



# 2021 Full Year Results

8 March 2022



# M&G plc 2021 Full Year Results

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**Notes:** Where relevant, historical figures have been restated to include the results of entities acquired prior to the demerger as if those entities had always been combined, in line with merger accounting principles. Throughout this presentation, totals in tables and charts may not sum as a result of rounding.

# Key messages

1



**Achieved all the key targets set out at demerger**

2



**Continued to deliver strong financial and operational results**

3



**Accelerated strategy in priority areas through targeted acquisitions**

4



**Announced £1.1bn returns via dividends, share buyback and management of leverage**

5



**Outlined balanced capital management framework and new 2022-2024 capital target**

# Financial highlights

		FY 2020	FY 2021
AUMA and Flows	Assets under Management and Administration (£bn)	367	370
	External net client flows <sup>1</sup> (£bn)	(6.6)	0.6
	<b>Adjusted Operating Profit (£m)</b>	<b>788</b>	<b>721</b>
Adjusted Operating Profit	- of which Asset Management (£m)	330	315
	- of which Retail & Savings (£m)	701	660
	- of which Corporate Centre (£m)	(243)	(254)
	<b>Total Capital Generation (£m)</b>	<b>995</b>	<b>1,822</b>
Capital Generation	Operating Capital Generation (£m)	1,312	1,117
	Shareholder Solvency II coverage ratio	182%	218%
	Solvency II surplus (£bn)	4.8	6.2



# Business Review

John Foley, Chief Executive Officer

**Within two years as  
an independent  
business, we have  
achieved all the  
priorities set out  
at demerger**

**1**

**Launched PruFund in Europe in partnership with local institutions**

Obtained regulatory approval in December 2021, already started distribution in Italy

**2**

**Stabilised Retail asset management franchise**

Started 2022 with net inflows, after reducing net outflows by c. 90% in 2021<sup>1</sup>

**3**

**Continued to embed sustainability and put it at the core of our business**

Broadening investment capabilities and proposition, including acquisition of responsAbility

**4**

**Realised £145m cost savings from business transformation**

Achieved target one year early, becoming a more modern and resilient business

**5**

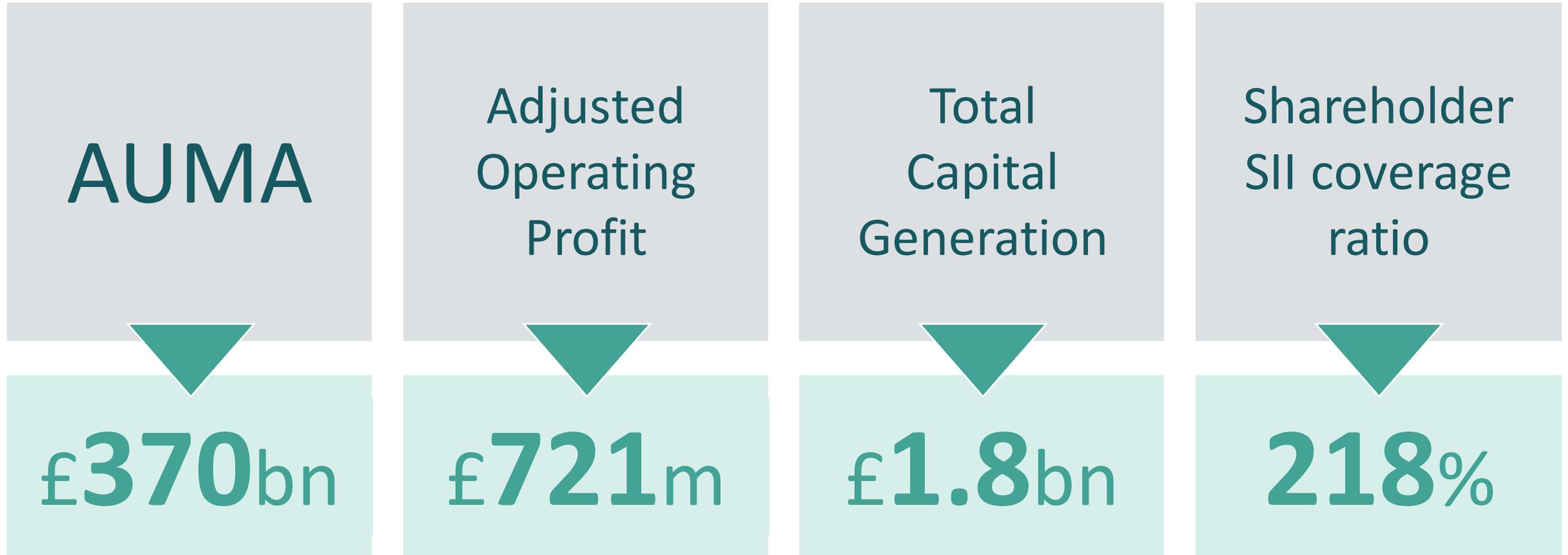
**Generated £2.8bn Total Capital over 2020 and 2021**

Beating both quantum and timelines of our £2.2bn three-year target

1. H1 Retail net outflows £3.4bn, H2 Retail net outflows £0.4bn

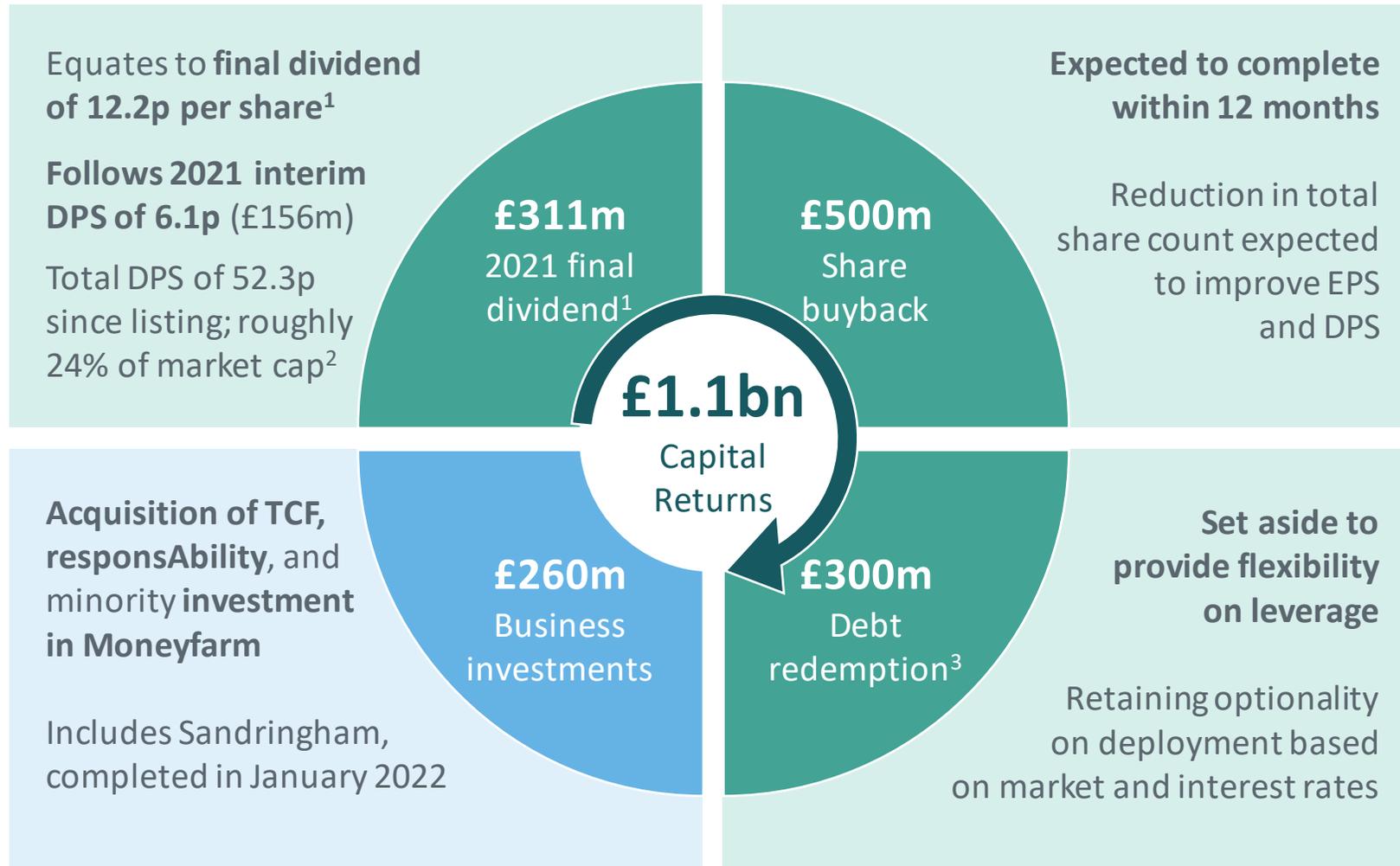
# Another year of strong financial performance

Operational delivery translating into financial delivery



# Balanced capital allocation and a new three-year target

£1.1bn returns announced today, in addition to £260m invested in the business



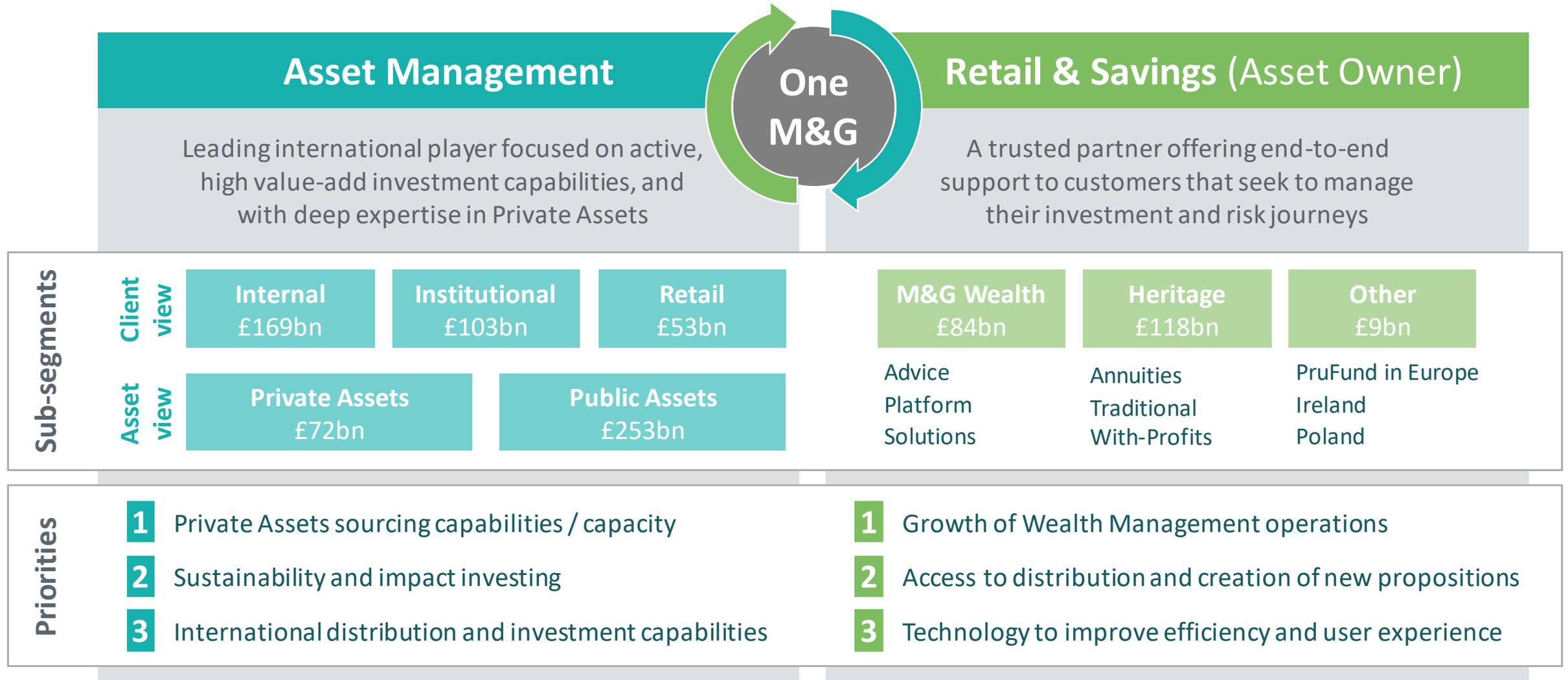
**£2.5bn**  
Cumulative Operating Capital Generation  
Target for 2022-2024

1. For regulatory reasons, and consistent with past practice, the final dividend will be declared and paid as a second, interim, dividend. Ex-dividend date 17 March, payment date 28 April;

2. Implied by the share price at demerger of 218p; 3. Any decision to call and not refinance debt would only be taken at the relevant time, and would be subject to regulatory approval

# Aligning our business to customers needs

## Setting a clear vision and priorities for each segment



# 'One M&G' – The competitive advantage at the core of our strategy

Leveraging collaboration and combined scale across segments

## Asset Management

- Powers the **With-Profits fund** with a broad range of private, public and sustainable investment capabilities
- Enabled **distribution of PruFund in Europe** leveraging its network of international sales offices
- Created a **£103bn AUM Institutional franchise** thanks to the experience gathered serving the internal client
- Enables **capital generation from asset trading**, c. £290m in 2021, thanks to leading private asset capabilities



## Retail & Savings (Asset Owner)

- With £169bn AUM, gives the **Asset Manager scale and breadth** across asset classes and geographies
- Is a **preferred channel to gather assets** for the Asset Manager, particularly in the UK with the launch of M&G Wealth
- **Supports innovation** – particularly in private assets – seeding new funds (e.g. committed £5bn to Catalyst)
- Provides **long-term stable cash flows** and upside from management actions, diversifying earnings and covering debt

◀ Fully integrated support functions and a single IT/systems architecture and infrastructure ▶

# Meeting operational milestones

## Highlights from 2021

### Asset Management

- Aligned **new organisational structure** to investment capabilities
- **Scaling US and Asia capabilities** completing the in-housing of £25bn formerly managed by Prudential plc
- **Delivered strong Institutional net flows of £5.8bn** and continued Retail Asset Management recovery
- **Capitalised on the growing demand for sub-advised mandates** deepening the partnership with key distributors
- **Market leadership in sustainable private assets** with the launch of Catalyst and acquisition of responsAbility
- **Broadened sustainable public asset offering** thanks to new fund launches and alignment of existing funds to SFDR art. 8/9

### Retail & Savings (Asset Owner)

- **Launched PruFund in Europe**, commencing distribution in Italy in partnership with Intesa Sanpaolo
- **Increased UK adviser base** from roughly 250 to 440 with the acquisition of Sandringham
- **Hybrid digital advice providing cost effective support** to UK savers falling in the Affordable Advice Gap<sup>1</sup>
- **Launched PruFund Planet**, a fund that aims to deliver positive environmental and societal outcomes
- **Generated over £600m capital through management actions**, proactively managing the balance sheet and market exposure

1. 'The UK Advice Gap 2021' from Open Money estimates 6 million people in the UK are in the Affordable Advice Gap – The Affordable Advice Gap is where people fail to get advice due to its cost

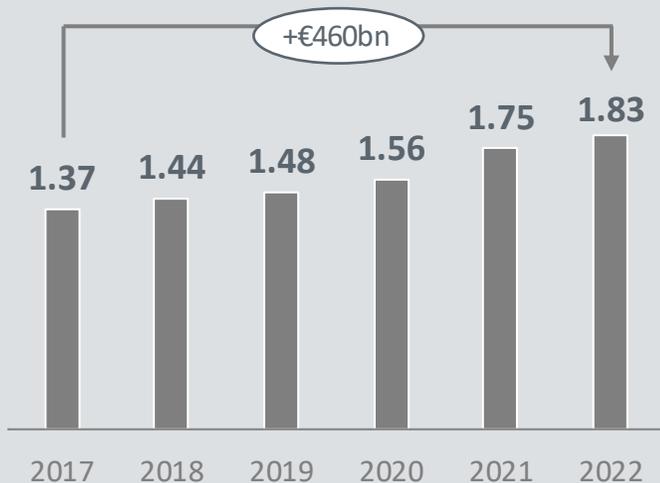
# The growth opportunity from PruFund in Europe

## Case study for Italy: Future+

### The right market

The opportunity to tackle large and growing cash deposits...

Italian bank deposits in € trillion



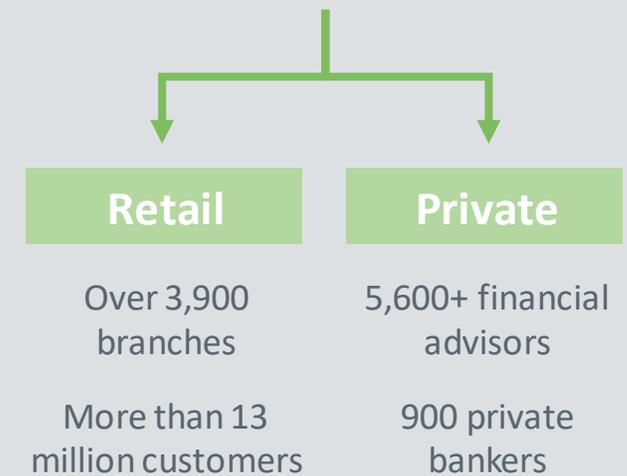
### The right proposition

... helping savers take a 'first step in investments' ...

