



2025 Full Year Results

Analyst Q&A

António Simões

With that, Laura, Gareth, Eric will join me on stage to take your questions, which Andy will help facilitate.

Andy Sinclair

Thank you. Remember, it's going to be two questions each this time. Try to hold yourself back, and if we have time at the end, we'll be able to circle back for a second choice. Remember to say your name and the financial institution you represent, and please wait for a microphone to come around. Farooq, we'll start with you.

Farooq Hanif

Thank you very much. Farooq Hanif from JPMorgan. Thanks for the disclosure. I think we all agree that it's going to be helpful, and we'll enjoy typing it in tonight.

Andy Sinclair

Thank you, Farooq. We were thinking of you when we did that.

Farooq Hanif

I will stick to two questions.

Firstly, can we just think about the sustainability of the buyback? If you go to the chart on the Solvency II percentage point movement, it's six points negative after strain and dividends. It feels like you will have a negative even in 2027. In that context, if we start approaching the 160-190, how do we think about the buyback? You've talked a lot about the sustainability of the dividend, but just how are you thinking about the buyback, and how should we think about it?

Second question, thanks for the detailed description of the investment variances. I think that will help a lot. If we just go to the CIU charges and restructuring, am I right in thinking that you're saying, "Look, the negatives from that are going to die down in 2026."? You've talked about the ongoing project, restructuring costs, and the markets, but just on that alone, that would be helpful. Thank you.

António Simões

Great. Let me start with the sustainability of the capital distribution, and then you can add to that, Andrew, and maybe make a point on CIU, which, by the way, the answer is yes, we don't expect more.

Andrew Kail

Won't be much.

António Simões

But this is the new duo here. Look, my priority is a sustainable growing dividend and the sustainability of that dividend. I was very clear, and that's why I talked slower than usual in that chart where I said, if you go back to 2024 in that chart that I showed you at that time, with the numbers that we were doing in that time, I said that in '25, '26, and '27, we would have distributed 4.2 billion if we had grown the dividend at 5%. Now with the share buybacks that we've done and the growth of the dividend at 2%, we have delivered on that. I was clear on that.

Future decisions, Farooq, to your point, are exactly what I've been saying all along. That hasn't changed, which is, we will look, to your point, at the coverage ratio, and now we actually have a range that we are disclosing to you. We'll look, importantly, at the market conditions and what are the business opportunities ahead of us. If we see a fantastic year, I think this year will be a fantastic year for PRT, the strain continues to be low. But if next year we see that spreads have widened, and we've gone back to the old way of writing PRT with a higher strain and still with 50-plus billion in the market, at that time, I will make a judgment on capital distribution, particularly share buybacks.

So priority on the dividend, we've delivered what we said we would do, and we will do the assessment of any future distributions, including share buybacks at the time, which will be a year from now. Anything else on that? Then, on CIU or IV?

Andrew Kail

Just to reinforce the solvency guidance we've given you, the range now, we don't see the bottom of that as a trigger. Very much we see our capital policy being achievable within that range. Reinforcing António's point about PRT, in particular, where we see attractive markets deploying capital, even at higher levels than we've deployed in the last couple of years, where the margin return is worth it, we see that trade-off as a sensible one. Just reaffirming that.

Then reaffirming the corporate investment unit question Farooq. Fantastic progress in the last couple of years on the corporate investments unit. We've mentioned we transferred another couple of assets in there, but we're drawing a line today on that. So just expect that to be zero going forward.

Farooq Hanif

Quick clarification. Buybacks are possible, depending on all of the above between 160 and 190?

António Simões

Yes, they are possible. The point I made was we will look at the time where we are on our coverage ratio and what are the growth opportunities at that point and what's the market environment. By the way, on the rest of investment variance, so this is the first line, but also I made the point, and you made the point, Andrew, as well, which is, this is the culmination of 2 years of when I first arrived, I looked at everything that's strategic and not strategic. That part is done. That led to the disposal of CALA and other assets.

Then Eric arrived and did a forensic review of everything in asset management. Those strategic type of decisions we've taken, those are done. We're also drawing a line under those. What you can expect is now what Andrew described as the more normal IV.

Andrew Kail

I'm sure other questions will come up. We got two pieces on IV. The discount mismatch in the market movements, we'll still expect those to flow through. As I made in the comments earlier, adverse movements there aren't necessarily adverse to profit. It's accounting.

Then the final piece of investment variance is the M&A and transformation work. I guided you to expect between 1-200 million in that line for the next couple of years. That's not zero guidance. The other asset movements should be.

António Simões

Thank you, Farooq.

Andy Sinclair

Pass to Mandeep.

Mandeep Jagpal

Morning, everyone. Mandeep Jagpal, RBC Capital Markets. Two questions for me as well, please.

First one on asset management. Good result on the ANNR 34 million. It seems like a lot of it was from your internal sources. How much is that from third parties? And as you head into 2026, where do you see the highest growth potential for external third-party flows and ANNR?

