8	56.7	83.7	131.2
of which: Corporate	20.5	1.3	8.7	1.0	31.5	1.2	16.6	37.5	55.3	86.8
of which: Government	10.3	0.7	3.4	—	14.4	—	10.7	8.7	19.4	33.8
of which: ABS	1.0	—	0.6	—	1.6	—	(1.5)	10.5	9.0	10.6
Derivatives[i]	0.1	—	(1.3)	(0.1)	(1.3)	—	0.3	(0.4)	(0.1)	(1.4)
Deposits[ii]	7.8	1.2	1.5	—	10.5	—	—	—	—	10.5
Cash and cash equivalents	0.9	0.2	0.6	0.8	2.5	0.1	1.1	4.2	5.4	7.9
Other	1.0	0.1	0.3	0.4	1.8	—	—	—	—	1.8
Other AUMA	—	—	—	—	—	—	—	—	—	22.8
Total[iii]	129.1	13.5	16.9	2.3	161.8	5.7	55.0	98.2	158.9	343.5

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 £346.1 billion (year ended 31 December 2023: £343.5 billion) is £17.1 billion (year ended 31 December 2023: £14.1 billion) of assets under advice.

(iii) AUMA by geography

	As at 30 June		As at 31 December
	2024 £bn	2023 £bn	2023 £bn
UK	**260.5**	255.9	260.6
Rest of Europe	**59.0**	53.6	56.8
Asia-Pacific	**13.2**	10.7	12.5
Middle East and Africa	**10.8**	10.6	11.4
Americas	**2.6**	2.0	2.2
Total AUMA	**346.1**	332.8	343.5

Supplementary information (continued)

Solvency II capital position

Solvency II overview

The Group is supervised as an insurance group by the Prudential Regulation Authority. Individual insurance undertakings within the Group are also subject to the supervision of the Prudential Regulation Authority (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
	2024	2023	2023
	£bn	£bn	£bn
IFRS shareholders' equity	**3.7**	4.0	4.1
Deduct goodwill and intangible assets	**(1.5)**	(1.5)	(1.5)
Net impact of policyholder liabilities and reinsurance assets valued on Solvency II basis	**12.0**	12.5	12.2
Impact of introducing Solvency II risk margin (net of transitional measures)	**(0.3)**	(1.0)	(0.3)
Impact of measuring assets and liabilities in line with Solvency II principles	**1.1**	0.8	1.0
Recognise own shares	**—**	0.1	0.1
Other	**0.1**	—	0.1
Solvency II excess of assets over liabilities	**15.1**	14.9	15.7
Subordinated debt capital	**2.5**	2.9	3.1
Ring-fenced fund restrictions	**(6.8)**	(6.6)	(7.2)
Deduct own shares	**—**	(0.1)	(0.1)
Eligible own funds restriction	**—**	(0.3)	(0.2)
Solvency II eligible own funds	**10.8**	10.8	11.3

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 increase in equity moving from IFRS 17 to Solvency II 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 shareholder 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. This increase in equity is 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. This results in an increase in with-profits and shareholder backed annuity liabilities on moving from IFRS17 to Solvency II.
- 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. As described in Note 17, on 20 July 2024 the Group redeemed all 3.875% sterling fixed rate subordinated loan notes in issue.Whilst the liability remained unsettled as at 30 June 2024, the Group's commitment to redeeming the debt at the call date means these are no longer recognised as part of available own funds.
- Ring-fenced fund restrictions: any excess of the own funds over the solvency capital requirements from the With-Profits Fund is restricted as these amounts are not available to meet losses elsewhere in the Group.
- 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 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.

Supplementary information (continued)

Solvency II capital position (continued)

Composition of own funds

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

	As at 30 June		As at 31 December
	2024	2023	2023
	£bn	£bn	£bn
Tier 1 (unrestricted)	**7.7**	7.6	7.9
Tier 2	**2.5**	2.9	3.1
Tier 3	**0.6**	0.6	0.5
Eligible own funds restriction	**—**	(0.3)	(0.2)
Total eligible own funds	**10.8**	10.8	11.3

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 £0.6 billion (31 December 2023: £0.5 billion) relates to deferred tax asset balances.

As stated above, the eligible own funds restriction at 30 June 2023 and 31 December 2023 reflects the fact that the sum of Tier 2 and Tier 3 capital exceeds the threshold set by the regulator for the purpose of demonstrating solvency, although the capital above this threshold remains available to the Group.