- 1 A globally diversified multi-asset proposition
- 2 with a unique and well established smoothing process
- 3 that leverages the With-Profits Fund capital strength
- 4 and that is powered by the Asset Manager capabilities

### The right partner

... supported by one of the largest Italian banking groups



# Investing to accelerate corporate strategy in priority areas

Targeted acquisitions supporting M&G's ongoing business transformation

## Asset Management

International active capabilities with focus on private assets and sustainability

Public

Private

**Port Meadow**

September 2019

Lift-out of an Asian investment and research team

**responsAbility**

Expected H1-22

Specialist in private asset impact investing with \$3.7bn AUM

## Retail & Savings (Asset Owner)

Scaling Wealth Management proposition, offering end-to-end support to customers

Platform

Advice

D2C

**Ascentric**

September 2020

UK multi-wrapper digital platform with £17bn AUA

**Sandringham**

January 2022

IFA network with 189 partners and £2.5bn assets under advice

**Moneyfarm**

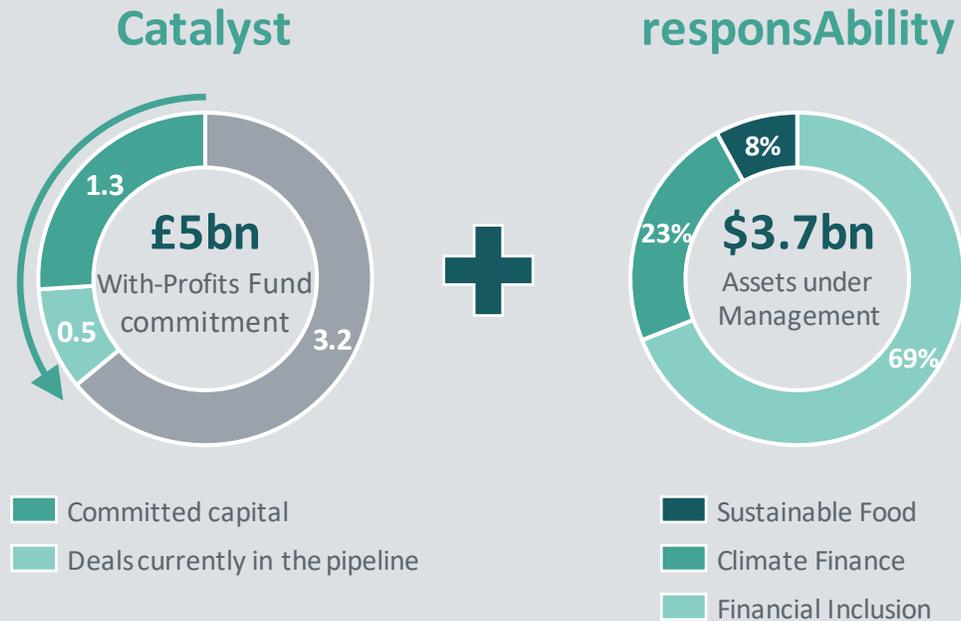
January 2022

Partnership to build D2C offering and minority investment

# Scaling capabilities and presence in high-value add markets

Growing in areas with healthy and resilient margins

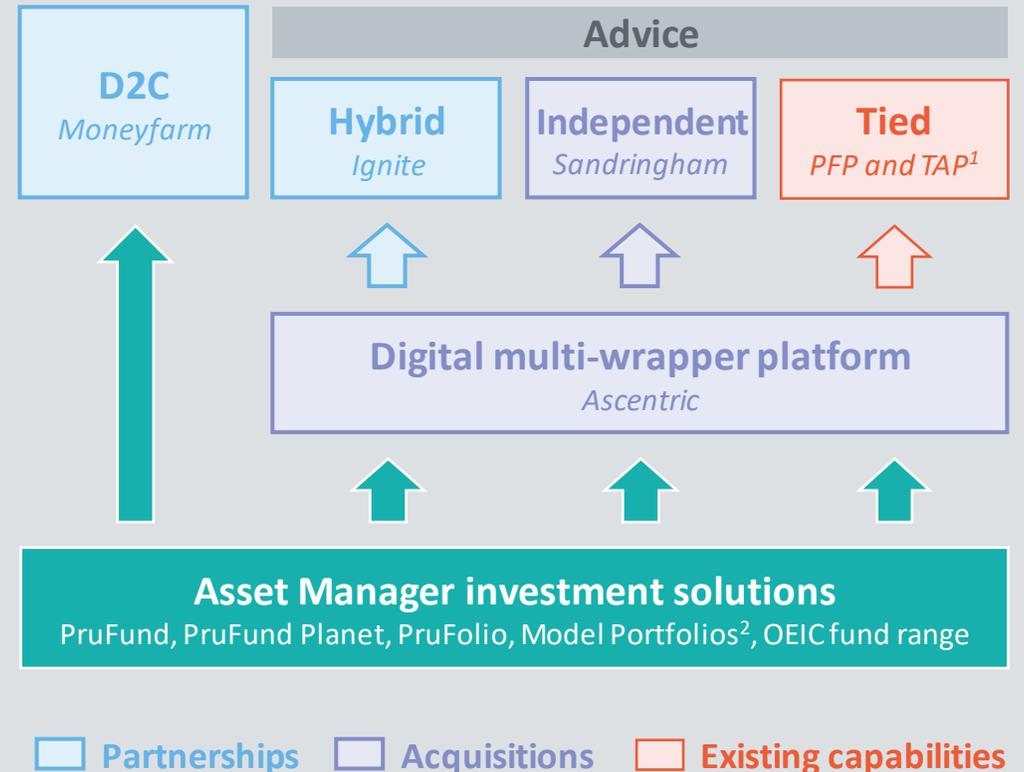
## Leader in private asset sustainable investing



**29** Investments approved so far

**\$12bn** Capital invested since 2003

## Comprehensive Wealth offering in the UK



1. Prudential Financial Partners and The Advice Partnership; 2. Includes model portfolios and discretionary wealth management service offering from TCF



# Capital management framework

# Delivering long-term growth and attractive returns

## Our approach and framework for capital management

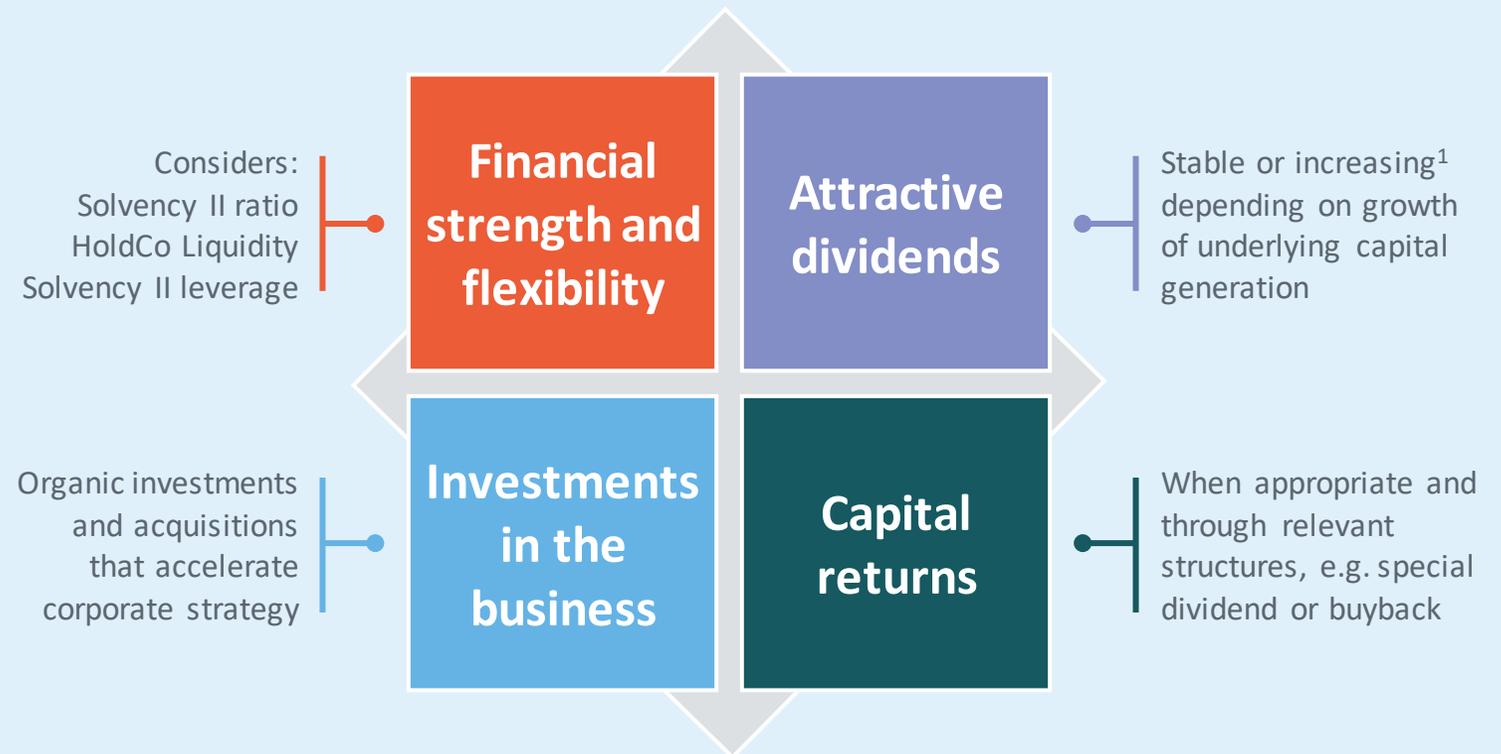
### Approach

Our priority is to **maintain appropriate financial strength and reward shareholders with attractive dividends**

When deploying additional capital, **we prioritise investments in the business** that can generate long-term sustainable earnings growth

Any investment will always be measured against the **financial attractiveness of capital returns**

### Capital management framework



1. Starting from 2021 total dividend per share of 18.3p (interim + final)

# Financial strength covers three dimensions: Solvency, liquidity and leverage

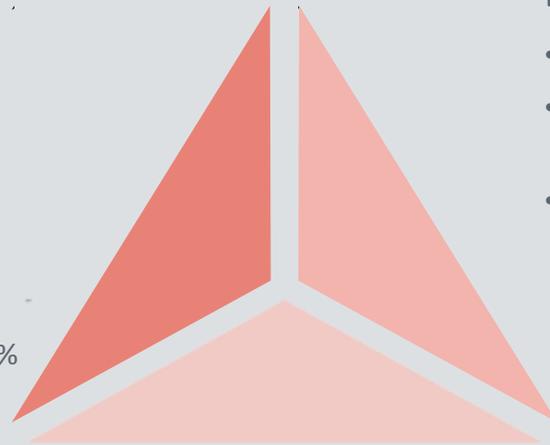
## Countercyclical buffer allows flexibility in managing Solvency II ratio

### Financial strength

Assessing our position relative to:

#### Solvency ratio<sup>1</sup>

- Managed to include a countercyclical buffer
- Lower Solvency levels can be accepted in market stress scenarios
- Consideration given to returns<sup>3</sup> and competing uses of capital when >190%



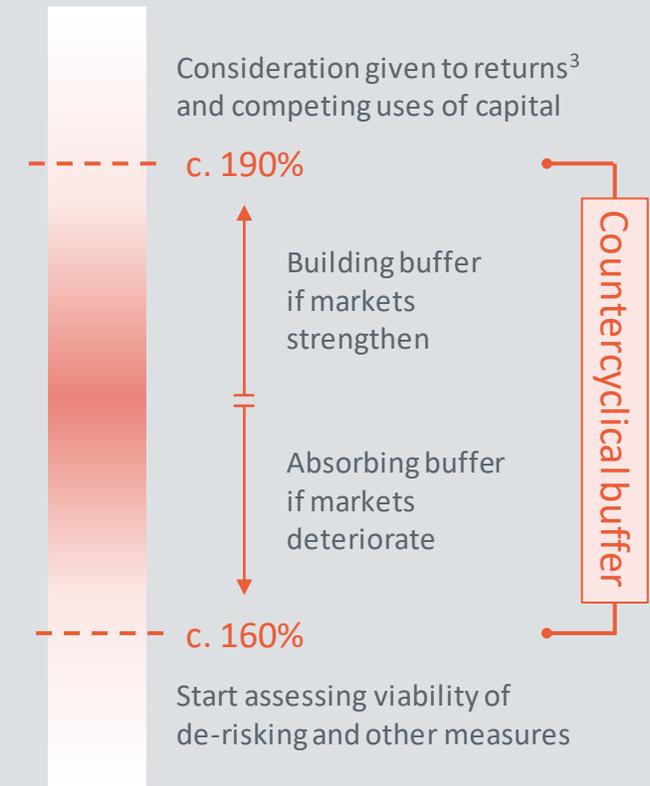
#### HoldCo Liquidity

Ensure sufficient unencumbered liquid resources to cover expected central cash outflows

#### Leverage ratio<sup>2</sup>

- Started at 34% at demerger
- Aim to remain below 30% over time
- Accept temporary increases in the leverage ratio resulting from capital deployments

### Solvency coverage ratio



# Investments in the business and returns are competing uses of capital

Allocation is based on strategic, financial and risk considerations



## Strategic rationale fit with business strategy

### BUSINESS FOCUS

Higher  
priority



Asset Management  
Wealth Management

Lower  
priority

Life Insurance

### KEY THEMES

- Private Assets sourcing capacity
- Sustainability / impact capabilities
- Access to distribution or new propositions
- Capital optimisation
- Technology (to improve customer experience, distribution or the investment process)



## Financial attractiveness

- Buy vs. build scenarios
- Valuation metrics
- IRR, payback time and growth profile
- Synergies (revenue and cost)
- Earnings accretion over the medium-term



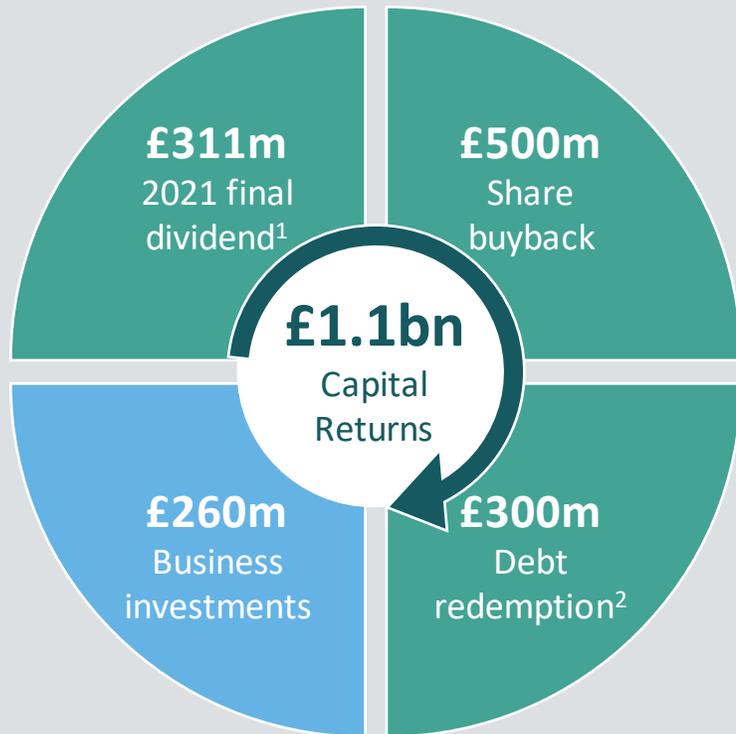
## Risk Profile

- Ability to retain and scale 'acquired' earnings
- Cultural fit
- Execution risk
- Integration risk
- Impact on financial strength and flexibility of the overall company

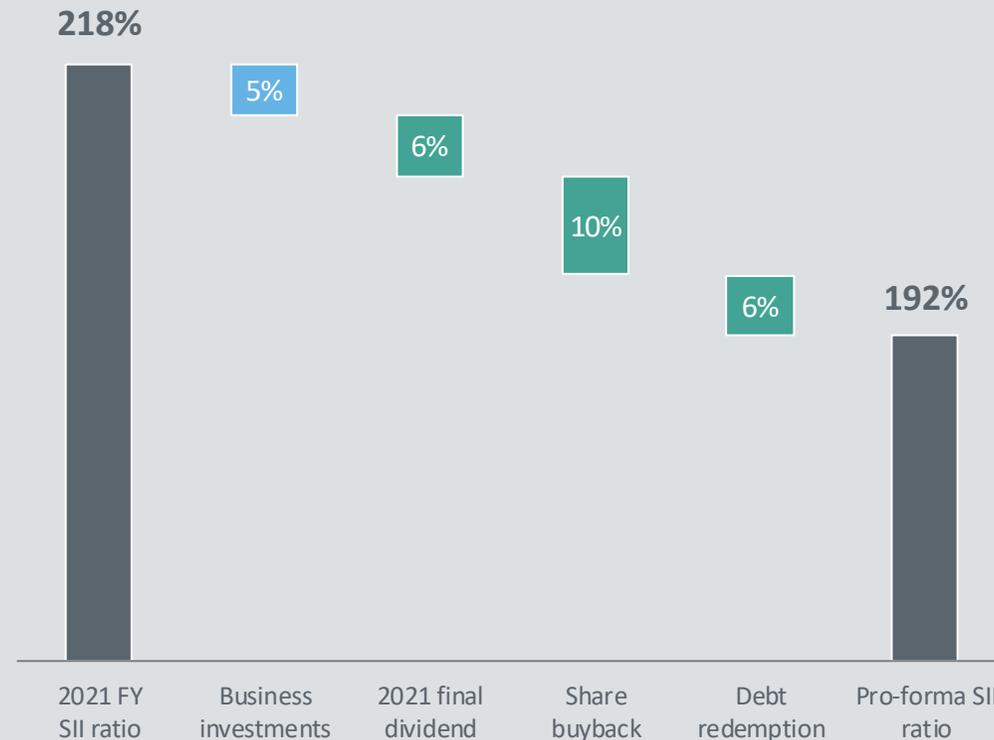
# Planned uses of capital bring SII ratio to top of target range

## Capital allocation and pro-forma SII ratio

### Capital allocation



### Pro-forma Solvency II ratio



Allocation of any surplus capital will be reviewed on a yearly basis

1. For regulatory reasons, and consistent with past practice, the final dividend will be declared and paid as a second, interim, dividend. Ex-dividend date 17 March, payment date 28 April;

2. Any decision to call and not refinance debt would only be taken at the relevant time, and would be subject to regulatory approval