Then, secondly, on your Blackstone partnership to originate North American private credit, you have the option to invest 10% of annuity premiums. With all the recent negative headlines in the space, how attractive are you viewing the market at the moment in terms of new deployment and the private credit on your balance sheet at the moment?

António Simões

Thank you. Thank you, Mandeep. I think Eric, you should definitely take the first one. Gareth, can I ask you on the second one? But just one point, and I'm sure Eric will make this point. But when we say internal sources, a big internal source for us is DC money. That's external money. Of course, one is really internal, our annuity book.

But the other really powerful side of our synergy, and I think this is an important detail. Yes, we've said that those things are the underpin of our ANNR, but DC money is one of the most attractive channels which we as L&G have as a captive channel because more than 95% of our DC money comes into... So that is third-party money, just to be clear on that. Eric and then Gareth.

Eric Adler

Thanks, António. I think that's a good point. I will answer specifically the question you asked, but I think it's important to put it in a context. The context is the trend from 2024. We were at minus five, we're up to 34. Importantly, the synergistic business model, we clearly have gone a step further in '25. We're really pleased with how much more we can generate, but it existed before.

When you look at the previous minus five, there was a lot of internal money, whether that's true annuity, PRT outcome from that, and the third-party money that we generate together with Laura's business through the workplace

solutions. I think I want to put everything in the context because that means by its very nature, the third-party ANNR was frankly above my expectations in terms of how quickly we've turned it into a positive number.

To answer your question specifically, roughly half of the 34 is coming from that IR/PRT money, which you could call internal. Another third is coming from the business we do together with Laura. I just want to underline what António said. This is an area that all of our competitors are desperate to get in.

We have a leading market share. Although it is internally generated, it's part of our value-added synergistic business model. This is a true third-party channel that I think we just have an edge on everyone else. That leaves about a third. Call it 10-ish million, that is the net result from true arm's length third party.

Of course, within that, you're contending with an ongoing negative ANNR in our LDI business because of the natural shift from LDI to PRT. In some ways, as that continues to happen, you'll continue to get negative flows out of our LDI business.

To be clear, we're a leader in that space. We will remain a leader. We actually want quite a few new mandates because it's going down, but there's a lot of movement within that. But as we shift to the three-times-revenue PRT business, in many ways, that's an affirmation of our model. But when you just look at DB, it is going to naturally shift towards more in-house money. That's a very healthy development. We've got 10 or 11 of really completely arm's length, not linked to the synergistic business model, positive ANNR.

Taking into account, I can give the number, it's roughly 10 million of negative ANNR, which is to be expected from LDI. In many ways, there's the absolute number, but the change from '24, frankly, happened quicker than I thought it would when we were talking about this about a year ago.

António Simões

Exactly. Eric has been in the role for a year. Let's go back to the targets for a second. We said 100-150 million ANNR cumulative, '25, '26, '27, '28, 4 years. Eric won't like me saying this, but if you just multiply the 34, and you do the 34 every year, just 34, and our plans are more ambitious than that, you'd be at 136. We're well within the top end of our range. At the moment, I'm very, very pleased with the turnaround of the commercial performance that Eric has led.

Blackstone and what we're doing, Gareth, and maybe Andrew may want to add to that as well.

Gareth Mee

Sure. I'm sure there'll be other questions this morning about the competitiveness of the PRT market. Right now, I think it's really important to have diversified sourcing channels, and Blackstone offers us diversified sourcing channels. Where we see attractive opportunities, then we will add that to what we already are able to generate.

We have made our first investment through the Blackstone partnership, lending money on a triple net lease to a credit that we really like, called Ahold. We like the credit in the public market, but the private asset offered a significant premium to the public issuance. That's exactly the investment that we want to be making in the current market.

António Simões

Actually, as you know, this is also Gareth's first time as a CEO here. He was the CIO of the business and, of course, succeeded Andrew, so the right guy to be talking about this. He led a lot of the negotiation with the partnership with Blackstone.

Andy Sinclair

Can we go to Dom and then onto Larissa?

Dominic O'Mahony

Thanks. Dom O'Mahony, BNP Paribas. Sticking to the two. I'll start with just a technical one, which is, if I understand it correctly, the operating profit assumption is driven off a short-term yield, I think a 1-year yield. That's come down quite a lot over the last 12 months. Is that going to be a headwind to earnings into 2026? I hope that question made sense.

Broader strategic question about the corporate investments. Sounds like you're making good progress there. Thank you. Thanks for the transparency on the way that you're accounting for those and the investment returns on the broader balance sheet. Could you just spell out for us how the proceeds from those disposals are fueling your business? If we go back to the CALA disposal, there wasn't much solvency uplift, but of course, there's plenty of cash coming out of that, and I think cash's still coming, and presumably further liquidity also from the other disposals. How does that play into the rest of your business and support your ambitions? Thank you.

António Simões

Thank you, Dom. You should take both, Andrew. But just to reinforce, I said that in my script, but you may have heard it. The core EPS growth for 2026, we're again guiding to be at the top end of our 6-9% range. We should talk about the yield, but the overall number, we're guiding towards the top end of the range. Andrew.