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
	2024	2023	2023
	£bn	£bn	£bn
Shareholder Solvency II eligible own funds	**8.7**	8.8	8.9
Shareholder Solvency II SCR[ii]	**(4.1)**	(4.4)	(4.4)
Shareholder Solvency II surplus	**4.6**	4.4	4.5
Shareholder Solvency II coverage ratio[i]	**210%**	199%	203%

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

ii. Included in the SCR at 30 June 2024 is an amount of £175m (30 June 2023: £nil, 31 December 2023: £175m) held in respect of any potential future legislative change which would impact our residential ground rent portfolio.

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.

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 after assuming a recalculation 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 Prudential Regulation Authority.
- M&G Group Limited and other undertakings carrying out financial activities consolidated under local sectoral or notional sectoral capital requirements.

Supplementary information (continued)

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

	As at 30 June		As at 31 December
	2024	2023[i]	2023[i]
	£bn	£bn	£bn
Equity	**1.7**	1.7	1.8
Property	**0.8**	0.8	0.8
Interest rate	**0.4**	0.7	0.4
Credit	**1.3**	1.7	1.5
Currency	**1.1**	1.2	1.1
Longevity	**1.1**	0.9	1.2
Lapse	**0.5**	0.5	0.5
Operational & expense	**2.2**	1.3	2.2
Sectoral[ii]	**0.6**	0.6	0.6
Total undiversified	**9.7**	9.4	10.1
Diversification, deferred tax, and other	**(5.6)**	(5.0)	(5.7)
Shareholder SCR	**4.1**	4.4	4.4

i. Diversification, deferred tax & other includes adjustments to the SCR for expected changes in own funds over the next year; the inclusion of this component is a presentational change at 30 June 2024, and the results at 30 June 2023 and 31 December 2023 have been restated on a consistent basis.

ii. 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 2024		As at 30 June 2023		As at 31 December 2023	
	Surplus	**Shareholder coverage ratio**	Surplus	Shareholder coverage ratio	Surplus	Shareholder coverage ratio
	£bn	**%**	£bn	%	£bn	%
Base (as reported)	**4.6**	**210%**	4.4	199%	4.5	203%
20% instantaneous fall in equity markets	**4.0**	**198%**	3.8	186%	3.9	189%
20% instantaneous fall in property markets	**4.2**	**201%**	3.9	189%	4.1	193%
50bp reduction in interest rates	**4.5**	**205%**	4.2	192%	4.4	196%
100bp widening in credit spreads	**4.4**	**208%**	4.1	196%	4.3	200%
20% credit asset downgrade[i]	**4.4**	**206%**	4.2	194%	4.3	198%

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

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
	2024	2023	2023
	£bn	£bn	£bn
With-Profits Fund Solvency II own funds	**8.9**	8.6	9.6
With-Profits Fund Solvency II SCR	**(2.1)**	(2.0)	(2.4)
With-Profits Fund Solvency II surplus	**6.8**	6.6	7.2
With-Profits Fund Solvency II coverage ratio[i]	**429%**	429%	403%

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

Supplementary information (continued)

Solvency II capital position (continued)

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
	2024	2023	2023
	£bn	£bn	£bn
Solvency II Eligible own funds	**10.8**	10.8	11.3
SCR	**(6.2)**	(6.4)	(6.8)
Solvency II surplus	**4.6**	4.4	4.5
Solvency II coverage ratio[i]	**173%**	168%	167%

i. Solvency II coverage ratio has been calculated using unrounded figures. On a regulatory approved transitional measures on technical provisions basis, the surplus is £4.6bn (30 June 2023: £4.7bn, 31 December 2023: £4.5bn) and the solvency coverage ratio is 174% (30 June 2023: 174%, 31 December 2023: 167%).

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 2023 and 30 June 2024, the recalculated transitional measures do not align to the latest approved regulatory position and therefore the estimated Solvency II capital position differs from the position disclosed in the formal regulatory Quantitative Reporting Templates of the same date. As at 31 December 2023, the recalculated and regulatory positions are aligned.

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 in the overview of the Solvency II capital position, as at 30 June 2024 there is no restriction to eligible own funds (30 June 2023: £280m restriction, 31 December 2023: £216m restriction) as the sum of tier 2 and tier 3 capital does not exceed the threshold set by the regulator.