# Key messages

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Achieved all the key targets set out at demerger

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Continued to deliver strong financial and operational results

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Accelerated strategy in priority areas through targeted acquisitions

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Announced £1.1bn returns via dividends, share buyback and management of leverage

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Outlined balanced capital management framework and new 2022-2024 capital target



# Financial Review

Paul Cooper, Chief Financial Officer (Interim)

# Strong financial performance and positive external net flows

## Financial highlights

### AUMA

£370bn

- **External net inflows<sup>1</sup> of £0.6bn** vs. £(6.6)bn in 2020 driven by strong Institutional and improved Retail flows
- **1% increase in AUMA** vs. £367bn at FY 2020
- **Positive market and other movements** offsetting expected Heritage outflows and completion of part VII transfer to Rothesay

### Adjusted Operating Profit

£721m

- **£315m contribution from Asset Management**, slightly below the £330m of FY 2020
- **Retail & Savings continues to provide a solid underpin with £660m**, £701m in 2020 due to £92m higher longevity
- **Corporate Centre of £(254)m** vs. £(243)m in 2020 as £15m FX gain turned into £4m loss

### Total Capital Generation

£1.8bn

- **Operating Capital Generation of £1.1bn** vs. £1.3bn in 2020 due to smaller longevity releases and lower underlying returns on annuity surplus assets (reduction expected to reverse in 2022)
- **£0.7bn Non-Operating Capital Generation** vs. £(0.3)bn in 2020 reflects favourable market variances in 2021

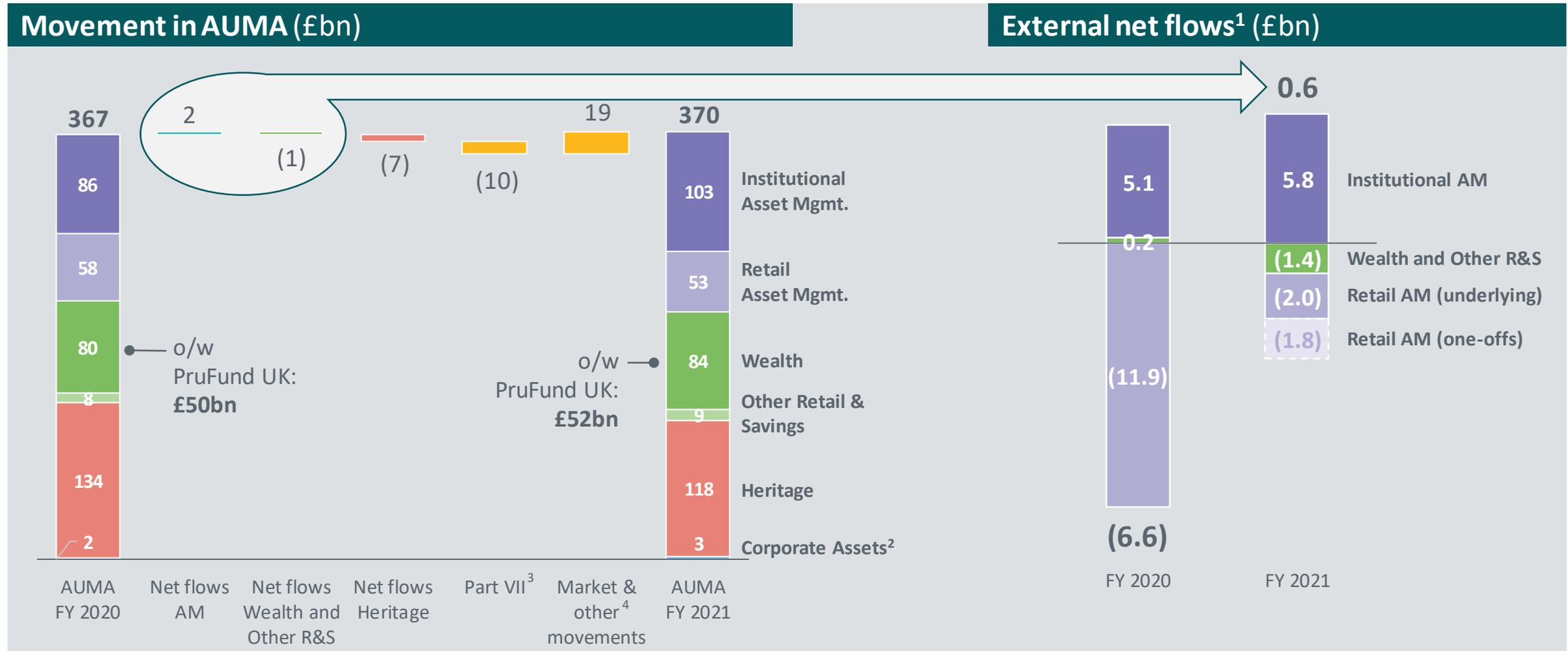
### Shareholder SII coverage ratio

218%

- **Up from 182% at FY 2020** and 198% at H1 2021
- Reflects **strong capital generation** and includes payment of 2021 interim dividend in September
- Impact of **recent acquisitions and buyback programme will occur in 2022**

# In 2021, external net flows<sup>1</sup> improved from £(6.6)bn to £0.6bn vs. 2020

## AUMA and External net flows



1. Excluding Heritage; 2. Includes £0.9bn Other Asset Management AUMA; 3. Reduction following completion of the Rothesay Part VII transfer; 4. Includes £5bn AUMA change as a result of the full consolidation of our joint-venture in South Africa.

# Adjusted Operating Profit by source

(£m)	FY 2020	FY 2021
<b>Asset Management</b>		
AM Revenues	947	953
AM Costs	(669)	(672)
Performance fees	42	23
Investment income and minority interest <sup>1</sup>	10	11
<b>Total Asset Management AOP</b>	<b>330</b>	<b>315</b>
<b>Retail &amp; Savings</b>		
Wealth	(11)	41
<i>o/w With-Profits (PruFund UK)</i>	19	63
Heritage	699	620
Other Retail & Savings	13	(1)
<b>Total Retail &amp; Savings AOP</b>	<b>701</b>	<b>660</b>
<b>Corporate Centre</b>		
<b>Total Corporate Centre AOP<sup>2</sup></b>	<b>(243)</b>	<b>(254)</b>
<b>Total Adjusted Operating Profits</b>	<b>788</b>	<b>721</b>

- Asset Management Revenues increased despite headwind from implementation of Retail fee reviews (now complete)
  - Cost base has remained stable despite capability build out
  - £19m lower contribution from performance fees as carried interest from Infrastructure funds did not repeat in 2021
- 
- Growth in Wealth AOP driven by improved PruFund UK results on the back of higher shareholder transfers
  - Within Heritage, Annuities & Other impacted by lower benefits from asset trading and longevity, and by mismatching losses
  - One-off loss in Poland reduced Other Retail & Savings AOP
- 
- Head Office expenses reduced from £101m to £95m but the benefit was offset by a £19m swing in the impact of FX on our USD subordinated debt

1. Includes share of profit from joint venture and associates; 2. See slide 49 in the Appendix for additional details.

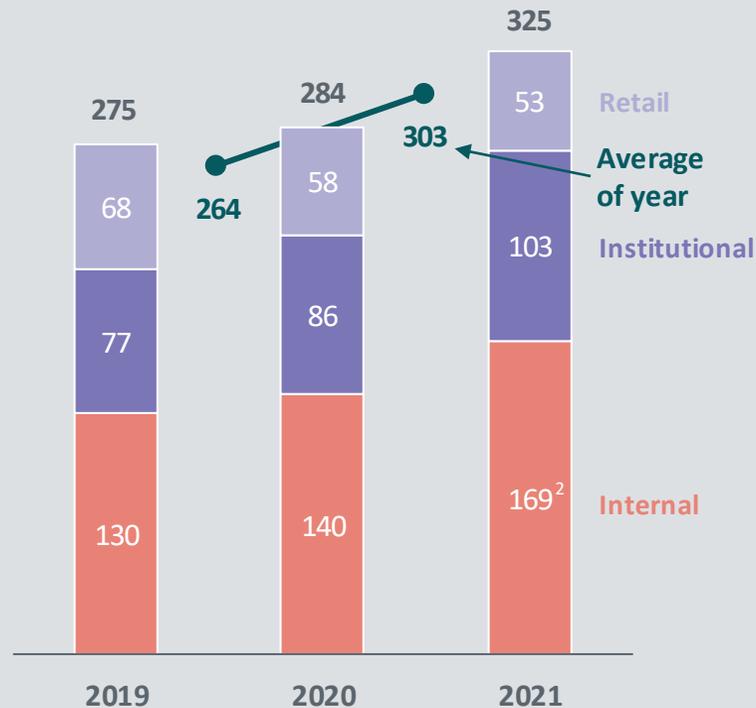
# Asset Management: Strong Institutional and improving Retail flows

## External flows and AUMA

External flows (£bn)



End of year AUMA (£bn)



### 1 Steady Institutional growth

Continued positive net flows underpin strong growth of institutional franchise

### 2 Improving Retail flows

Marginally negative Retail flows in H2, continuing gradual recovery

### 3 In-housed internal mandates

Assets managed on behalf of the internal client increased strongly in the last 3 years

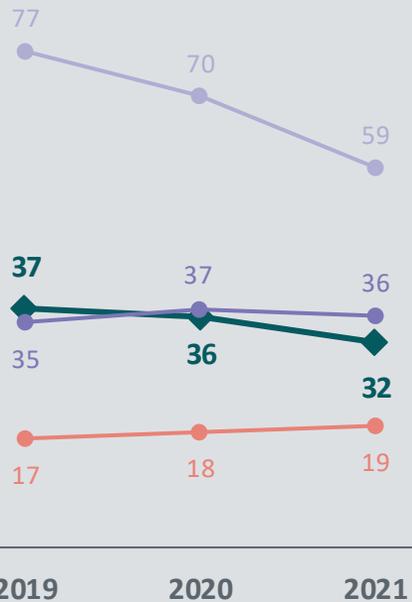
1. £0.9bn outflows related to the reopening of the Property fund and £0.9bn related to Prudential HK redemptions.

2. Includes £6bn AUMA related to M&G Direct, which from 2021 we report within Retail and Savings (see Appendix 2). FY2019 and FY2020 Internal AUMA have not been restated.

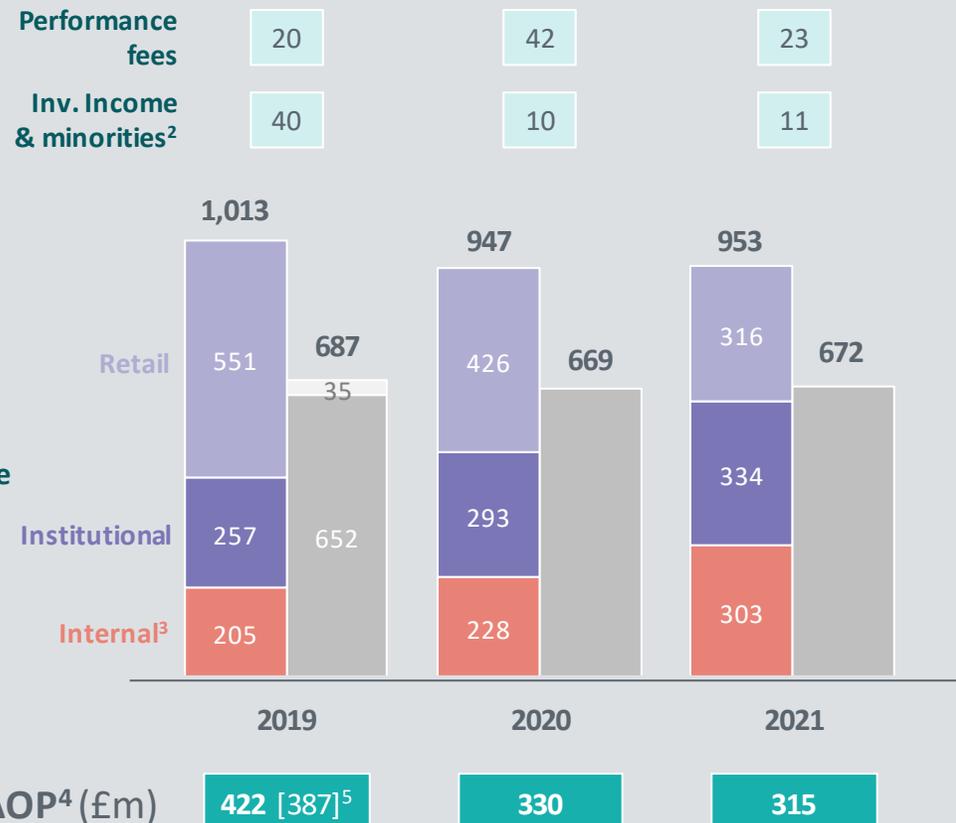
# Asset Management: Stabilised top line and absorbed Retail fee reviews

## Margins, revenues, costs and AOP

Fee margins<sup>1</sup> (bps)



Revenues and cost (£m)



### 1 Completed Retail fee reviews

Do not expect new major fee reviews following the changes announced in Aug-20 and Feb-21

### 2 Stabilised top line

Slightly higher revenues YoY despite lower contribution from the Retail franchise due to the fee reviews

### 3 Improved quality of revenues

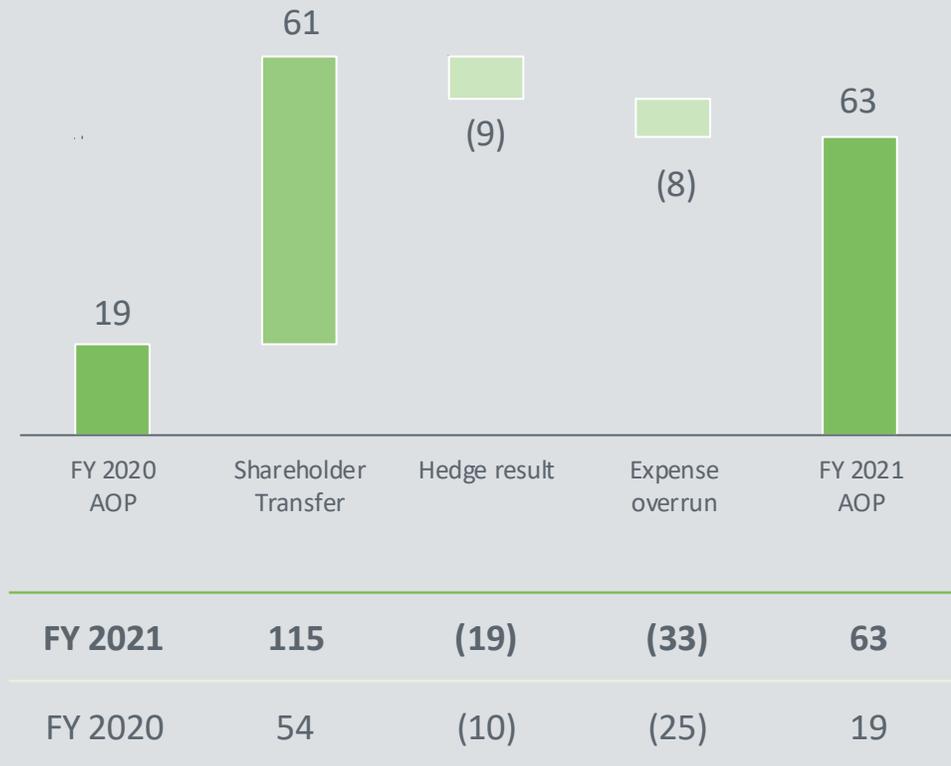
Institutional and internal revenue, with avg. longevity of 8+ years, now >65% of total revenues, up from c.45% in 2019

1. Margin calculated as fee-based Income over average AUMA, excluding Performance fees; 2. Includes share of profit from joint ventures and associates; 3. FY2021 includes M&G Direct revenues, which were reported within Retail Asset Management in FY2019 and FY2020 (see Appendix 2); 4. Adjusted Operating Profit; 5. Adjusted 2019 costs exclude £35m one-off benefit related to changes to staff DB pension schemes

# Retail & Savings: Wealth

## Focus on With-Profits (PruFund UK)

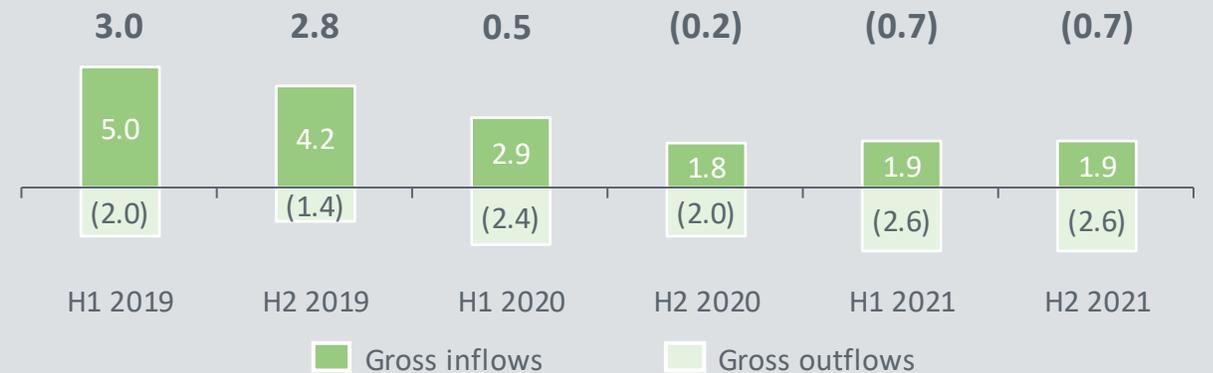
### Adjusted Operating Profit (£m)