Andrew Kail

Yeah, thanks, Dom. First question on the 1-year yield, no, it's not a headwind for 2026. I mean, that's something, again, I talked earlier, we've looked at those yields, we look at them regularly, and we're comfortable with those now, so don't view those as headwind for '26.

On the second point on disposals, the number of disposals you mentioned them. Those in a sense, you've seen the level of buybacks that we've done. Those have been recycled through. But we've also invested in the business in M&A that we've done and investing in the PRT business.

We take that into the round as we're thinking through, so as António said, what's the investment in the business? What's the dividend ability and how we use that capital? It forms part of the evaluation as to what we do as we get further proceeds through CIU, will do exactly the same. But António made the point, so did I. Each of our businesses has investment opportunities behind it because of the future growth that we see.

So we're balancing that. We recognize the importance of the dividend and the sustainability of that, and I hope that the guidance we've given you today is that it's really important we keep growing the business, and therefore, the needs that Gareth, Eric, and Laura have to do that, those proceeds are being recycled back where we see the return on our capital being appropriate.

That's not something we major in the presentation, but each decision we take has that IRR calculation at the center of it and saying, is it going to generate the return we need? Otherwise, we think about distribution of that to shareholders.

António Simões

This is an important point to stress. We have the capital discipline that I talked about. It's a return on cash and return on capital. We look at the sources and uses of that cash and liquidity, as well as the returns on the business. That's something we put in place 2 years ago. It's in a really rigorous way. All of that goes into that. Thank you. Thank you, Dom.

Andy Sinclair

For Larissa. Then, we'll just keep passing along to Andrew.

Larissa van Deventer

Larissa van Deventer from Barclays. Thank you very much for the detail in the OSG numbers. On the divisional side, the underlying OSG was flat year-on-year. However, you give guidance as to where that may grow in 2028, which is roughly 7% compound annual growth rate. How do you get confidence in reaching that? What are the key drivers that need to be in place to get them?

Then, you've mentioned the current gilt environment quite a few times. New business strain was low with spreads narrow, and gilts being attractive. How do you see that evolving if gilts continue to come down and spreads widen or do not widen over the next few years? Does that still meet the IRR that you just mentioned?

António Simões

Andrew, don't you... You should take the underlying OSG, but maybe Gareth can also talk a bit about gilt and how that impacts all of our businesses, particularly PRT. Gareth should take that.

Andrew Kail

I thought it was really important we gave this information. I said I'd been listening. I heard this ask a number of times to see that OSG by business. I'm really pleased we've done that. But as we've done that, as you say, it tells a story where the year-on-year growth in the underlying business ones is actually down in most cases.

So why am I confident it grows up? The reason it's down year-on-year is we took surplus assets out of the business in 2024 through dividend remittances, and that's why we use it as a fund buybacks and dividends. That's why you see the OSG per share growth growing faster than OSG, because effectively, it's that those surplus assets have reduced the share count. That's why the year-on-year movement is down slightly.

The reason we're confident about the underlying growth in OSG is the growth process we've talked about for the business. In each of those markets, we're expecting to see growth in PRT, as we've talked about, workplace, asset management Eric has talked about. The underlying OSG growth going forward, the CAGR that you see, is driven by the business plans we have in place for the business.

António Simões

Gareth, gilts.

Gareth Mee

Over the last year, our investment strategy has been similar to historic in terms of traded assets and private assets. But the traded assets, we've seen a lot more value in structured sovereigns than we have in credit. The spreads have been higher, the capital usage has been lower.

As we look into 2026, as you say, the spread between gilts and swaps has come in. We still think that they are attractive. There comes a point at which they become so tight that then there's an opportunity for us to optimize on the back book and reinvest into credit.

I guess there's a point both for new business, which is we look at the best asset allocation on a go-forward basis between traded credit and structured sovereigns to pair with our private credit. Then there's also the back book, which is that there becomes an opportunity where we can generate more profit in optimizing some of the back book, structured sovereigns into credit.

Larissa van Deventer

Do you believe that you can make your hurdle rate either way, though?

Gareth Mee

Yes. We've done it in the past. If you go back to pre the end of 2024, we did that in the past through investing in credit. At the moment, we do that through consuming less capital, but continuing to make our returns using more of a structured sovereign-based strategy.

António Simões

I think I may have said this at the half year when we were discussing this. In many ways, we would rather the IRRs were lower, but with slightly higher capital strain so that we generate more pounds, so the trade-off. But everything we do meets that 14% hurdle for every transaction, in particular for the very large ones that you should expect, because we priced this one by one, including all the way to our board.

One thing to stress, is the 300 million in that chart on the back book optimization, the asset optimization, we're assuming, and we've told you the guidance before, more than 300 million, but assuming that there's no more volatility. Because sometimes I get the question on, are you assuming... That is the sustainable level. That's why both Andrew and I said, with credit spreads widening, we would see more upside in the back book for us to optimize.

We're making all of that, and this is, Gareth is leading this, we're making the back book optimization much more systematic, and the 300-plus million is sustainable in any market environment. If we see credit spreads widening, it has the impact on new business that Gareth mentioned. But on the back book, we would see further upside.