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-recurring items, including shareholder restructuring and other costs as defined under adjusted operating profit before tax. It has two components:

i. 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.
ii. Other operating capital generation, which includes non-market related experience variances, assumption changes, modelling changes and other movements.

Dividends and capital movements primarily represent external dividends paid to shareholders, the impact of the 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 above risk-free was 3.5% pa for the six months ended 30 June 2024, 4.0% pa for the six months ended 30 June 2023 and 4.0% pa for the year ended 31 December 2023. For annuity business, the assumed average return on assets backing capital was 5.6% pa for the six months ended 30 June 2024, 6.6% pa for the six months ended 30 June 2023 and 6.6% pa for the year ended 31 December 2023.

The Group's capital generation results in respect of the six months ended 30 June 2024 and 30 June 2023, and year ended 31 December 2023 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.

Supplementary information (continued)

Capital generation (continued)

	For the six months ended 30 June 2024				
	Asset Management	Life	Wealth	Corporate Centre	Total
	£m	£m	£m	£m	£m
Underlying capital generation	**118**	**207**	**82**	**(110)**	**297**
Other operating capital generation	**1**	**87**	**102**	**(1)**	**189**
Operating capital generation	**119**	**294**	**184**	**(111)**	**486**
Market movements					**27**
Restructuring and other					**(21)**
Tax					**105**
Reversal of eligible own funds restriction					**216**
Total capital generation					**813**

	For the six months ended 30 June 2023				
	Asset Management	Life	Wealth	Corporate Centre	Total
	£m	£m	£m	£m	£m
Underlying capital generation	119	269	75	(111)	352
Other operating capital generation	(5)	108	55	(5)	153
Operating capital generation	114	377	130	(116)	505
Market movements					(141)
Restructuring and other					(61)
Tax					50
Eligible own funds restriction					(280)
Total capital generation					73

	For the year ended 31 December 2023				
	Asset Management	Life	Wealth	Corporate Centre	Total
	£m	£m	£m	£m	£m
Underlying capital generation	246	574	163	(231)	752
Other operating capital generation	50	147	82	(35)	244
Operating capital generation	296	721	245	(266)	996
Market movements					(507)
Restructuring and other					49
Tax					36
Eligible own funds restriction					(216)
Total capital generation					358

Supplementary information (continued)

Capital generation (continued)

		For the six months ended 30 June 2024			For the six months ended 30 June 2023			For the year ended 31 December 2023		
		Own funds[i] £m	SCR[i] £m	Surplus £m	Own funds[i] £m	SCR[i] £m	Surplus £m	Own funds[i] £m	SCR[i] £m	Surplus £m
Underlying capital generation										
Asset Management	Asset Management	**118**	**—**	**118**	101	18	119	215	31	246
	Asset Management underlying capital generation	**118**	**—**	**118**	101	18	119	215	31	246
Life	Traditional with-profits	**78**	**16**	**94**	87	9	96	165	17	182
	Shareholder annuities and other	**104**	**(12)**	**92**	146	7	153	332	18	350
	Europe	**23**	**(2)**	**21**	28	(8)	20	50	(8)	42
	Life underlying capital generation	**205**	**2**	**207**	261	8	269	547	27	574
Wealth	PruFund UK	**108**	**(24)**	**84**	155	(53)	102	305	(98)	207
	of which: in force	**99**	**20**	**119**	115	3	118	223	6	229
	of which: new business	**9**	**(44)**	**(35)**	40	(56)	(16)	82	(104)	(22)
	Platform and Advice	**(6)**	**3**	**(3)**	(19)	2	(17)	(31)	2	(29)
	Other wealth	**2**	**(1)**	**1**	(8)	(2)	(10)	(13)	(2)	(15)
	Wealth underlying capital generation	**104**	**(22)**	**82**	128	(53)	75	261	(98)	163
Corporate centre	Interest & head office cost	**(115)**	**5**	**(110)**	(120)	9	(111)	(237)	6	(231)
Underlying capital generation		**312**	**(15)**	**297**	370	(18)	352	786	(34)	752
Other operating capital generation										
	of which: Asset Management	**1**	**—**	**1**	—	(5)	(5)	15	35	50
	of which: Life	**46**	**41**	**87**	74	34	108	59	88	147
	of which: Wealth	**40**	**62**	**102**	(27)	82	55	(82)	164	82
	of which: Corporate Centre	**(1)**	**—**	**(1)**	(7)	2	(5)	(17)	(18)	(35)
Operating capital generation		**398**	**88**	**486**	410	95	505	761	235	996
	Market movements	**(57)**	**84**	**27**	(233)	92	(141)	(417)	(90)	(507)
	Restructuring and other	**(49)**	**28**	**(21)**	(70)	9	(61)	16	33	49
	Tax	**51**	**54**	**105**	10	40	50	(46)	82	36
	Eligible own funds restriction	**216**	**—**	**216**	(280)	—	(280)	(216)	—	(216)
Total capital generation		**559**	**254**	**813**	(163)	236	73	98	260	358
Dividends and capital movements		**(771)**	**—**	**(771)**	(298)	(1)	(299)	(440)	(1)	(441)
Total (decrease)/increase in Solvency II surplus		**(212)**	**254**	**42**	(461)	235	(226)	(342)	259	(83)