### PruFund Growth net returns<sup>1</sup>



### Net flows in £bn

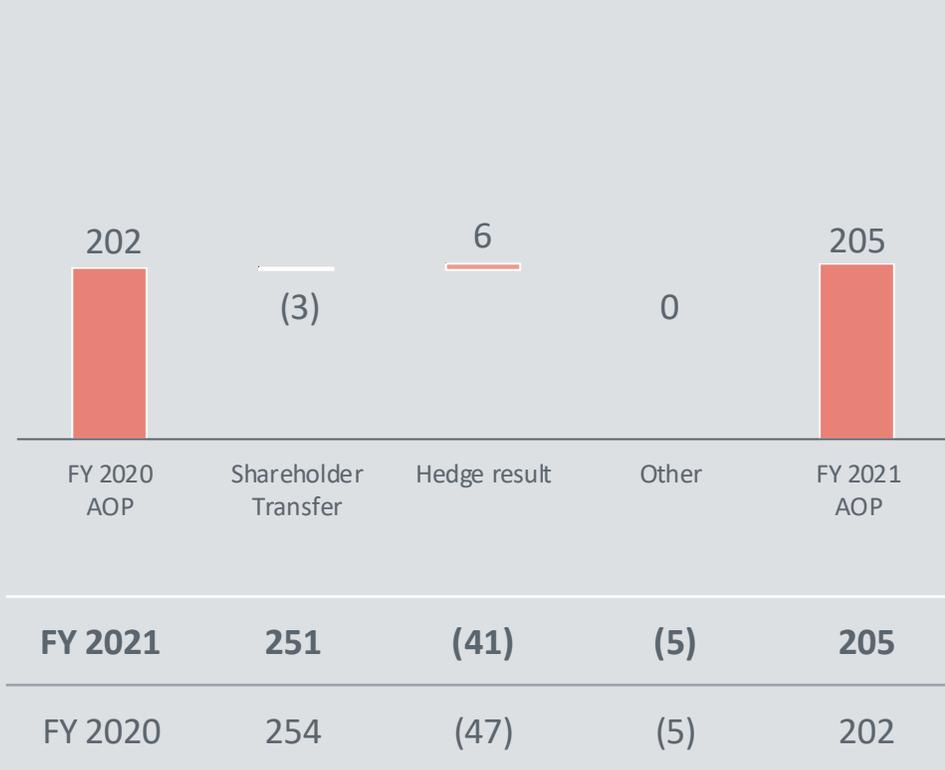


1. PruFund Growth returns after charges (% returns above capital invested at 31 December 2018). Data shows OBMG returns, which is the largest of the funds within the With-Profits sub fund, backing the PruFund Growth Fund

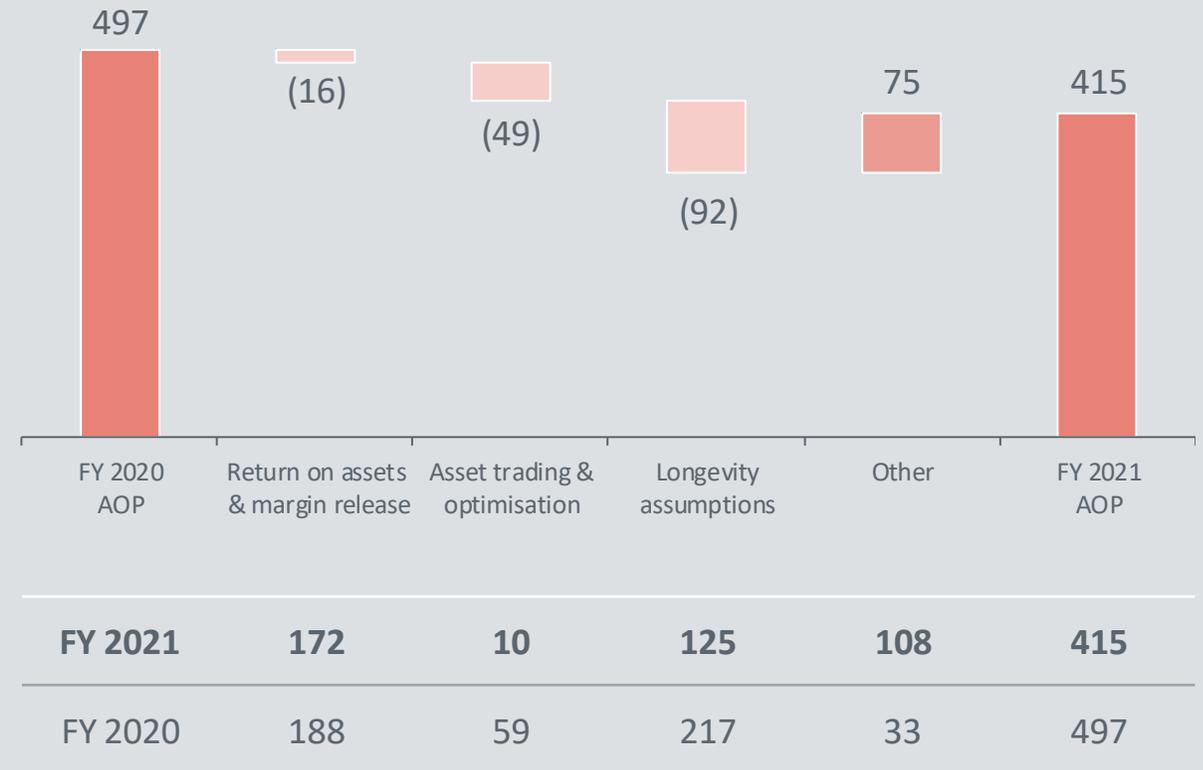
# Retail & Savings: Heritage

## Traditional With-Profits and Shareholder Annuities & Other

**Adjusted Operating Profit**  
Traditional With-Profits (£m)



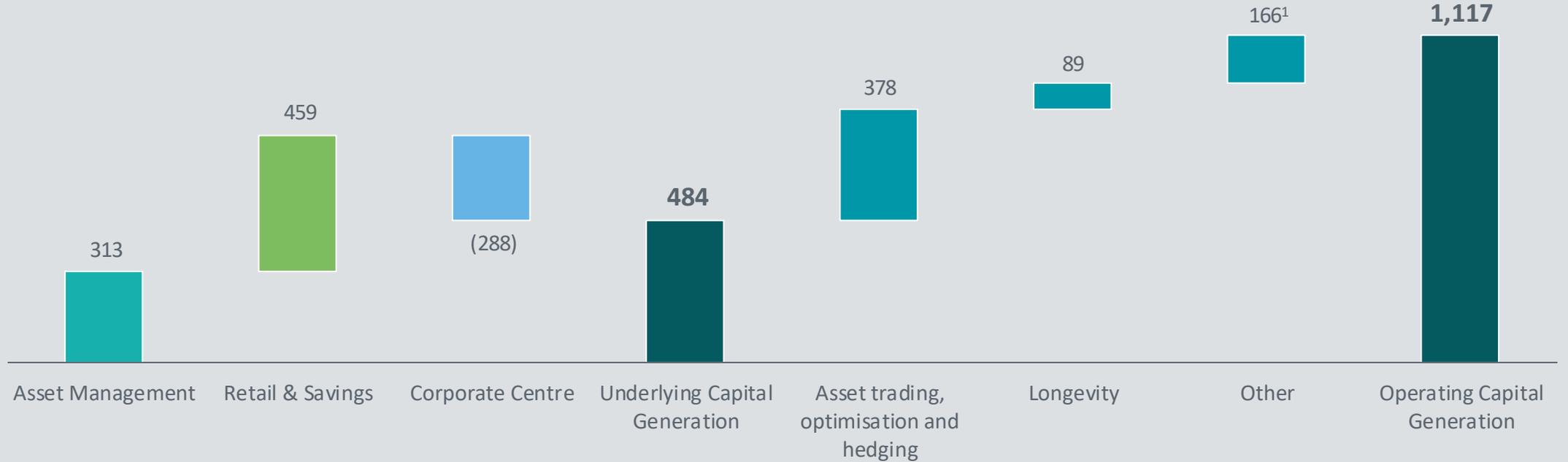
**Adjusted Operating Profit**  
Shareholder Annuities & Other (£m)



# Sources of Operating Capital Generation

FY 2021: £1.1bn pre-tax

## Operating Capital Generation (£m)

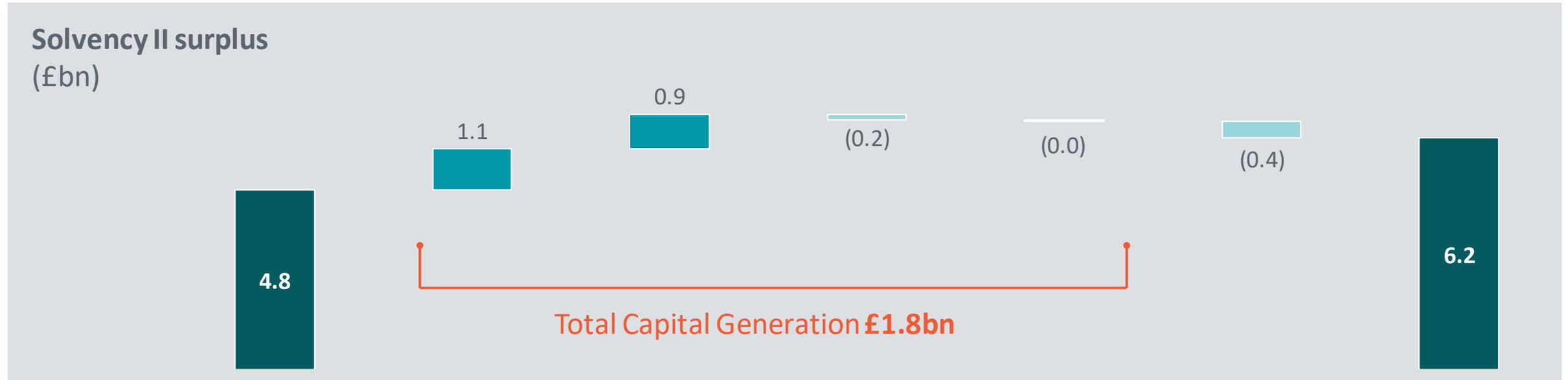


<b>FY 2021</b>	<b>313</b>	<b>459</b>	<b>(288)</b>	<b>484</b>	<b>378</b>	<b>89</b>	<b>166<sup>1</sup></b>	<b>1,117</b>
FY 2020	311	552	(286)	577	322	242	171	1,312

1. Includes £153 million release of counterparty risk capital following the completion of the Part VII transfer to Rothesay.

# Sources of Capital Generation

FY 2021: £1.8bn post-tax Total Capital Generation

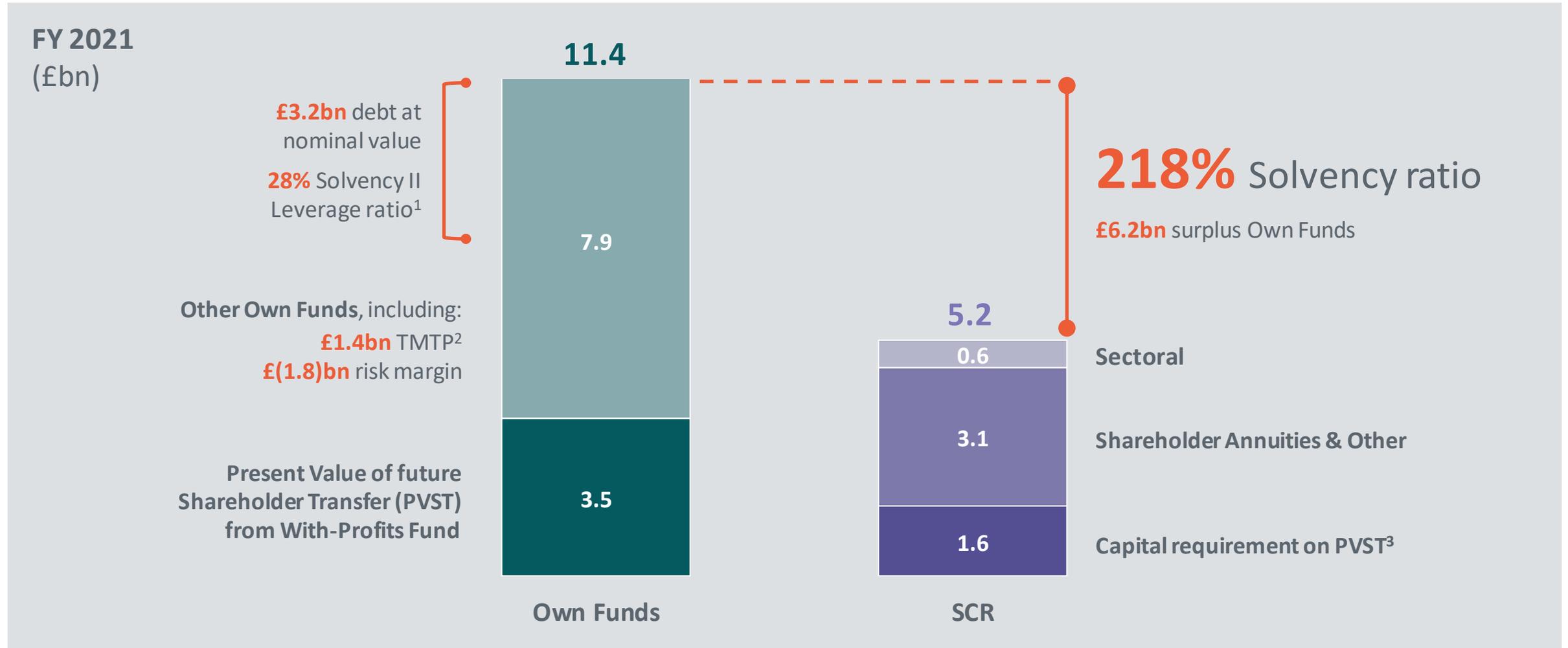


£bn	FY 2020	Operating Capital Generation	Market movements	Other movements	Tax	Dividends & capital movements	FY 2021
Own Funds	10.6	0.6	0.7	(0.2)	0.0	(0.4)	11.4
SCR	5.8	(0.5)	(0.2)	0.0	0.0	0.0	5.2
<b>Surplus</b>	<b>4.8</b>	<b>1.1</b>	<b>0.9</b>	<b>(0.2)</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>6.2</b>
<b>SII ratio<sup>1</sup></b>	<b>182%</b>						<b>218%</b>

1. Shareholder solvency II ratio

# Shareholder Solvency II coverage ratio

Leverage ratio measured on a capital basis reduced to 28%



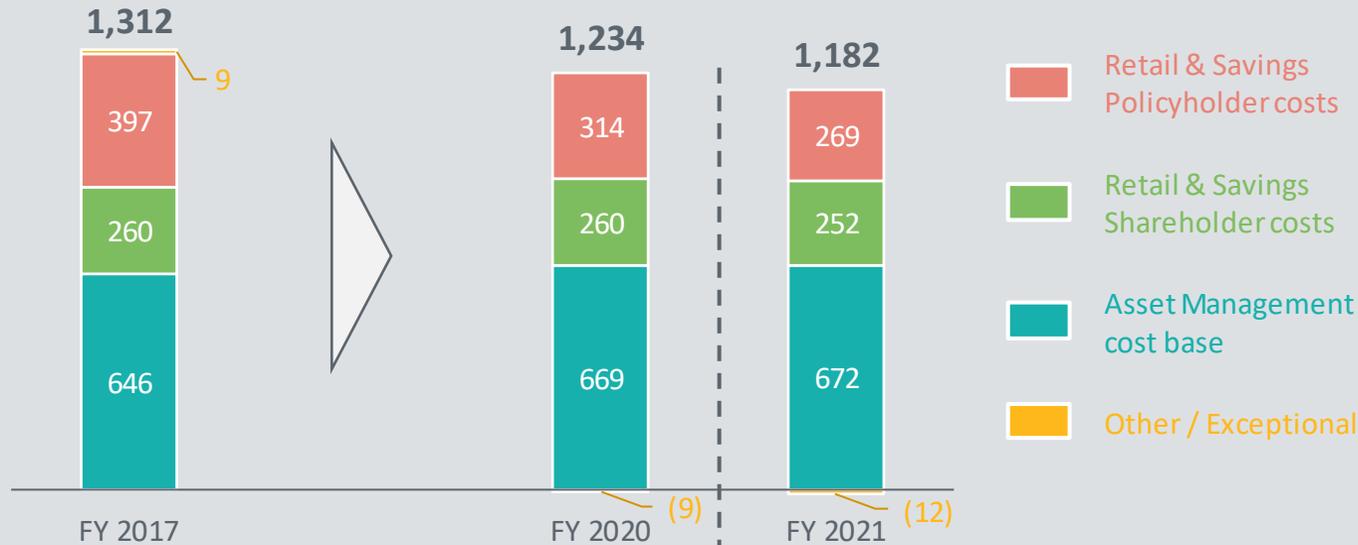
1. Calculated as nominal value of debt as % of total Group Shareholder Own Funds

2. Transitional Measures on Technical Provisions; 3. Net of hedging

# Delivered target cost savings and continuing to focus on efficiencies

Reduced absolute costs, while absorbing inflation and investing for growth

## M&G cost base 2017 to 2021 (£m)



Other costs	FY 2017	FY 2020	FY 2021	Description
	-	101	99	Head Office Expenses
	-	16	45	Ascentric

## Transformation programme

- 1** Achieved £145m shareholders cost savings one year ahead of schedule<sup>1</sup>
- 2** Absorbed inflation on target cost base over the 2017-21 period
- 3** Invested in new capabilities and technology to grow the business
- 4** Remain focused on further improving operational efficiency

1. Full benefits achieved of £167m with total investments of £385m

# Sources of earnings – Expected development<sup>1</sup>

## Key drivers of Adjusted Operating Profit

### Asset Management

#### Institutional

Expect continued positive flow momentum and resilient margins

### Retail & Savings

#### Wealth

- **With-Profits** Shareholder transfer dependent on markets, with hedging reducing its volatility; expense overrun expected to gradually reduce over time
- **Platform and Advice:** Likely to be a small negative in the short-term but improving over time
- **Other:** Savings and unit-linked offering, expected to remain negative but improving as we build scale