Andy Sinclair

Andrew.

Andrew Baker

Hi. Andrew Baker, Goldman Sachs. That leads right into my first question, actually.

You mentioned the asset optimization upside from corporate credit spreads widening, if that happens. Are you able to give us a sense of what that could look like? If we see 50 bps, 100 basis point widening, what that upside could look

like for asset optimization, both from IFRS and OSG lens, and then also any considerations on the SCR that we should be thinking about there.

Then secondly, just on the UK strain, it was 1% at the half year, 1% for the full year. You did a lot more funded re in the second half. I guess why you shouldn't have expected to see that strain lower given the proportion of funded re was so much higher in the second half versus the first?

António Simões

Thank you. Maybe, Andrew, we'll ask Gareth to talk a bit more about what we're doing from an asset optimization perspective and the upside, and maybe you want to add in terms of numbers. Do you want to start, Gareth?

Gareth Mee

Sure. It's very difficult to give numbers without knowing what future scenarios will look like. But I think António has already anchored us at the 300 million level with minimal levels of volatility, we would expect to be able to materially exceed that in moments of significant spread widening.

It's probably easier just to do some modeling on different scenarios, and then we could look at the capital consumption and also the spreads. But broadly speaking, with spreads wider, then going back to António's point, we generate more profit, we're happy to consume some more capital, and we'll continue to generate a return of more than 14% on that capital.

António Simões

Yeah, and it's fair to say, but Andrew and I will say, we don't want to give specific guidance on what that... Because Gareth is right, it will really depend on what the scenario is. But we can have a discussion on the sensitivities on that. Do you want to talk about strain as well? Why is the strain 1% and...

Gareth Mee

I can't do the math in my head, I'm afraid, but the investment mix was not materially different in the second half of the year versus the first half of the year. We can go back to my answer to Larissa's question. Our investment strategy over the course of the whole of 2025 was continuing to invest in structured sovereigns on the traded side and private credit on the private side. That continued throughout 2025. Yes, we did increase funded reinsurance, but all of that came out with a 1% strain. I can't do the math in my head, I'm afraid.

Andrew Kail

I'd agree with Gareth. I'd just say the asset mix was the same, but the profiles of some of the transactions are quite different. When you have the type of book we have, and you have a Ford deal landing, those individual transactions influence half-year results very significantly, and therefore thinking that through will be-

António Simões

I was going to say that. If you look at Ford, BP, and NatWest, the three that are public, and they were on the slide, they have completely different profiles. When we talk about an average 1%, some had actually higher strain with better metrics, and some had lower strain, but with worse metrics. We fundamentally didn't change anything in the strategy. It just happens those were quite lumpy deals, and Ford was the one in the second half, skewed probably the metrics that way versus the first.

Andrew Kail

Then, just to add, Andrew, on the SCR, just to say when we look at asset optimization opportunities, we are very much factoring in the impact on the SCR. Some rotations are worth doing because they're effectively capital-free. Other ones, there's a strain that we have to take into account, and therefore, again, come back to the 14% IRR, we're always looking to say, is the rotation capital accretive? If it is, then we're likely to proceed, and therefore, SCR is very central to that deliberation.

Andy Sinclair

Kailesh?

Kailesh Mistry

Morning. Excuse me. Kailesh Mistry, Deutsche Bank. A couple of questions. First one is, sorry, on the solvency ratio. At the bottom end of the target, the 160, what happens at that point? Does the dividend come into stress? Does it affect your ability to write new business? Secondly, just going back to slide 30, on the first two lines of that slide, is it possible to provide any sensitivities around that to help with the modeling interest rates, credit spreads, et cetera? Thank you.

António Simões

Yes, Andrew, both. But reassuring that the dividend is not at risk in that situation.

Andrew Kail

I'll reiterate the comments I made just a few minutes ago. As we get towards the 160, clearly, we're monitoring that. I think it's really important to remember we have to look why we're there and the market environment that we find ourselves in around that position, because that will likely determine some of the management actions we would take. But as I said before, this is not a trigger point at 160.

The dividend is sustainable, and we are comfortable operating at that level. We're just making a point. It's our target operating range, and were the business to fall below that, we would look at actions to get us back into that range. But it's not triggering concerns over dividend.

António Simões

Historically, we've been close to those levels where the market was, we continue to be above most of competitors in the market, so it will depend, as Andrew says, on how we get there. Thank you. Did we answer your second question? Because they were both related.

Andy Sinclair

Disclosure.

Andrew Kail

It would depend where we are in the range... One management action available to us to manage our solvency ratio is to change the level of new business we write depending on the strain environment. In theory, the answer is yes. But again, given we're comfortable at that level, and as António says, we operated that level before, depending on why we found ourselves at that level, we'd still be expecting to write new business.

António Simões

I think a key difference of what we're saying today versus the last six times I stood in front of you in different scenarios was we are giving you the 160-190. We are saying deliberately that we want to be within 160-190, which implies that we're writing business, and we are growing PRT, and that's why the solvency, one of the reasons why the solvency comes down. Thank you. Thank you, Kailesh.