i. 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)

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/income ratio

Cost/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
	2024	2023	2023
	£m	£m	£m
Total Asset Management operating expenses	**388**	394	791
Adjustment for revaluations[i]	**(2)**	(1)	(5)
Total Asset Management adjusted costs	**386**	393	786
Total Asset Management fee-based revenue	**512**	507	1,025
Less: Performance fees and carried interest	**(13)**	(11)	(30)
Total Asset Management underlying fee-based revenue	**499**	496	995
Cost/Income ratio	**77%**	79%	79%

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 fee 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		
	2024			2023			2023		
	Average AUMA[i]	**Revenue[ii]**	**Revenue margin[ii]**	Average AUMA[i]	Revenue[ii]	Revenue margin[ii]	Average AUMA[i]	Revenue[ii]	Revenue margin[ii]
	£bn	**£m**	**bps**	£bn	£m	bps	£bn	£m	bps
Wholesale Asset Management	**56**	**153**	**55**	54	155	58	54	310	58
Institutional Asset Management	**97**	**186**	**38**	97	189	39	96	376	39
Internal	**160**	**160**	**20**	152	152	20	155	309	20
Total Asset Management	**313**	**499**	**32**	303	496	33	305	995	33

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

Credit risk

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

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 relation to credit rating, seniority, sector and issuer, and counterparties in particular for derivatives, reinsurance and cash; and a robust credit rating process.

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Supplementary information (continued)

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 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	**4,126**	**14,122**	**1,802**	**2,509**	**1,382**	**148**	**24,089**
With-profits	**2,787**	**10,649**	**1,759**	**2,442**	**1,382**	**52**	**19,071**
Unit-linked	**84**	**1,445**	**28**	**40**	**—**	**96**	**1,693**
Annuity and other long-term business	**679**	**1,959**	**15**	**26**	**—**	**—**	**2,679**
Other	**576**	**69**	**—**	**1**	**—**	**—**	**646**
Quasi-sovereign and Public sector debt	**216**	**1,576**	**193**	**273**	**856**	**288**	**3,402**
With-profits	**153**	**794**	**133**	**272**	**855**	**207**	**2,414**
Unit-linked	**19**	**118**	**16**	**1**	**1**	**—**	**155**
Annuity and other long-term business	**44**	**664**	**44**	**—**	**—**	**81**	**833**
Corporate debt	**1,225**	**3,242**	**10,692**	**13,313**	**3,431**	**8,164**	**40,067**
With-profits	**688**	**2,091**	**8,234**	**10,359**	**3,054**	**4,319**	**28,745**
Unit-linked	**80**	**220**	**799**	**1,309**	**302**	**31**	**2,741**
Annuity and other long-term business	**270**	**890**	**1,651**	**1,630**	**72**	**3,813**	**8,326**
Other	**187**	**41**	**8**	**15**	**3**	**1**	**255**
Asset-backed securities	**250**	**212**	**394**	**253**	**130**	**1,599**	**2,838**
With-profits	**121**	**138**	**182**	**160**	**127**	**1,488**	**2,216**
Unit-linked	**12**	**19**	**16**	**21**	**3**	**—**	**71**
Annuity and other long-term business	**85**	**55**	**196**	**72**	**—**	**111**	**519**
Other	**32**	**—**	**—**	**—**	**—**	**—**	**32**
Total debt securities	**5,817**	**19,152**	**13,081**	**16,348**	**5,799**	**10,199**	**70,396**
With-profits	**3,749**	**13,672**	**10,308**	**13,233**	**5,418**	**6,066**	**52,446**
Unit-linked	**195**	**1,802**	**859**	**1,371**	**306**	**127**	**4,660**
Annuity and other long-term business	**1,078**	**3,568**	**1,906**	**1,728**	**72**	**4,005**	**12,357**
Other	**795**	**110**	**8**	**16**	**3**	**1**	**933**