### Corporate Centre

#### Head Office expense

- Expenses expected to be in the range of £80-100m p.a.
- Small amount of investment income on HoldCo assets

#### Retail

Improved outlook for flows; fee review now complete, only minor pressure on margins expected due to mix shift towards sub-advised mandates

#### Heritage

- **With-Profits** shareholder transfers expected to remain broadly stable in normal market conditions, as hedges help mitigate equity market risk
- **Shareholder Annuities & Other:** Return on excess assets expected to decline slightly over time as dividends to HoldCo lower excess assets, Asset trading expected to be £0m-£50m Longevity to be reviewed in H2-22, calibrating CMI 20

#### Finance cost

- Coupons on debt amount to c. £190m<sup>3</sup> p.a.
- Impact (positive) of c. £25-30m<sup>3</sup> p.a. amortisation of fair value premium

#### Other Asset Management

Performance fees historic average is £15m-£25m; investment income is dependent on markets, typically small positive; minority interests<sup>2</sup> from South Africa and Singapore JVs expected to be £(20)m-£(30)m going forward

#### Other Retail & Savings

- Result from Prudential international branches (Ireland and Poland) expected to be a recurring small positive over the medium-term with possible short-term deviations
- PruFund in Europe is structured like an asset management product, charging annual fees and without the back-end nature of the shareholder transfer

1. Assumes no abnormal developments in financial markets, major regulatory changes, or other unexpected external developments; 2. M&G is a majority shareholder in joint ventures in South Africa and Singapore, therefore the revenues and costs from the JVs are fully incorporated in the Asset Management results. The share of profits/losses attributable to minority shareholders is included in Other Asset Management; 3. Specific amount in each period depends on USD / GBP exchange rate

# Key takeaways

1

**Institutional asset management** continues to deliver strong flows and revenues

2

Significant progress in **Retail asset management and Wealth management**

3

**Highly cash generative** operations with long-term underpin from the in-force business

4

**Strong capital position** with a Solvency II ratio of 218%

5

**New target** to generate £2.5bn of operating capital generation for 2022-24

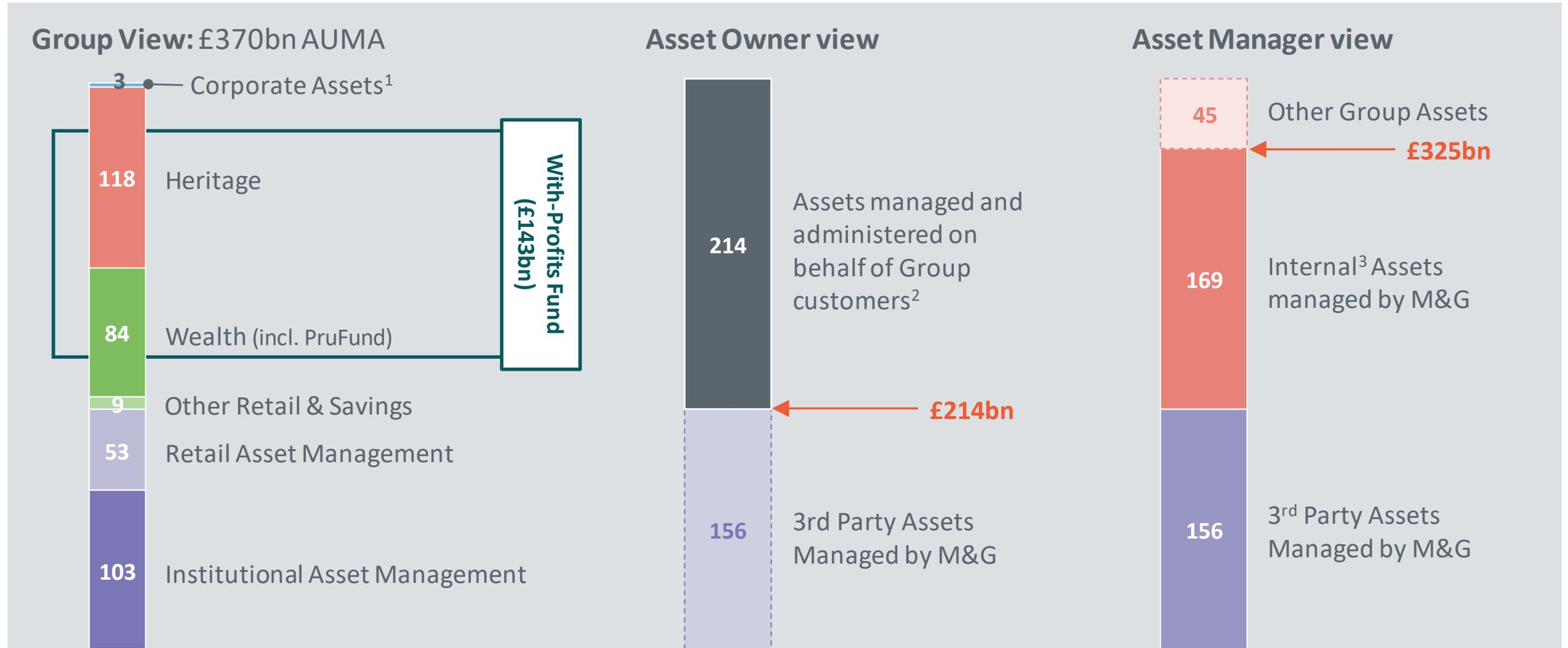


# Appendix 1

Additional financial information

# Our asset base

## We are an Asset Owner and an Asset Manager



1. Includes £0.9bn Other Asset Management AUMA; 2. Includes M&G Direct Assets Under Management and PAC (Prudential Assurance Company), Wealth and Corporate Assets Under Administration; 3. Includes £6bn AUMA related to M&G Direct, which we report now within Retail and Savings.

# Assets under Management and Administration

## FY 2019 to FY 2021

(£bn)		FY 2019	Inflows	Outflows	Net client flows	Market / Other	FY 2020	Inflows	Outflows	Net client flows	Market / Other	FY 2021
Asset Management	Institutional Asset Management	76.8	13.0	(7.9)	5.1	3.6	85.5	16.2	(10.4)	5.8	11.8 <sup>1</sup>	103.1
	Retail Asset Management	68.4	14.8	(26.7)	(11.9)	1.6	58.1	14.9	(18.7)	(3.8)	(1.6) <sup>2</sup>	52.7
	Other	0.7	-	-	-	0.1	0.8	-	-	-	0.1	0.9
	<b>Total Asset Management</b>	<b>145.9</b>	<b>27.8</b>	<b>(36.4)</b>	<b>(6.8)</b>	<b>5.3</b>	<b>144.4</b>	<b>31.1</b>	<b>(29.1)</b>	<b>2.0</b>	<b>10.3</b>	<b>156.7</b>
Retail & Savings	Wealth	61.8	6.3	(6.2)	0.1	17.6	79.5	7.1	(8.5)	(1.4)	6.1	84.2
	<i>of which: PruFund UK</i>	48.5	4.7	(4.4)	0.3	1.2	50.0	3.8	(5.2)	(1.4)	3.8	52.4
	Heritage	134.0	0.4	(7.0)	(6.6)	6.3	133.7	0.3	(7.2)	(6.9)	(9.0)	117.8
	<i>of which: Shareholder Annuities</i>	35.5	-	(1.8)	(1.8)	1.6	35.3	-	(1.8)	(1.8)	(11.3) <sup>3</sup>	22.2
	<i>of which: Traditional With-Profits</i>	84.8	0.3	(5.0)	(4.7)	4.2	84.3	0.3	(5.1)	(4.8)	1.9	81.4
	Other Retail & Savings	8.2	0.7	(0.6)	0.1	0.1	8.4	0.6	(0.6)	0.0	0.7	9.1
<b>Total Retail &amp; Savings</b>	<b>204.0</b>	<b>7.4</b>	<b>(13.8)</b>	<b>(6.4)</b>	<b>24.0</b>	<b>221.6</b>	<b>8.0</b>	<b>(16.3)</b>	<b>(8.3)</b>	<b>(2.2)</b>	<b>211.1</b>	
<b>Corporate Assets</b>	<b>1.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.4)</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>2.2</b>	
<b>Group Total</b>	<b>351.5</b>	<b>35.2</b>	<b>(48.4)</b>	<b>(13.2)</b>	<b>28.9</b>	<b>367.2</b>	<b>39.1</b>	<b>(45.4)</b>	<b>(6.3)</b>	<b>9.1</b>	<b>370.0</b>	

1. Includes £3bn addition from reallocation of South Africa AUMA between Retail and Institutional based on client type and £5bn additional AUMA as a result of the full consolidation of our joint-venture in South Africa; 2. Includes £3bn reduction from reallocation of South Africa AUMA between Retail and Institutional based on client type and £1bn additional AUMA as a result of the full consolidation of our joint-venture in South Africa; 3. Includes £10bn reduction following completion of the Rothesay Part VII transfer.

# AUMA by asset class

## FY 2021

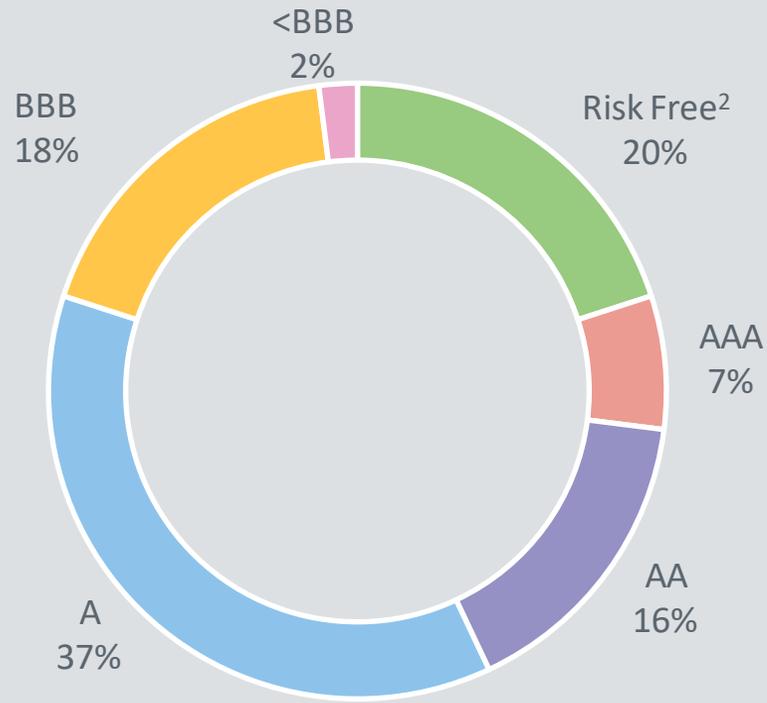
(£bn)	On-balance sheet AUMA					External AUMA				Total AUMA
	With-Profits	Unit linked	S/H Annuity & Other Sh	Corporate Assets	Total balance sheet	Wealth	Retail	Institutional	Total external	
Equity securities	72.4	10.7	-	0.3	<b>83.4</b>	3.9	21.3	19.5	<b>44.7</b>	<b>128.1</b>
Debt Securities	42.6	3.3	18.2	1.3	<b>65.4</b>	2.5	29.2	55.4	<b>87.1</b>	<b>152.5</b>
- of which Corporate	30.8	2.1	12.7	1.3	<b>46.9</b>	2.5	17.2	32.0	<b>51.7</b>	<b>98.6</b>
- of which Government	9.7	1.1	4.8	-	<b>15.6</b>	-	10.2	13.2	<b>23.4</b>	<b>39.0</b>
- of which ABS	2.1	0.1	0.7	-	<b>2.9</b>	-	1.8	10.3	<b>12.1</b>	<b>15.0</b>
Loans	1.4	-	2.2	-	<b>3.6</b>	-	-	11.2	<b>11.2</b>	<b>14.8</b>
Deposits	11.9	1.3	1.0	-	<b>14.2</b>	-	(0.1)	-	<b>(0.1)</b>	<b>14.1</b>
Derivatives <sup>1</sup>	1.4	-	(0.6)	-	<b>0.8</b>	-	0.1	(0.2)	<b>(0.1)</b>	<b>0.7</b>
Investment property	9.4	0.1	1.1	-	<b>10.6</b>	-	0.6	14.6	<b>15.2</b>	<b>25.8</b>
Reinsurance Assets	-	0.2	1.5	-	<b>1.7</b>	-	-	-	-	<b>1.7</b>
Cash and cash eq.	2.5	0.2	1.0	1.5	<b>5.2</b>	-	1.6	2.6	<b>4.2</b>	<b>9.4</b>
Other	1.4	0.3	0.1	-	<b>1.8</b>	-	-	-	-	<b>1.8</b>
<b>Total</b>	<b>143.0</b>	<b>16.1</b>	<b>24.5</b>	<b>3.1</b>	<b>186.7</b>	<b>6.4</b>	<b>52.7</b>	<b>103.1</b>	<b>162.2</b>	<b>348.9</b>
Other Assets Under Administration										21.1
<b>Total Asset Under Management and Administration</b>										<b>370.0</b>

Note: £370bn AUMA includes £7.9bn of Assets under Advice  
1. Derivatives assets are shown net of derivative liabilities.

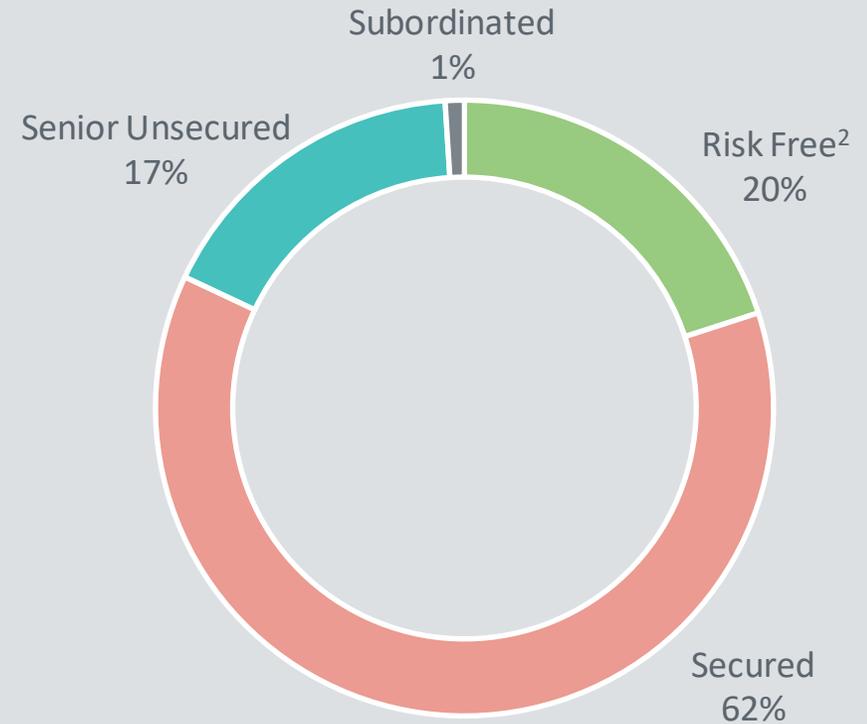
# Credit quality of the Shareholder Annuity book

£20bn<sup>1</sup>: 98% investment grade

## Breakdown by rating



## Breakdown by capital ranking



1. Front office data. Cash and cash equivalents, derivatives and junior notes/property residual values have been excluded from this analysis. All data as of 31 December 2021.

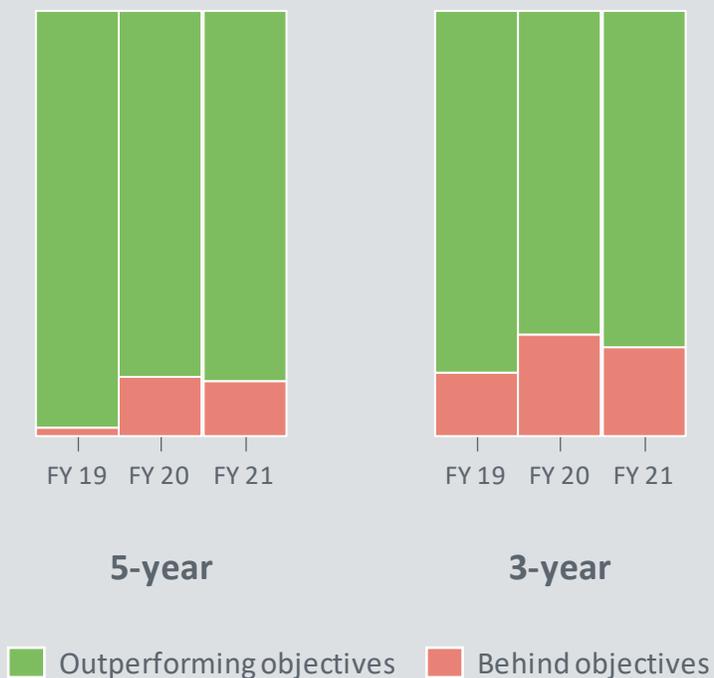
2. Risk Free category includes securities which are classified as "credit capital exempt" in the internal capital modelling, primarily UK government / guaranteed and supranational debt.