Andy Sinclair

Sorry, Kailesh. Sorry, you had the second question about sensitivities as well. I think the answer to that is we'll have a look, and we haven't disclosed anything today. We won't be disclosing anything in the presentation, but absolutely, we'll take that into account. Michael?

Michael Huttner

Thank you. Do you have a number for the stressed solvency? Allianz gives a figure, 197. They say that's actually the number they manage themselves on. Then, the second question is, I was curious. I spoke to [inaudible 00:26:15] this morning, and they highlighted a strong new business in the second half, a strong run rate in individual annuities. I just wondered if you can talk a little bit about more the growth and also the IRR. I'm always curious because I'll be buying one of these soon.

António Simões

We have some people outside, and so we can take care of that, and Laura will be very happy. Definitely retail annuities, Laura, you should address that in the run rate of the second half. First question, do you want to take that first? I actually also didn't quite catch your question. Can we repeat the first part?

Michael Huttner

At the Stress solvency. If you were in a GFC situation, and the answer would be today at 197, and they say that's the number they manage themselves on. They don't use the current number, they use the stress number. I just wondered, what is your stress number today? If you had GFC or ...

Andrew Kail

We don't look at the business that way. I can't give you, Allianz's 197, ours is something else. It's the range that we think about. As I said before, where we find ourselves in that range, depending on the market conditions. There's no singular 197 figure that I would-

António Simões

But what we do, so we do also ourselves with the board, and then with the regulators, we do the ORSA, which is basically the stress.

To reassure you, when we look at our 5-year plan, we look at all the different scenarios and what could happen. We are still comfortable that everything that we're talking about, including the 1.2 billion buyback, is in the back of stressing our numbers to different scenarios. But we can maybe pick that up afterwards.

Andy Sinclair

I think what we say is we are happy throughout that 160-190. We're happy to operate in the 160s, we're happy to operate in the 180s. Even in the 160s, we're happy to grow our dividend, we're happy to invest in growing your business. We're happy throughout that range, bearing in mind that there could be stresses after that.

As Andrew said, the reasons why we're at a certain ratio will depend. Have we had a big credit cycle? Have we had government bond yields down 200 basis points or up 100 basis points? It will depend why we're there, how we act.

António Simões

Thank you. Laura, individual annuities.

Laura Mason

Individual annuities. We predict that decumulation flows will double over the next decade. I think just looking back at the last 2 years, where on average, we've seen individual annuities grow on average 20% each year. As António said, we had a really strong second half of last year, so a run rate of about a billion, having had, I suppose, a slightly slower run rate in the first half of about 0.8 billion, but actually a really strong start this year. Our run rate is pretty much where it was at the second half of last year and certainly where it was in 2024. In terms of your question on IRR, we do have an internal target of 14%, so everything needs to meet that hurdle rate.

António Simões

Then we then manage the individual annuities with the bulk annuities in one big annuity business, and so they have to all meet the target hurdles. There was one statistic that I mentioned that also reinforces... The majority of what we do is still with clients that are not necessarily L&G clients, but I mentioned that we had a 15% year-on-year increase of workplace customers taking an individual annuity. If you fast-forward, the average age of our book is 42 years old on the workplace.

Laura Mason

About 42, yes.

António Simões

It's one year later, but still 42. I guess we're getting a few younger people. But as they get closer to retirement, there's more and more people that want to take an individual annuity, to your point earlier about it's actually a really good thing to do. There is an important potential for us that we haven't yet seen.

It's still a very small percentage of our own customers that are getting to the age where they take individual annuities. But as we continue to grow a workplace, that's a massive upside. It's a 15% year-on-year increase. On a small number, we see that trend continuing for a really long time.

Andy Sinclair

Just going to say one extra point, Michael, on the solvency. The sensitivities aren't exactly the same. If you're at 165 versus if you're at 210, the sensitivities change as well. It's not exactly the case if we apply the exact same sensitivities at that point. Andrew, down the front.

Andrew Crean

Thank you. Hello, it's Andrew Crean, Autonomous. Could I ask a couple of questions? Firstly, your comment that by 2027, the net surplus generation will cover the dividend. At what point of cover would you be prepared to start growing the dividend in line with the growth in net surplus generation, bearing in mind that the operating variances have consistently a dumping ground of negative hits below the net operating or net surplus generation?

That was one question. The second question was on workplace. Profits went down from 60 million to 55 million, I think, all totaled, including asset management. What was going on there, and why do you see them trebling to 180 million by 2028 on that basis?

António Simões

Andrew, thank you. On your first question, there's two sides to that. One, what we're trying to do today is draw a line on some of those hits to your point that we've had. In terms of the dividend itself, I will need to be standing here in front of you next year, telling you how the dividend is going to grow in '28, '29, '30. We've given you the '25, '26, '27, the 2% growth with the share buybacks.

You're right, the underlying business is growing faster than how I'm growing the dividend at the moment. But I'm not yet at the stage to actually tell you what the next 3-year plan is, but it is very much in my mind and something we need to discuss as a team and with our board. What's going to be the capital distribution policy going forward for '28, '29, and '30?