As at 31 December 2023	AAA £m	AA+ to AA- £m	A+ to A- £m	BBB+ to BBB- £m	Below BBB- £m	Other £m	Total £m
Government Sovereign debt	4,790	12,650	1,699	2,295	1,213	187	22,834
With-profits	3,365	9,297	1,670	2,220	1,213	80	17,845
Unit -linked	109	1,354	15	47	—	107	1,632
Annuity and other long-term business	715	1,934	14	27	—	—	2,690
Other	601	65	—	1	—	—	667
Quasi-sovereign and Public sector debt	202	1,572	204	397	873	300	3,548
With-profits	157	821	145	377	873	238	2,611
Unit-linked	1	58	13	2	—	1	75
Annuity and other long-term business	44	693	46	18	—	61	862
Corporate debt	1,242	2,875	14,587	11,268	2,755	8,544	41,271
With-profits	745	1,789	11,670	8,332	2,423	4,462	29,421
Unit-linked	27	110	1,239	1,209	257	23	2,865
Annuity and other long-term business	283	904	1,644	1,707	72	4,057	8,667
Other	187	72	34	20	3	2	318
Asset-backed securities	370	243	429	253	89	1,646	3,030
With-profits	217	161	203	153	89	1,539	2,362
Unit-linked	17	22	17	23	—	—	79
Annuity and other long-term business	85	60	209	77	—	107	538
Other	51	—	—	—	—	—	51
Total Debt Securities	6,604	17,340	16,919	14,213	4,930	10,677	70,683
With-profits	4,484	12,068	13,688	11,082	4,598	6,319	52,239
Unit-linked	154	1,544	1,284	1,281	257	131	4,651
Annuity and other long-term business	1,127	3,591	1,913	1,829	72	4,225	12,757
Other	839	137	34	21	3	2	1,036

The Group has holdings in asset-backed securities (ABS) which are presented within debt securities on the 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)

Credit risk (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 2024 £m	As at 31 December 2023 £m
AAA	**144**	188
AA+ to AA-	**894**	841
A+ to A-	**4,425**	4,721
BBB+ to BBB-	**2,026**	1,944
Below BBB-	**1,161**	1,138
Unrated	**1,549**	1,845
Total	**10,199**	10,677

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:

As at 30 June 2024	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Sovereign debt securities by country:					
UK	**5,974**	**1,448**	**1,924**	**581**	**9,927**
Germany	**553**	**—**	**137**	**—**	**690**
Other European countries	**1,197**	**42**	**455**	**—**	**1,694**
Total Europe	**7,724**	**1,490**	**2,516**	**581**	**12,311**
United States	**3,583**	**5**	**—**	**13**	**3,601**
Latin American countries	**522**	**14**	**26**	**—**	**562**
South Africa	**934**	**95**	**—**	**—**	**1,029**
Indonesia	**863**	**8**	**—**	**—**	**871**
South Korea	**961**	**10**	**—**	**—**	**971**
Malaysia	**877**	**8**	**—**	**—**	**885**
Singapore	**468**	**5**	**—**	**—**	**473**
Philippines	**548**	**6**	**—**	**—**	**554**
Thailand	**470**	**5**	**—**	**—**	**475**
India	**570**	**6**	**—**	**—**	**576**
Other	**1,552**	**40**	**137**	**52**	**1,781**
Total	**19,072**	**1,692**	**2,679**	**646**	**24,089**