# Institutional Asset Management

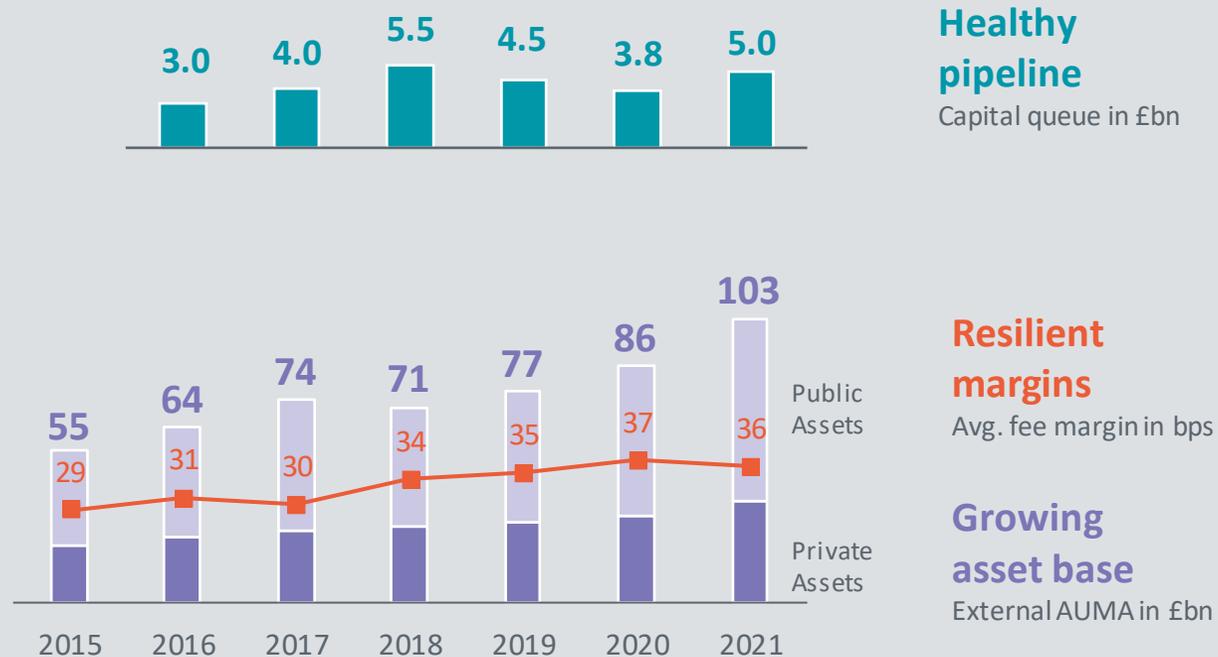
## Strong performance, resilient margins and healthy pipeline

### Performance

(as % of revenues<sup>1</sup>)



### Pipeline, margins and asset base



**Healthy pipeline**  
Capital queue in £bn

**Resilient margins**  
Avg. fee margin in bps

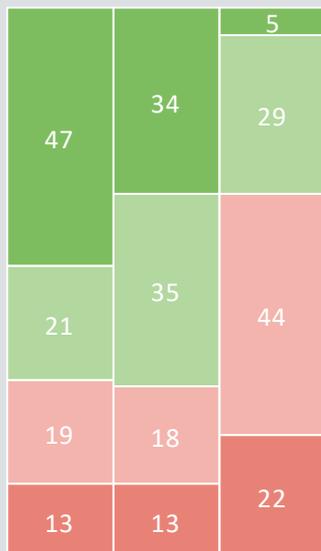
**Growing asset base**  
External AUMA in £bn

1. Performance for segregated and pooled mandates; source: M&G plc – Excludes Retail, Real Estate and Institutional Buy & Hold mandates, CDO's, Passive mandates and Restructuring. Term funds that exist for a given period and are recently inception are excluded. Data is to Dec-21 or latest available. AUMA is net of cross holding, in GBP, performance on total return basis and all products are compared to benchmarks as prescribed in prospectus or client IMA. Funds with track record less than specified periods are excluded, as are closed funds. At FY 2021, AUMA measured account for about 70% of total. Data is correct at time of publication and subject to change.

# Retail Asset Management

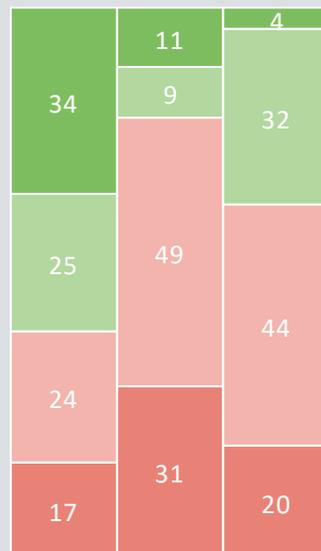
## Mutual funds performance

Mutual funds performance as of December 2019, 2020 and 2021  
(as % of AUMA)



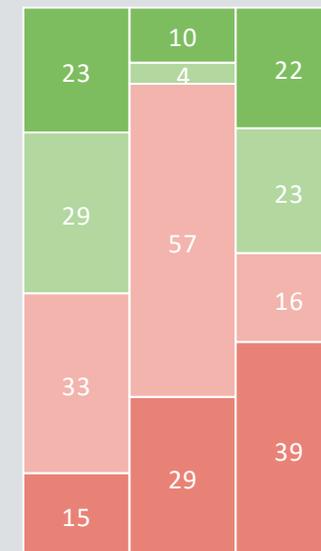
FY-19 FY-20 FY-21

5-year



FY-19 FY-20 FY-21

3-year



FY-19 FY-20 FY-21

1-year

Bottom Lower Upper Top quartile

# Retail Asset Management

## Largest SICAV and OEIC mutual funds

				AUMA and Flows (£bn)					
RANK by AUMA	PRODUCT	ASSET CLASS	FUND	FY 2020	SALE	REDEMPTION	NET FLOWS	MARKET/ OTHER	FY 2021
1	OEIC+SICAV	Bonds	Optimal Income	15.1	4.0	(5.4)	(1.4)	(0.4)	13.2
2	OEIC+SICAV	Equities	Global Dividend	4.0	0.6	(0.9)	(0.4)	0.5	4.1
3	OEIC+SICAV	Equities	Global Themes	2.5	0.3	(0.4)	(0.1)	0.5	3.0
4	OEIC+SICAV	Bonds	Global Macro Bond	2.4	0.7	(0.8)	(0.1)	(0.1)	2.1
5	SICAV only	Multi Asset	Dynamic Allocation	3.2	0.2	(1.2)	(1.0)	(0.1)	2.1
6	OEIC+SICAV	Bonds	Global Floating Rate High Yield	1.3	1.2	(0.6)	0.6	0.0	1.9
7	OEIC only	Bonds	Corporate Bond	2.1	0.1	(0.4)	(0.2)	(0.1)	1.8
8	OEIC+SICAV	Bonds	Emerging Markets Bond	1.9	0.8	(0.8)	(0.0)	(0.1)	1.8
9	OEIC only	Bonds	Strategic Corporate Bond	1.9	0.1	(0.4)	(0.3)	(0.0)	1.6
10	OEIC+SICAV	Equities	Global Listed Infrastructure	0.6	1.1	(0.3)	0.8	0.1	1.6

# Retail Asset Management

## Largest SICAV mutual funds

				AUMA and Flows (£bn)					
RANK by AUMA	PRODUCT	ASSET CLASS	FUND	FY 2020	SALE	REDEMPTION	NET FLOWS	MARKET/ OTHER	FY 2021
1	SICAV	Bonds	Optimal Income	12.9	3.8	(4.8)	(1.0)	(0.5)	11.4
2	SICAV	Multi Asset	Dynamic Allocation	3.2	0.2	(1.2)	(1.0)	(0.1)	2.1
3	SICAV	Equities	Global Dividend	1.7	0.4	(0.4)	(0.0)	0.2	1.8
4	SICAV	Bonds	Global Floating Rate High Yield	1.0	1.1	(0.5)	0.7	(0.0)	1.7
5	SICAV	Equities	Global Listed Infrastructure	0.3	0.9	(0.1)	0.8	0.1	1.2
6	SICAV	Multi Asset	Income Allocation	1.0	0.3	(0.3)	0.0	0.1	1.0
7	SICAV	Bonds	Emerging Markets Bond	1.1	0.4	(0.4)	(0.1)	(0.1)	0.9
8	SICAV	Equities	European Strategic Value	1.4	0.4	(1.1)	(0.7)	0.1	0.8
9	SICAV	Bonds	Global Macro Bond	0.8	0.2	(0.3)	(0.1)	(0.0)	0.7
10	SICAV	Multi Asset	Conservative Allocation	1.4	0.1	(0.8)	(0.8)	(0.1)	0.6

# Retail Asset Management

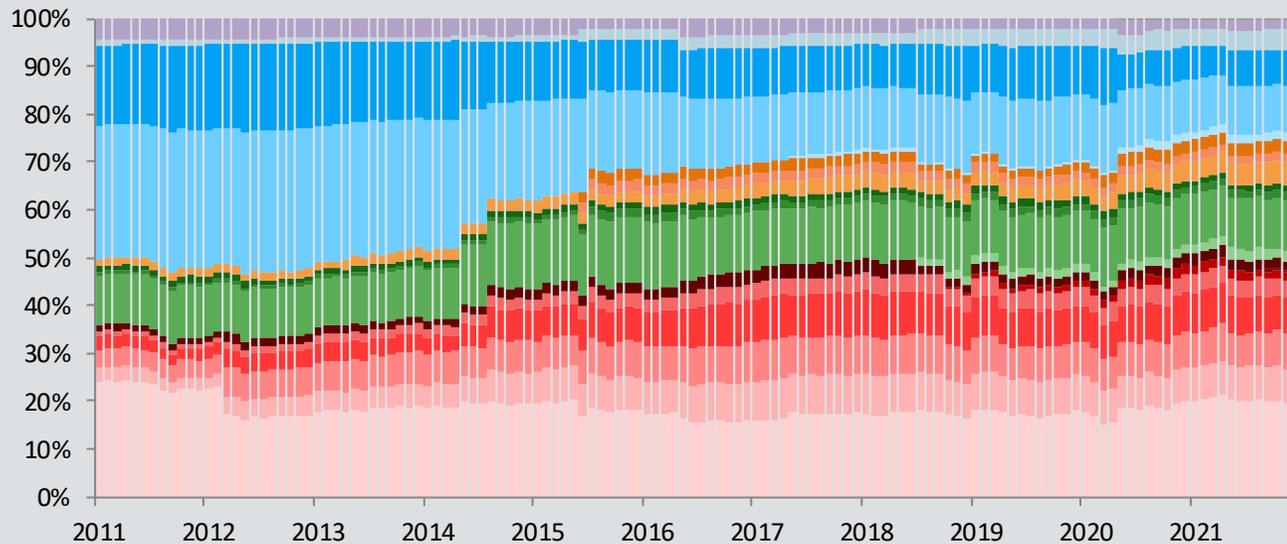
## Largest OEIC mutual funds

				AUMA and Flows (£bn)					
RANK by AUMA	PRODUCT	ASSET CLASS	FUND	FY 2020	SALE	REDEMPTION	NET FLOWS	MARKET/ OTHER	FY 2021
1	OEIC	Equities	Global Themes	2.1	0.1	(0.2)	(0.1)	0.4	2.4
2	OEIC	Equities	Global Dividend	2.3	0.2	(0.6)	(0.4)	0.3	2.2
3	OEIC	Bonds	Optimal Income	2.2	0.2	(0.6)	(0.4)	0.0	1.9
4	OEIC	Bonds	Corporate Bond	2.1	0.1	(0.4)	(0.2)	(0.1)	1.8
5	OEIC	Bonds	Strategic Corporate Bond	1.9	0.1	(0.4)	(0.3)	(0.0)	1.6
6	OEIC	Bonds	Global Macro Bond	1.6	0.5	(0.5)	(0.0)	(0.1)	1.5
7	OEIC	Equities	Recovery	1.2	0.0	(0.2)	(0.1)	0.1	1.2
8	OEIC	Bonds	UK Inflation Linked Corporate Bond	0.7	0.8	(0.3)	0.5	0.0	1.2
9	OEIC	Equities	Charifund	0.8	0.0	(0.1)	(0.1)	0.1	0.9
10	OEIC	Bonds	Emerging Markets Bond	0.9	0.4	(0.4)	0.0	(0.0)	0.8

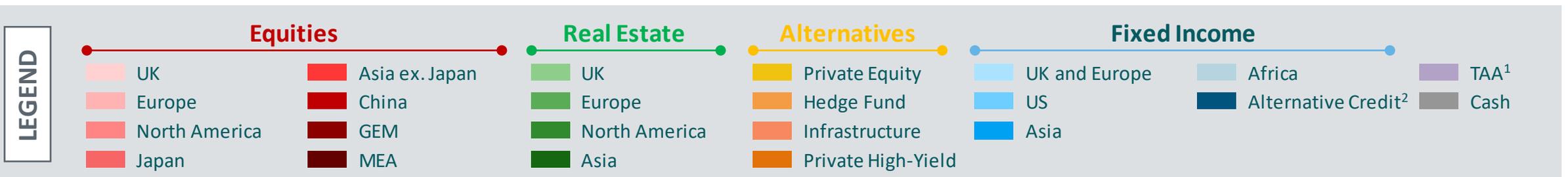
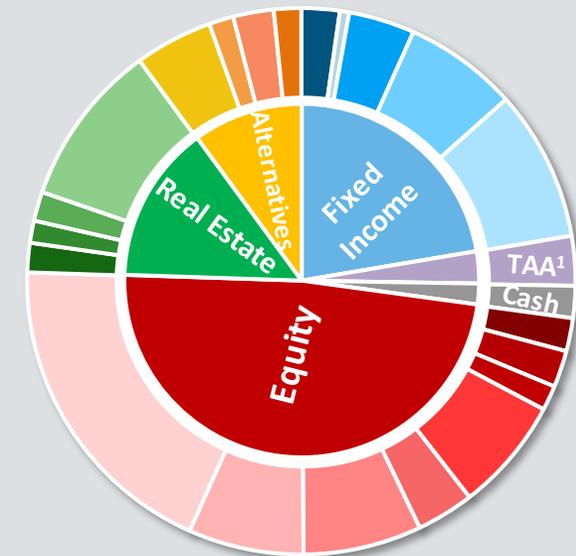
# With-Profits Fund

## Strategic Asset Allocation

Asset allocation evolution between 2011 and 2021



Asset allocation as of December 2021

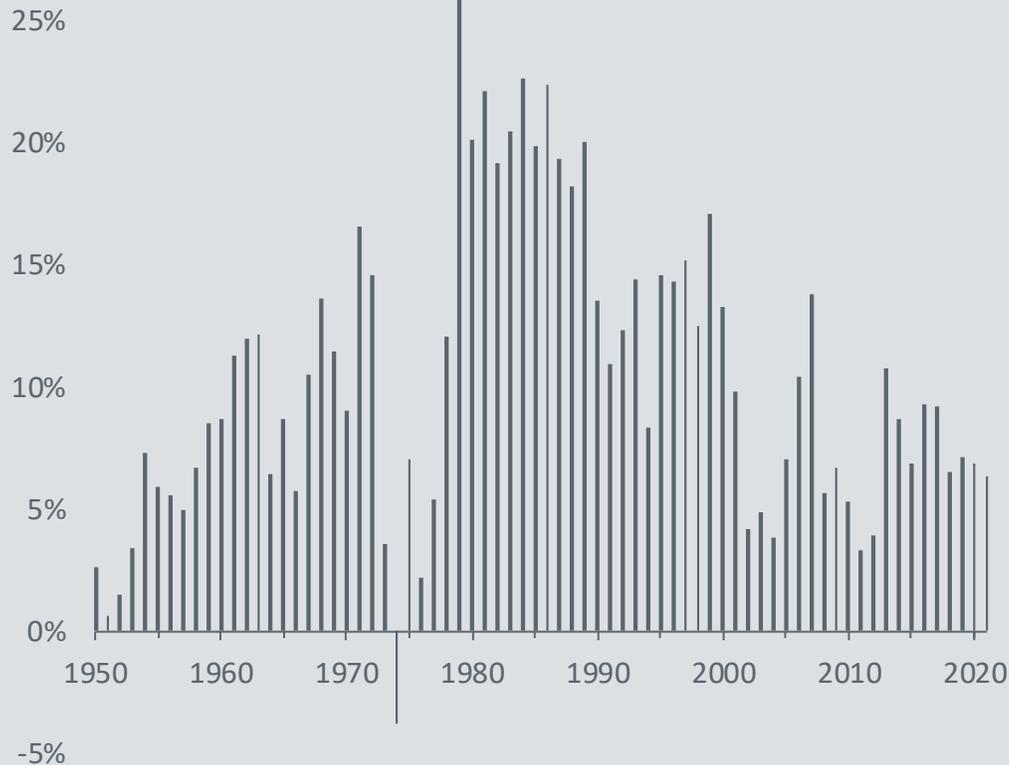


1. Tactical Asset Allocation mandate; 2. Includes: Emerging Market, Convertibles, Bridge Loans, Global High-Yield  
 Source: Allocation as of 31 December 2021 for OBMG, the largest of the funds within the With-Profits sub fund

# With-Profits Fund

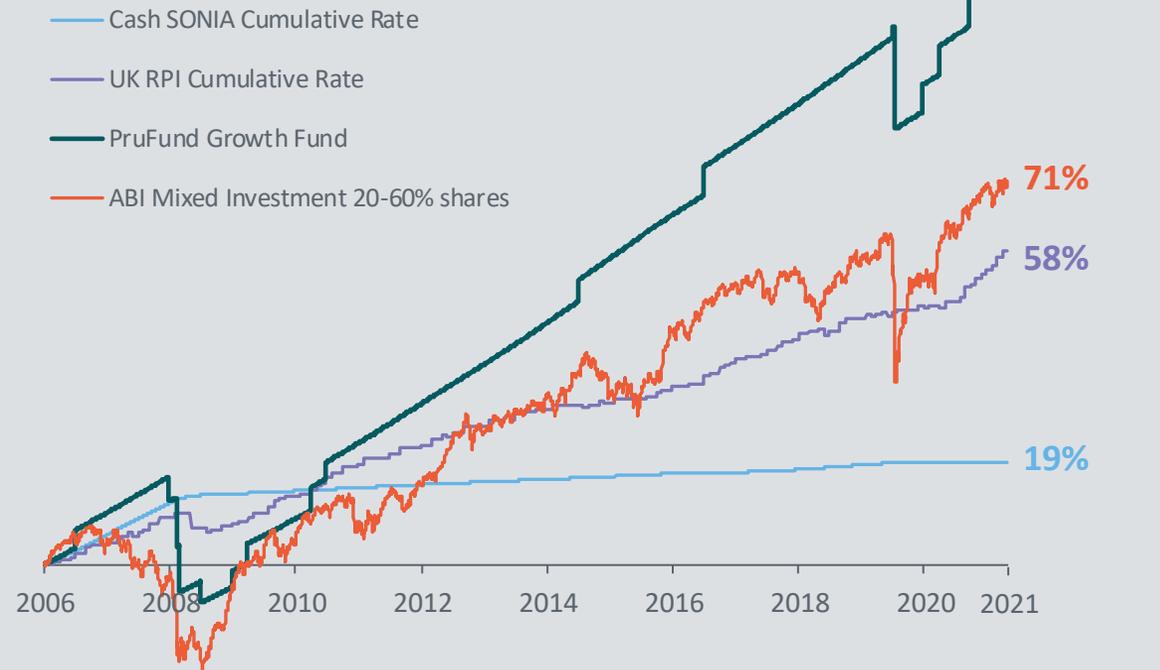
## Historical returns

### Annualised 5-year rolling returns<sup>1</sup>



### PruFund Growth returns vs. peers

PruFund Growth returns after charges  
(% returns above capital invested)<sup>1</sup>



1. Data shows OBMG returns; OBMG is the largest of the funds within the With-Profits sub fund, backing PruFund Growth Fund—Past performance is not a guide to future performance. The value of an investment can go down as well as up and so customers may not get back the amount they put in

# Shareholder transfer hedge programme

## Programme features and estimated impact on AOP

### Cash-flow hedges

Scope

**Minimise cashflow volatility** by locking-in equity market value at time of purchase

Maturity

**Up to 6-year** programme based on FTSE 100, S&P500 and EuroStoxx 50 Total Return index

IFRS impact

Realised loss (or gain) at maturity included in adjusted operating result, mark-to-market in non-operating result<sup>1</sup>

Solvency II impact

**SCR Reduction** of £0.5bn (as of 31 December 2021)

### Estimated AOP impact from hedges<sup>1</sup>

Negative AOP impact (£m)



1. Represents estimated impact at maturity on AOP for both PruFund and Traditional With-Profits. The estimate is based on the fair value of cash-flow hedging programmes at 31 Dec 21. Actual gains/losses may differ according to the equity indexes growth and the moneyness of the options at maturity. As part of the hedges mature one year early, to reflect the timing of the equity risk associated with the transfer, realised gains/losses on part of the hedges are carried over and brought into AOP in line with the emergence of the transfer they hedge; 2. Instantaneous shock applied to 31 Dec 21 value of the 3 indexes.