Andrew Crean

Sorry, I think you said this year you're drawing a line under the investment variance. What I was talking about is the negative operational variances which sit below. I don't think you've talked about that.

António Simões

No, you're right. But from a dividend perspective, your first comment, where we're going to, in the second half of next year, outline what the next 3-year plan is going to look like. I appreciate not giving you more guidance on what that is, but we've said that the OSG per share grew at 8% last year, and it's growing at more than 5% going forward. It gives you a sense of where the underlying business is growing.

Andrew Kail

Andrew, just if I maybe add on the operating variances, we gave some disclosure of that on the Solvency Walk earlier in the slide pack, large components of that map directly to the IFRS investment variances I was talking about earlier. Drawing a line under those variances for IFRS is drawing a line under those for Solvency II.

The other major components of those other variances that you referred to outside of the 1-200 I guided around the transformational projects, then those won't recur either. When we're drawing a line, we're making a very significant statement around those variances under Solvency II as well as IFRS.

António Simões

Workplace. Wait, workplace... we haven't responded to the second question. Workplace profits, and we are comfortable that it will triple in the 3 years. Two-thirds of that is in asset management, a third is in workplace. But Laura, do you want to address that?

Laura Mason

Yeah, no. I think obviously the profits will come through scaling efficiently. We are doing a lot, making a huge amount of investment actually at the moment through our digital channels and into our proposition, which will tail off and allow us to run the business more efficiently.

We talked a little bit at the capital markets event about our customer agent desktop, which is effectively embedding agentic AI into operations. That will be a big source of that efficiency, if you like. I think we're well on track to improve those profitability and the efficiency of the business.

Andrew Crean

To be clear, 55 and 60 are forward investments.

António Simões

They are.

Laura Mason

They are, yeah.

António Simões

That's the number that triples. If you remember that you have it there in front of you, slide 24. It doesn't help that it doesn't have the actual numbers in it, but you see that I was using the 2024 numbers when Laura stood up. That's still our guidance. From 24-28, so from 25-28, it triples before investment. But we also gave guidance that it will be a bit lumpy. It was high, the investment last year, but that investment is now reducing because a lot of the heavy lifting we've done, including in technology, is now done.

Andy Sinclair

Tom.

Thomas Bateman

Hi, good morning. Thomas Bateman from Mediobanca. Thank you for your new disclosure. One of the slides that I think changed was on asset management, and just on the investment cost there. I think one of the things that probably missed today was the overrun on investment costs. I'm not quite sure what the guidance is, whether it's incremental or what the total is. Can you just clarify what you think the investment is into the asset management business at the moment?

Then the second question is, my understanding is that you weigh the capital strain about 100% rather than the solvency ratio target. If you were to weigh it, the new solvency ratio target, when would the dividend be covered under NSG? I ask because the eligibility of the leverage of the debt doesn't seem to be temporary to me, as long as NSG is not covering the dividend. Similarly, I don't really see how you can continue to do buybacks after 2027 because of that reason. When does it cover the dividend under the full capital strain?

António Simões

Andrew, you should take that. On the asset management question, Tom, can you clarify? Maybe you got it, but you were saying it's the... Was it the investment variance that you were talking about in asset management?

Thomas Bateman

I think you gave guidance before of 50-100 million. I think people took that as-

António Simões

Yes. The returns on the balance sheet investment.

Thomas Bateman

Fifty to 100 million investment.

António Simões

Yeah, the cost investment, sorry.

Thomas Bateman

My understanding is that it's incremental, actually, not annual spend. It's 50 million potentially on top every year.

António Simões

Yeah, absolutely right. We should start there. I was confused. When we talked about the costs in asset management, we said we were investing in the business at a 50-100. That's the number I gave before Eric's arrival. When Eric then did this capital markets event, he was saying, actually we're spending less than that at the moment.

António Simões

But you're right, we didn't include it on the slides. Do you want to talk about how are we investing? Also, there's this slide that Andrew showed on the revenues. It's indicative, the revenue is growing more in 2026 than the costs. Both of those.

Eric Adler

Yeah, no, it's great... It's true, we skipped the slide. I think we are apart for the course for last year. I feel like the answer I had last year would be the same this year. The 50-100, we are in a growth strategy, so I really appreciate the potential flexibility if we saw a real investment opportunity.

But in our build, buy, and partner strategy, the 50-100 really is around the build, which is organic. When I look at what we already have in place, we will continue to make incremental investments. I feel extremely comfortable with never having to get out of the 50-100 range.

As of now, again, my prediction for '26 is we won't hit the bottom end of the range, just like last year. We don't have any particularly material spend in an area that would make me feel we have to be well into that range. It's a lot of little things we're doing to continue to grow the top line, and it seems to be adding up to well below that range.

António Simões

Yes. Originally, they were incremental. Remember Tom, we were saying, it was every year we're going to do another 50-100, it was, let's say, 75, 75, 75. We are spending less than that incrementally. We've been much more cost-conscious since Eric's arrival in asset management, because to be honest, those jaws need to go the other way. Eric

has closed them in the first year, so the revenues and costs are growing roughly at the same level. They now need to cross. We need in 2026 for the revenues to grow more than costs.