As at 31 December 2023	With-profits £m	Unit-linked £m	Annuity and other long-term business £m	Other £m	Total £m
Sovereign debt securities by country:					
UK	5,195	1,338	1,910	606	9,049
Germany	601	16	140	—	757
Other European countries	1,235	1	436	—	1,672
Total Europe	7,031	1,355	2,486	606	11,478
United States	3,328	5	—	10	3,343
Latin American countries	425	19	27	—	471
South Africa	922	105	—	—	1,027
Indonesia	858	9	—	—	867
South Korea	1,047	12	—	—	1,059
Malaysia	810	8	—	—	818
Singapore	491	5	—	—	496
Philippines	522	6	—	—	528
Thailand	499	6	—	—	505
India	450	5	—	—	455
Other	1,462	97	177	51	1,787
Total	17,845	1,632	2,690	667	22,834

As at 30 June 2024 Other European Countries included £1,236m (year ended 31 December 2023: £1,232m) and Other included £1,248m (year ended 31 December 2023: £1,342m) of Supranational Government bonds.

Supplementary information (continued)

Credit risk (continued)

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 2024 £m	As at 31 December 2023 £m
Financial	**2,621**	2,852
Government	**3,438**	3,470
Real Estate	**2,781**	2,906
of which residential	**1,653**	1,735
of which commercial	**1,128**	1,171
Utilities	**1,724**	1,772
Consumer	**395**	387
Industrial	**404**	370
Communications	**296**	315
Other	**698**	685
Total	**12,357**	12,757

Glossary

Term	Definition
Adjusted operating profit before tax (AOP)	Is one of the Group's key alternative performance measures. It is defined in the key performance measure section on page 65.
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 securities (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/income ratio	Represents total operating expenses, excluding revaluation of provisions for employee performance awards divided by total fee-based revenues, excluding performance fees.
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 fee margin	Is calculated from fee-based revenues earned in the period, 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	Bonuses refer to the non-guaranteed benefit added to traditional 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: – 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.

Term	Definition
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)	Is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit after tax by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year, after deducting treasury shares and shares held by the employee benefit trust. Diluted EPS adjusts the weighted average number of ordinary shares outstanding, after deducting treasury shares and shares held by the employee benefit trust, to assume conversion of all dilutive potential ordinary shares, such as share options awarded to employees.
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.
Environmental, Social and Governance (ESG)	ESG stands for Environmental, Social, and Governance. ESG is a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to environmental, social, and governance criteria.
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 managed on a fair value basis or which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.

Glossary (continued)

Term	Definition
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.
FRC Stewardship Code	The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. It comprises a set of 12 'apply and explain' principles for asset managers and asset owners, and a separate set of six principles for service providers.
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.
Heritage	Heritage business, which is mostly closed to new clients, as it runs off, comprises Life traditional with-profits, shareholders annuities and other.
International Financial Reporting Standards (IFRS)	Are accounting standards issued by the International Accounting Standards Board (IASB). The Group's 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 profit after tax, adjusted operating profit before tax, operating change in CSM, net client flows (excluding Heritage), AUMA, shareholder Solvency II coverage ratio, total capital generation and operating capital generation.
Leverage ratio	Is calculated as the nominal value of debt as a percentage of the shareholder view of the Group's 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.

Term	Definition
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.
MandG Investments Southern Africa (Pty) Ltd (MGSA)	On 4 July 2021, M&G FA Limited, a wholly-owned subsidiary of M&G plc, acquired a controlling stake in Prudential Portfolio Managers (South Africa) (Pty) Ltd (PPMSA). We previously accounted for the investment as an associate using the equity method. As we now have a controlling interest, the acquisition has been accounted for using the acquisition accounting method. Rebranded as MandG Investments Southern Africa (MGSA).
Net client flows	Represent gross inflows less gross outflows. Gross inflows are new funds from clients. Gross outflows are money withdrawn by clients during the period.
Non-profit business	Contracts where the policyholders are not entitled to a share of the company's profit 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.
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)	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. PAC is the main regulated insurance entity in the Group.
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 the Group's ring-fenced With-Profits Fund.

Glossary (continued)

Term	Definition
Société d'investissement à Capital Variable (SICAV)	A SICAV (Société d'investissement à Capital Variable) 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.
Solvency II	A regime for the prudential regulation of insurance companies that was introduced by the EU on 1 January 2016.
Solvency II surplus	Represents the eligible own funds held by the Group 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.
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. This decreases linearly over 16 years following the implementation of Solvency II, but may be recalculated in certain cases, subject to agreement with the PRA.
Unit-linked policy	A policy where the benefits are determined by the investment performance of the underlying assets in the unit-linked fund.
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.