# From IFRS Adjusted Operating Profit to IFRS Profit After Tax

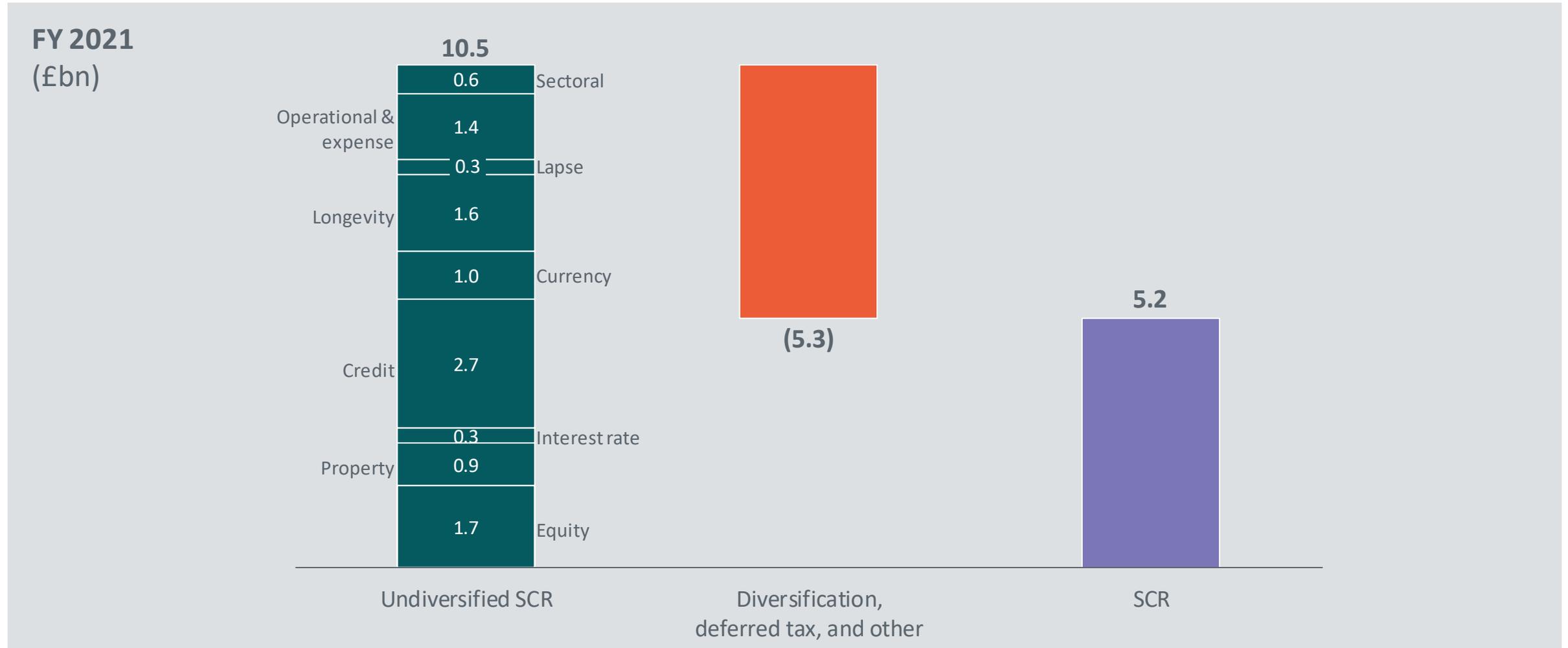
(£m)		FY 2019	FY 2020	FY 2021
Asset Management	AM Revenues	1,013	947	953
	AM Cost	(651)	(669)	(672)
	Performance fees	20	42	23
	Investment income and minority interest <sup>1</sup>	40	10	11
	<b>Total Asset Management AOP</b>	<b>422</b>	<b>330</b>	<b>315</b>
Retail & Savings	Wealth	34	(11)	41
	<i>o/w PruFund UK</i>	55	19	63
	<i>o/w Platform and Advice</i>	1	(2)	(4)
	<i>o/w Other Wealth</i>	(22)	(28)	(18)
	Heritage	752	699	620
	<i>o/w With-Profits</i>	187	202	205
	<i>o/w Shareholder Annuities &amp; Other</i>	565	497	415
	Other Retail & Savings	18	13	(1)
<b>Total Retail &amp; Savings AOP</b>	<b>804</b>	<b>701</b>	<b>660</b>	
Corporate Centre	Head Office <sup>2</sup>	(48)	(76)	(92)
	Debt interest cost	(29)	(167)	(162)
	<b>Total Corporate Centre AOP</b>	<b>(77)</b>	<b>(243)</b>	<b>(254)</b>
<b>Adjusted Operating Profit before tax</b>		<b>1,149</b>	<b>788</b>	<b>721</b>
Short-term fluctuations in investment returns		298	678	(537)
Profit on disposal of businesses and corporate transactions		53	-	35
Restructuring and other costs		(198)	(73)	(146)
Amortisation of intangible assets		-	-	(4)
IFRS profit attributable to non-controlling interests		3	4	12
<b>IFRS Profit before tax attributable to equity holders</b>		<b>1,305</b>	<b>1,397</b>	<b>81</b>
Tax		(240)	(255)	11
<b>IFRS Profit after tax attributable to equity holders</b>		<b>1,065</b>	<b>1,142</b>	<b>92</b>

1. Includes share of profit from joint venture and associates; 2. Includes 'Head Office Expenses', 'Investment and other income on Hold Co assets' and 'FX gains/(losses) on subordinated debt'. See slide 49 for additional details



# Diverse risk exposures

## Breakdown of the shareholder Solvency II SCR by risk type

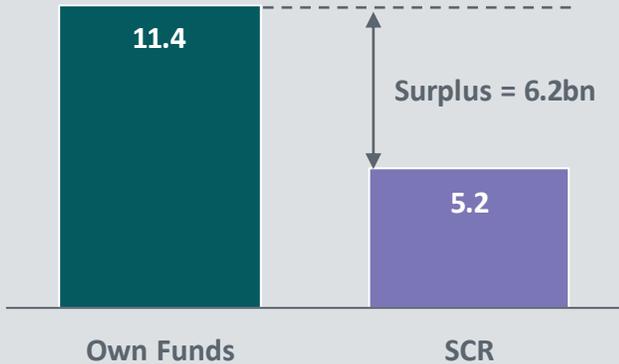


# Solvency II position<sup>1</sup>

## M&G Group

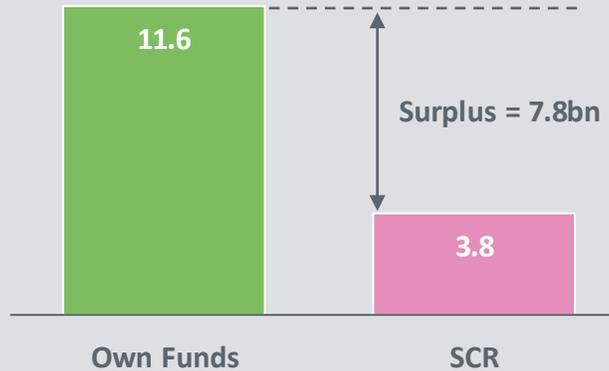
FY 2021  
(£bn)

### Shareholder view



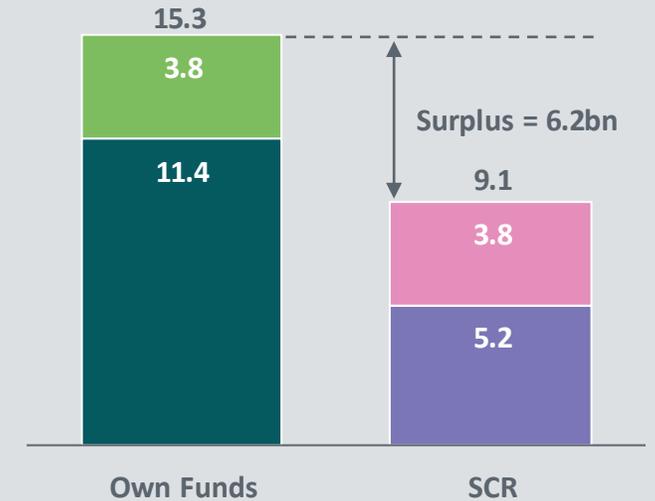
Solvency ratio 218%

### With-Profits Fund view



Solvency ratio 302%

### Regulatory view



Solvency ratio 168%

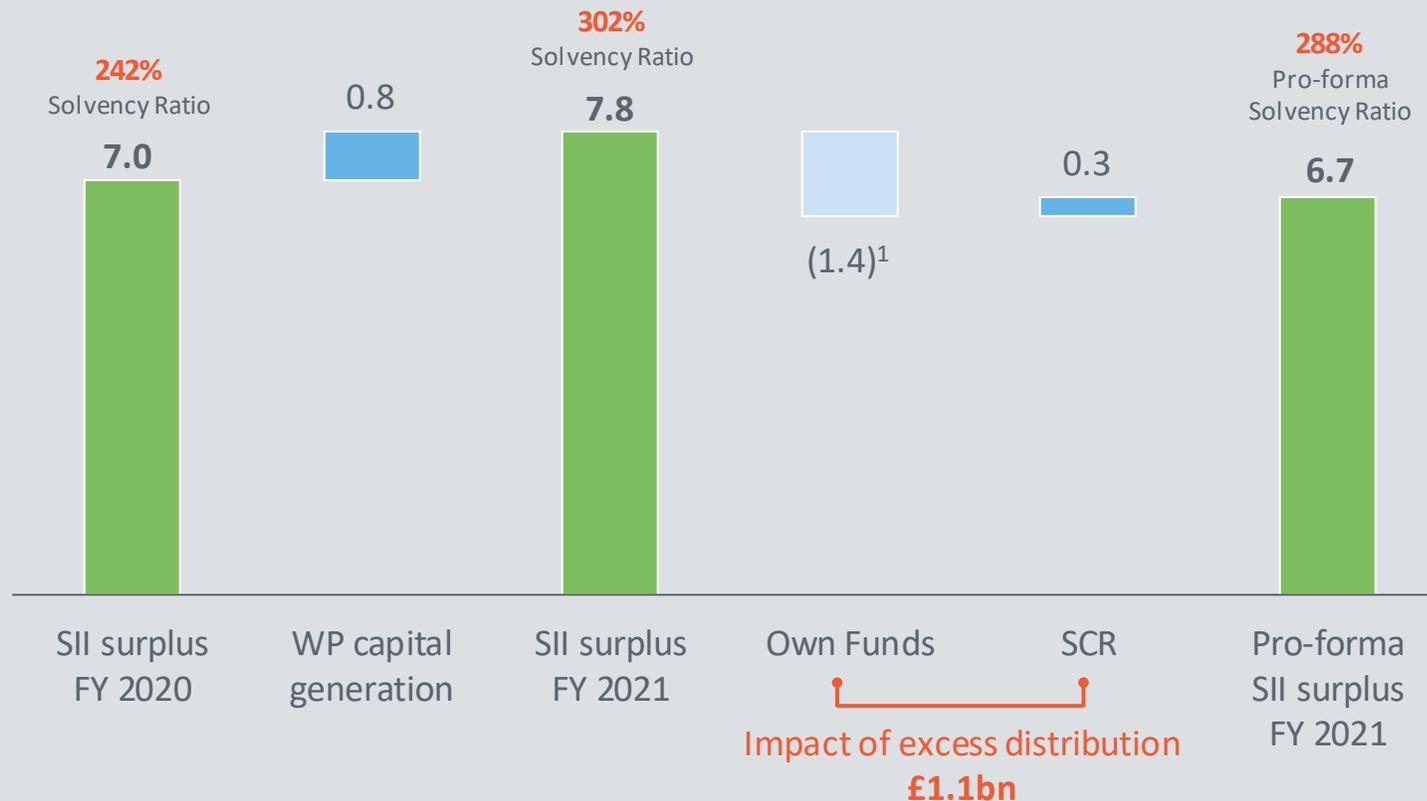
1. All views include the recalculation of Transitional Measures on Technical Provisions (TMTP)

# With-Profits excess surplus distribution

## £1.5bn distributed to eligible policyholders

### With-Profits Fund view

£bn



- **£1.5 billion** excess surplus capital within the **With-Profits fund** distributed as part of the 2022 bonus declaration/price adjustment<sup>2</sup>, partially offset by lower capital requirements
- **Shareholders** are entitled to **1/9<sup>th</sup> of the excess capital** distributed (c.£150 million). Payment occurs only over time upon customer withdrawal
- After the distribution, the With-Profits fund solvency ratio remains **strong and resilient** to adverse stress scenarios
- Negligible impact on shareholder Solvency II ratio after TMTP

1. Impact on Own Funds lower than the total excess surplus distribution primarily due to the reduction of the net cost of guarantees;

2. For traditional With-Profits policies the distribution is part of the Final 2022 bonus declaration, for PruFund policies the distribution is made through upward unit price adjustments.