Eric Adler

Yeah, it's worth it. Maybe why that slide's not up. The way we look at this-

It's really holistically. In other words, we need to keep our overall growth and costs within a range that we're happy with. That has to include this number as well. But we look at it in the round. The important thing I think António underlined it is we need to see the revenues growing faster than the costs from here on in. The only reason why you'd see us up the investment spend, specifically, is because we can see a direct line to higher revenues. That's how we think about it.

António Simões

Andrew.

Andrew Kail

Tom, thanks for your question. Might want to pick up with the team on the detail, but just a couple of observations on the eligibility restriction. I mean, that exists because our tier 2-owned funds are capped at 50% of the SCR.

As we grow our SG that grows owned funds, that effectively starts to reduce, and therefore it's temporary because we grow our way out of it. Then I think as we have guided, NSG will cover dividend by 2027 and then grow significantly after that. In terms of working you through your question, pick up with the team afterwards, but it is temporary, and NSG is covering dividend by '27, and beyond.

Andy Sinclair

We're actually in an interesting position where the more capital-intensive the business we write, the faster we start qualifying again because the SCR rises faster. Own funds generation is actually covering the dividend today, but then we choose to invest a lot of that in growing our SCR and growing our business. As we grow the SCR, the restriction is 50% of the SCR. The more we grow the SCR, the faster that comes back. It comes back over time. But we'll catch up on the detail.

António Simões

Actually, today, I appreciate we're giving you much more information than usual, so we can also, at the end, with Andy and the team, follow up on any more specific questions. Thank you, Tom.

Andy Sinclair

Will?

William Hawkins

Hi, thank you very much. William Hawkins from KBW. Yeah, and again, thanks so much for the enhanced disclosure. I'm sure there's a lot of work that's gone on behind the scenes. Back to workplace, please. Getting the commentary so far, but I'm still a bit uncertain about the flows that we're seeing in workplace because you did six billion in the full year, which implies about two billion in the second half of the year, quite a step-down from four billion in the first half.

I'm not sure in retrospect, if I'm missing some big issue of seasonality or if there's some other driver around that. Understanding a bit more about workplace flows would be helpful, please.

Then secondly, sorry, because there's so much helpful stuff that you've said, the core guidance for this year of core EPS rising 6-9%, my back of envelope is you're going to get most of that from the buyback. The implication is either that your guidance is hugely conservative or that the absolute earnings figure isn't growing very much. If that's the case, I can't figure out myself what the headwinds or one-offs have just been. Thank you.

António Simões

Andrew, you should address the EPS, but the underlying core earnings are growing, first point. Bear in mind that we start the largest buyback in our history, which we're starting this week, the first tranche of it. You have 12 months. You have quite a long period. The EPS itself is going to be impacted more in 2027 than in 2026.

António Simões

When we actually look at the math that you were doing in your mind, there isn't a massive, there's half of it, but there isn't a massive EPS upside from the 1.2 billion because a lot of this is going to be done throughout 2026. We can't actually give you the exact numbers because, of course, we have that behind it. But do you want to add on that, and then we should come to the workplace?

Andrew Kail

I'm just going to reiterate the point you just made. I think if you look at our operating profit growth by business, then as I said before, we're on track or ahead on all targets. Those are growing positively. The point you just made, António, is that the buyback really has a bigger impact in '27 and '26 just because of the timing of it, and therefore, I suspect that's flowing through your numbers.

António Simões

Yeah. We're giving additional disclosure because the buyback is quite big. Every week, we'll have it on the investor...

Andy Sinclair

We'll have a tracker.

António Simões

We'll have a tracker on the website, I'm not sure if you said that already, which will track exactly where we are on the 1.2 billion, and it will give you a sense of how it's impacting the EPS. On the 6 billion, there is a lot that we've done last year, as I said, that is coming into 2026.

Laura Mason

No seasonality at all impacts in the business. I suppose the two main inflows, if you like, are the regular contributions, which are very regular and predictable. The scheme wins can be a bit lumpy, like PRT. In the 3.7 that we talked about that we actually won last year, but we'll not fund until this year.

For example, there was a 2 billion scheme in there. It does tend to be a little bit lumpy in terms of the new business wins, if you like. For us, we have a 99% client retention rate, so no big outflows, if you like. It really was just the timing of when we won some of those bigger deals.

António Simões

Yeah, which goes back to 2024. In 2024, we won some of the schemes that funded in the first half of 2025. There were more of those funded in the first half of 2025 than in the second half of 2025. But we have it in the slide, the 1 billion monthly contributions, as Laura says, there's no seasonality. They just keep on increasing, actually, because the book is bigger.

Andy Sinclair

I'm going to go for Abid and then Nasib.