# Solvency II sensitivities

## Estimated impact on % ratio and surplus

### Shareholder Solvency II market sensitivities FY 2021

	Solvency ratio (%)	Surplus (£bn)
Base Shareholder position	218	6.2
20% instantaneous fall in equity markets	208	5.5
20% instantaneous fall in property markets	211	5.7
50bp fall in interest rates	208	6.1
100bp increase in credit spreads	218	5.9
20% credit asset downgrade <sup>1</sup>	211	5.9

### With-Profits Solvency II market sensitivities FY 2021

	Solvency ratio (%)	Surplus (£bn)
Base With-Profits position	302	7.8
20% instantaneous fall in equity markets	295	7.7
20% instantaneous fall in property markets	302	7.7
50bp fall in interest rates	291	7.7
100bp increase in credit spreads	301	7.4
20% credit asset downgrade <sup>1</sup>	295	7.6

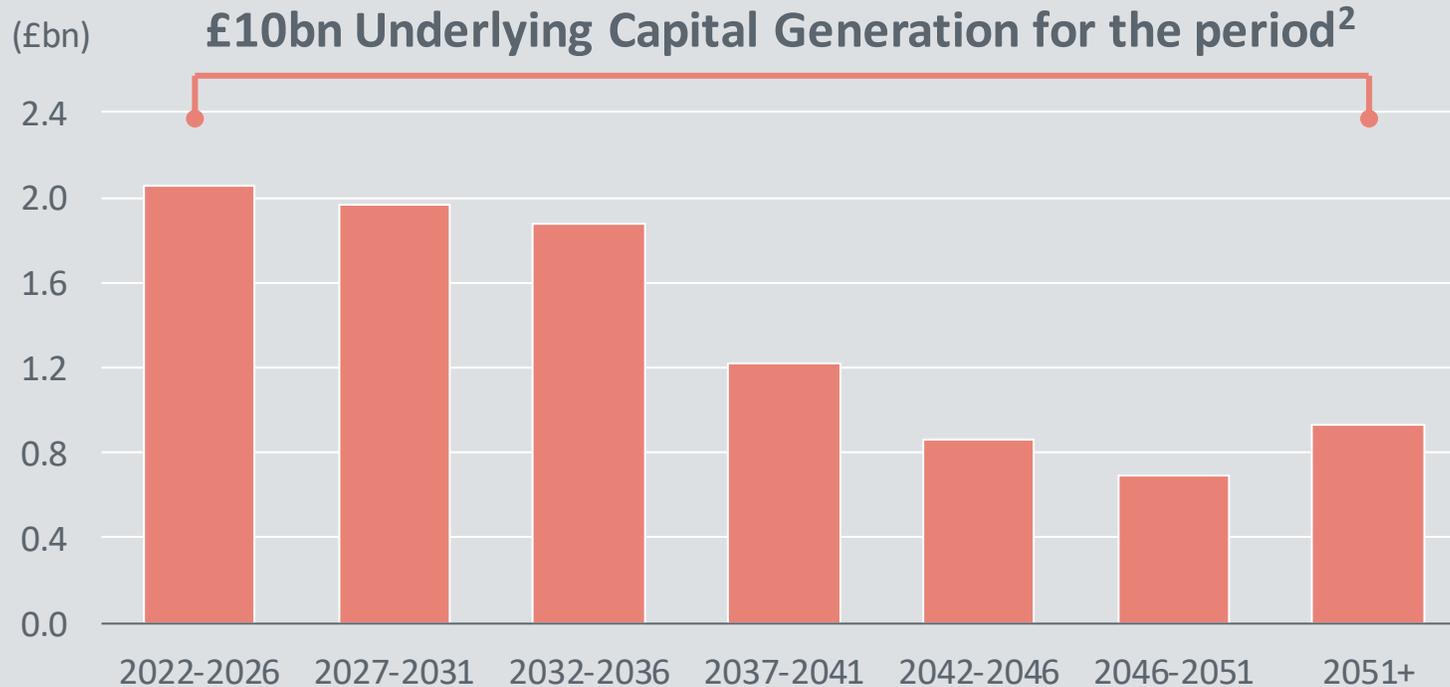
1. Average impact of one full letter downgrade across 20% of assets exposed to credit risk  
Note: Sensitivities assuming recalculation of Transitional Measures on Technical Provisions (TMTP)

# Operating Capital Generation

(£m)	FY 2020			FY 2021		
	Own Funds	SCR	Total	Own Funds	SCR	Total
<b>Asset Management</b>						
<b>Asset Management Underlying Capital Generation</b>	<b>320</b>	<b>(9)</b>	<b>311</b>	<b>308</b>	<b>5</b>	<b>313</b>
<b>Retail &amp; Savings</b>						
Wealth	151	(75)	75	117	(68)	49
<i>o/w PruFund UK</i>	163	(75)	88	128	(68)	60
<i>- of which: In-force</i>	151	(52)	99	169	(57)	112
<i>- of which: New business</i>	12	(23)	(11)	(41)	(11)	(52)
<i>o/w Platform and Advice</i>	(3)	-	(3)	(11)	-	(11)
<i>o/w Other Wealth</i>	(9)	-	(9)	-	-	-
Heritage	293	153	446	185	193	378
<i>o/w With-Profits</i>	100	5	105	115	27	142
<i>o/w Shareholder Annuities &amp; other</i>	193	149	342	70	166	236
Other Retail & Savings	34	(4)	30	36	(4)	32
<b>Retail &amp; Savings Underlying Capital Generation</b>	<b>478</b>	<b>74</b>	<b>552</b>	<b>384</b>	<b>75</b>	<b>459</b>
<b>Corporate Centre</b>						
Head Office cost	(99)	3	(96)	(94)	(8)	(102)
Debt interest cost	(189)	-	(189)	(186)	-	(186)
<b>Corporate Centre Underlying Capital Generation</b>	<b>(289)</b>	<b>3</b>	<b>(286)</b>	<b>(280)</b>	<b>(8)</b>	<b>(288)</b>
<b>Total Underlying Capital Generation</b>	<b>510</b>	<b>68</b>	<b>577</b>	<b>366</b>	<b>118</b>	<b>484</b>
Other Asset Management Capital Generation	13	(15)	(2)	5	10	15
Other Retail & Savings Capital Generation	311	339	650	201	420	621
Other Corporate Centre Capital Generation	82	5	87	11	(14)	(3)
<b>Total Operating Capital Generation</b>	<b>915</b>	<b>397</b>	<b>1,312</b>	<b>583</b>	<b>534</b>	<b>1,117</b>

# Our in-force business underpins the **long-term sustainability of dividend** Annuities and With-Profits cumulative UCG<sup>1</sup> is £10bn<sup>2</sup>, net of tax

## UCG<sup>1</sup> for in-force Shareholder Annuities and With-Profits business (incl. PruFund)



## £10bn cumulative

UCG does not include:

- (+) **Management actions**, e.g. longevity releases, new hedges
- (+) **Institutional and Retail Asset Management earnings**
- (+) **New Wealth and Other Retail & Savings business** (including new PruFund sales in UK and EU)
- (+) **Excess liquidity** at parent company level
- (-) **Debt and Head Office costs**

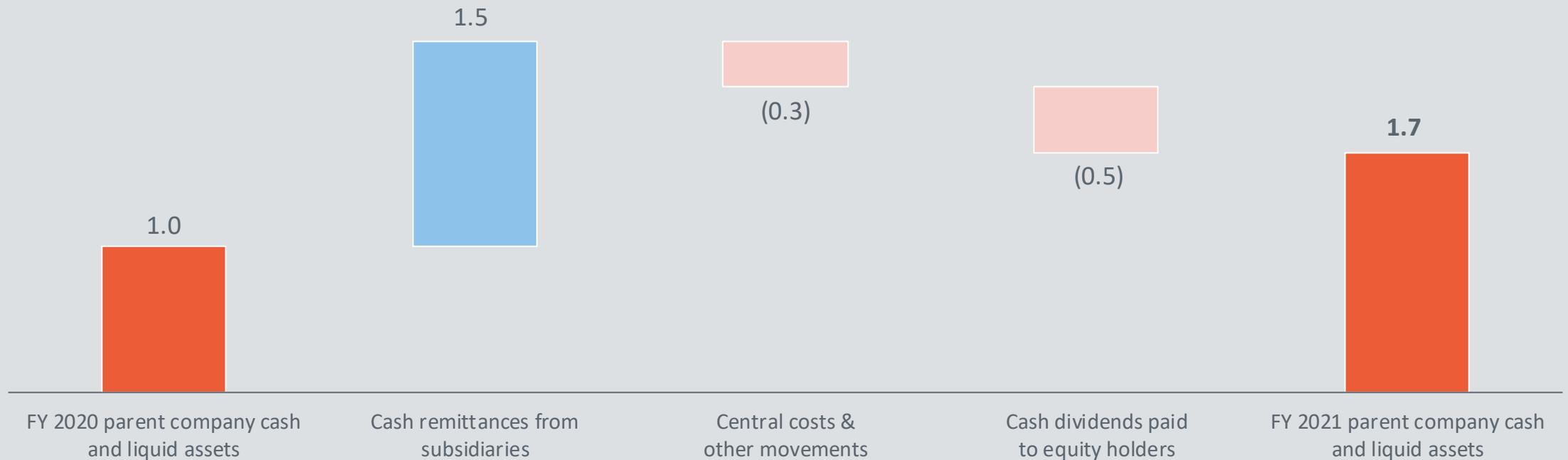
1. Underlying Capital Generation, net of tax and run-off of hedge programmes.

2. Cumulative undiscounted total based on in-force business and reflecting economic conditions as of 31 December 2021.

# Parent company liquidity

Cash and liquid assets at £1.7bn

Parent company cash and liquid assets  
FY 2021 (£bn)

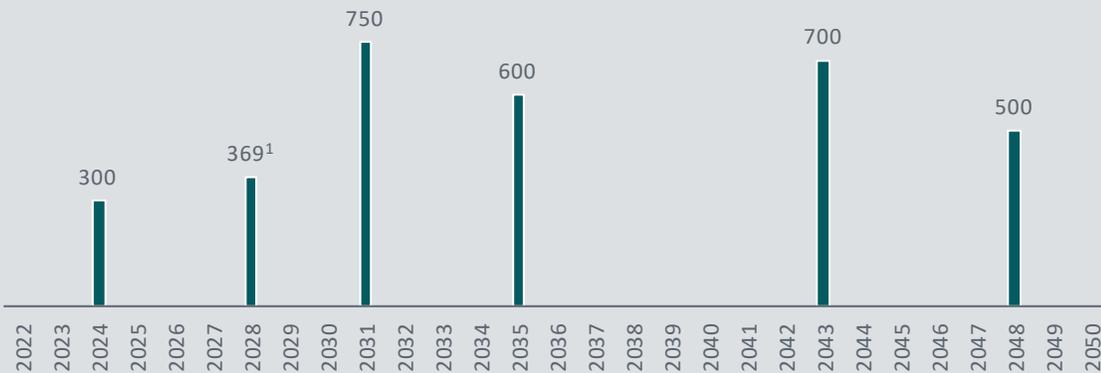


# Financial debt structure

## Subordinated debt (all Tier 2)

ISIN	Currency	Nominal (£m)	Coupon	Issue Date	Maturity Date	Call Date
XS2025521886	GBP	300	3.875%	2019	2049	2024
XS1888930150	USD	500	6.500%	2018	2048	2028
XS1888920276	GBP	750	5.625%	2018	2051	2031
XS1243995302	GBP	600	5.560%	2015	2055	2035
XS1003373047	GBP	700	6.340%	2013	2063	2043
XS1888925747	GBP	500	6.250%	2018	2068	2048

Call date profile (£m)



1. Based on USD / GBP exchange rate as of 31 December 2021

### Ratings

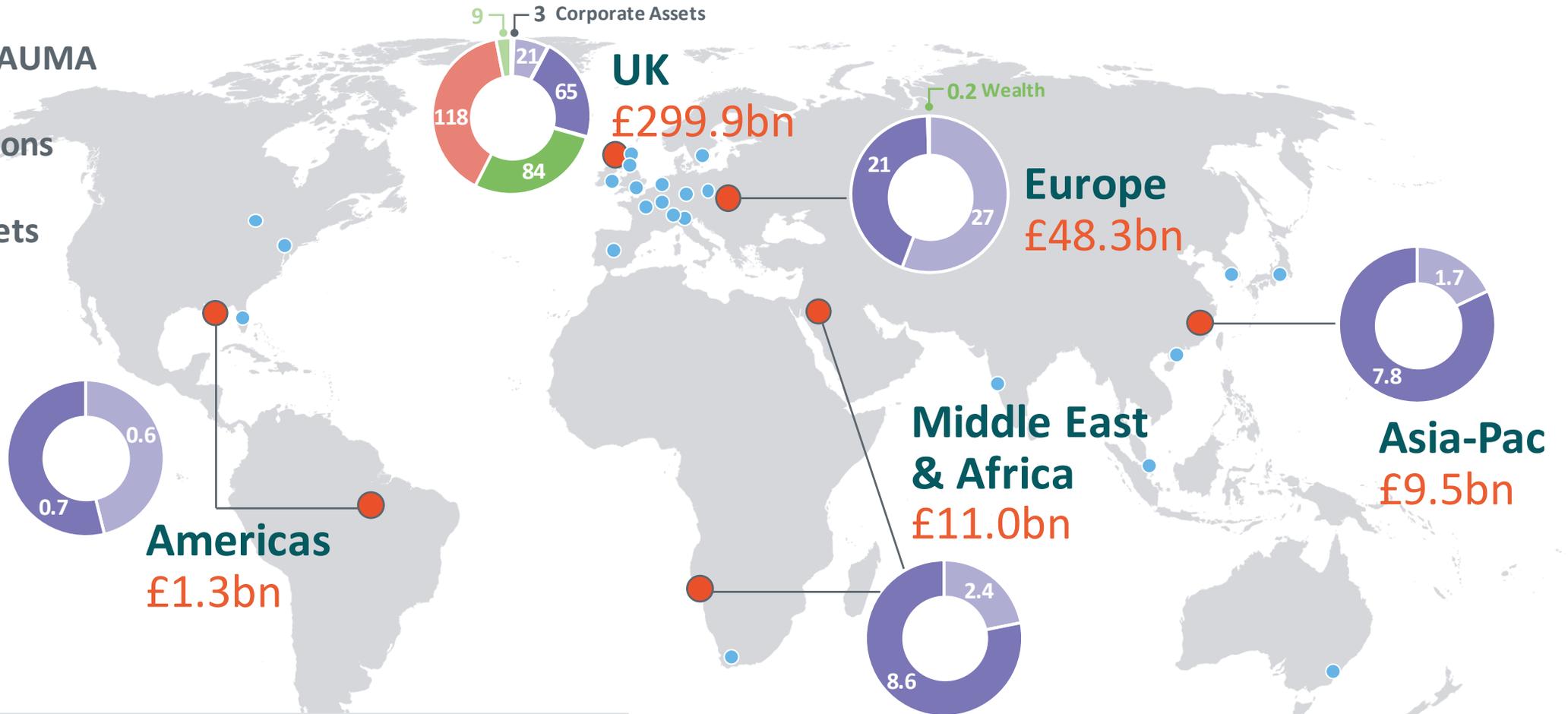
	Financial Strength	Issuer Default	Outlook
<b>S&amp;P Global Ratings</b>	A+	A	Stable
<b>MOODY'S</b>	Aa3	A2	Negative
<b>Fitch Ratings</b>	AA-	A+	Stable

# Our international footprint

£370bn AUMA

25 locations

28 markets



Note: All AUMA figures refer to position as of FY 2021, based on the country of the underlying client



# Appendix 2

Reconciliation between old and new segmentation

# New segment reporting

## Key changes

		OLD segmentation	NEW segmentation
1	South Africa	All AUMA and flows included in Wholesale Asset Management	AUMA and flows allocated between Retail and Institutional based on client type; c. £3bn AUMA moved from Wholesale to Institutional but, comparatives have not been restated
2	M&G Direct	AUMA, flows, revenues and costs entirely included into the Asset Management results	All AUMA (c. £6bn) and flows moved to Wealth, within the new Retail & Savings segment – Revenues and costs split between the admin component, moved to R&S, and the investment one, retained in Asset Management <sup>1</sup>
3	PruFund and 'S&AM Other'	PruFund earnings in a standalone line PruFund expense overrun included in 'Other S&AM'	M&G Direct, PFP, Ascentric and PruFund UK form the new Wealth sub-segment; PruFund earnings shown net of the overrun – Ireland and Poland results in 'Other R&S'
4	Asset Management income on seed capital and minority interests	Income on seed capital and minority interest from Singapore and South Africa shown in 'Other S&AM'	Investment income and minority interest moved to the Asset Management results – please note that minority interest will become negative from 2021 onward due to consolidation of South Africa and Singapore

1. This earnings change will apply to FY2021 adjusted operating profit. For materiality, FY2020 and FY2019 were not restated

# New segment reporting

## AUMA and net flows

### Net flows (£bn)

#### Old segments (FY 2020)

Savings & Asset Management	AUMA	Flows
Institutional AM	85.5	5.1
Retail AM	64.2	(12.1)
Retail Savings	81.8	0.4
Other	0.8	-
<b>Total S&amp;AM</b>	<b>232.3</b>	<b>(6.6)</b>

#### Heritage

With-Profits	84.3	(4.7)
Sh Annuities & Other	49.4	(1.8)
<b>Total Heritage</b>	<b>133.7</b>	<b>(6.6)</b>

#### New segments (FY 2020)

Asset Management	AUMA	Flows	Notes
Institutional AM	85.5	5.1	
Retail AM	58.1	(11.9)	Lower AUMA and flows reflect the transfer of c. £6bn of the M&G Direct book to M&G Wealth <sup>1</sup>
Other AM	0.8	-	M&G Investments corporate assets
<b>Total Asset Management</b>	<b>144.4</b>	<b>(6.8)</b>	
Retail & Savings			
Wealth	79.5	0.1	Includes Ascentric, PruFund in the UK and M&G Direct <sup>2</sup>
Heritage	133.7	(6.6)	
Other Retail & Savings	8.4	0.1	Includes international businesses in Ireland and Poland
<b>Total Retail &amp; Savings</b>	<b>221.6</b>	<b>(6.4)</b>	

1. M&G Direct AUMA and net flows are now included within Retail & Savings – Wealth;

2. Previously, Ascentric and PruFund in the UK were within Retail Savings while M&G Direct was within Retail AM.

# New segment reporting

## Adjusted Operating Profit

### Adjusted Operating Profit (£m)

#### Old segments (FY 2020)

Savings & Asset Management	
Asset Management	316
With-Profits (incl. PruFund)	44
Other	(28)
<b>Total S&amp;AM</b>	<b>332</b>

Heritage	
With-Profits	207
Sh Annuities & Other	492
<b>Total Heritage</b>	<b>699</b>

Corporate Centre	
<b>Total Corporate Centre</b>	<b>(243)</b>

<b>Adjusted Operating Profit</b>	<b>788</b>
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#### New segments (FY 2020)

	Asset Management	Delta	Notes
<b>Asset Management</b>	<b>330</b>	<b>14</b>	<b>Includes investment income and profits from associates (2020 figure also benefits from a minor cost reclassification)</b>
<b>Retail &amp; Savings</b>			
<b>Wealth</b>	<b>(11)</b>		
<i>o/w With-Profits (PruFund)</i>	<i>19</i>	<i>(25)</i>	<i>PruFund result net of the expense overrun (previously in Other S&amp;AM)</i>
<i>o/w Platform &amp; Advice</i>	<i>(2)</i>		<i>Results of Ascentric and Prudential Financial Planning (PFP)</i>
<i>o/w Other Wealth</i>	<i>(28)</i>		<i>Profit and losses from other savings and unit-linked propositions</i>
<b>Heritage</b>	<b>699</b>	<b>-</b>	
<b>Other Retail &amp; Savings</b>	<b>13</b>		<b>Results of Irish and Polish businesses</b>
<b>Total Retail &amp; Savings</b>	<b>701</b>		
<b>Corporate Centre</b>			
<b>Total Corporate Centre</b>	<b>(243)</b>	<b>-</b>	<b>No Change</b>
<b>Adjusted Operating Profit</b>	<b>788</b>	<b>-</b>	

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