Abid Hussain

Good morning. It's Abid Hussain from Panmure Liberum. I'll limit it to two questions. The first one is on bulk annuities. Could you just talk to what the competitive landscape is now in the UK versus the last couple of years, given the increased capital and capacity being deployed across the industry? Then, is that then driving the margins down or are the margins coming down because of the tighter credit spreads and the business mix that you're writing? That's the first one.

Then the second one, can I just come back to the net surplus generation? Just trying to understand and work our way through this in terms of which numbers we should be focusing on. Is it excluding or including TMTP? Should we be thinking about 100% Solvency II cover or 160% Solvency cover on new business strain? Then ultimately, where do you want that net dividend cover to get to in the medium to long term? Thank you.

António Simões

Andrew, you should take that, but Gareth, can you start with competitiveness of... By the way, I feel super proud that we're at 25% of the market in 2025. We'll somehow just skip through that in the 10.4 billion. I think great. Andrew and Gareth as well, and the team before. But can you talk about it going forward? We get a lot of these questions given the new entrance.

Gareth Mee

Sure. I'm impressed that it's 11:04, and that's the first time we've had the competitive landscape question. The market's competitive. The market has been competitive for a long time. If you think about what's been happening over the last couple of years, then one of the changed competitors, if you like, has been one of our most formidable competitors for a long time as well. We expect the market to continue to be competitive, but not materially different to what we've seen in 2025 in particular.

Then on to new business margin. The first thing to say is to reiterate that we are making our return on capital. All of our deals have got to make our 14% hurdle, and so we are continuing to write in a price-disciplined way. But you're right, and you alluded to this in your question, that the reason that the margins are a bit lower is because we're using less capital-intensive investment strategies and buying optionality for the future.

The way that you would expect that to change would be if we continue to write low capital strain, relatively lower spread investments to back our business, then you'd expect the numbers to start out low and then give more optimization opportunity in the future. If credit spreads start to widen, then you'd expect that new business margin to grow again and to perhaps have less future opportunity because we'll crystallize more up front.

António Simões

I'd say one thing about the new entrants. They are certainly very rational and sophisticated. The sophisticated part could worry you, but the rational part actually is reassuring. They have the same return hurdles we have or higher, actually, if you think about their own shareholder structures. We expect... You were mentioning PIC as one of our competitors. PIC is already one of our biggest competitors.

We expect it to be a market, maybe different from some of the parts of retail and others, where sometimes you have competitors that's coming to the market in a slightly more irrational way. We are a big player in the US as well, as you know, where we compete against those same competitors, and everybody tends to behave in a very... It's a very professional market, and mostly a very rational market, so we feel reassured by that as well. NSG covering dividend by 2027.

Andrew Kail

Yeah, just let me talk about the TMTP and why we've done that. The reason we made that adjustment this year, and to be really transparent, is because we've guided for the first time on the OSG by business, that TMTP adjustment will run out over time. It can be volatile in places, and therefore we wanted to give you a cleaner underlying view of what each business was generating and where the runway would go.

The reason we then transparently disclosed that is you can just add it back if you need to, you can see where it goes. That drive, therefore, to give that transparency was the important one. Using that basis, that was, and we talked here about OSG rather than NSG, because that's my business, that growth in per share OSG in particular is what gives us the confidence on the dividend coverage, which is a majority of 2%.

Then, of course, NSG depends on the strain environment that we're finding ourselves in, which obviously impacts Gareth and Laura's business. To the point of dividend coverage, I think I made some comments earlier in terms of things like payout ratio. It's a decision. We're currently comfortable with the payout ratio.

It will trend down over time, but currently, we are comfortable with the payout ratio that we have, recognizing this from short-term trade-offs on the amount of strain we're going to deploy against new business. That's where we're coming from. Back to NSG, yes, it covers the dividend by 2027 onwards.

António Simões

Thank you, Abid.

Andy Sinclair

Nasib.

Nasib Ahmed

Thanks. Nasib Ahmed from UBS. PRT, new business. There's different ways to cut it. You've got IRR, you've got IFRS new business, you've got lifetime value. What is the bottom on the IFRS new business value where you say, I'm going to walk away. I'm not making enough pounds, as António, you said, on the IRR? I'm still meeting 14%. You could do more structured sovereigns, still meet the 14%, but it's 6.5% the bottom where you say, if I go lower than this on IFRS margin, I'm going to walk away. Question number 1.

Question number 2 on slide 38. You give the 2028 OSG underlying of 1.4 billion, and then you've got to add management actions on top. Am I adding 300 million, or you did 238 million last year, and then you had 172 million of balance sheet optimization? Is that 410 equivalent to the 300, or is it 238 going to 300?

António Simões

I'll give that to you, Andrew, in a second. But on the first one, look, there are many constraints, and not only that, when we look at the beauty of this business, is that we price in a very specific way, deal by deal. Every deal has a different make in terms of how many deferreds, duration, et cetera. But the binding constraint is the IRR of 14%. What the deal can't... Whatever way we structure it, if it has more funded re, less...

We have the pound of capital that we're deploying needs to be above 14%. But when we approve it, when you may want to add to this, Gareth, there's lots of... There's many more than those metrics. But from my simplistic view as the Group CEO is, is this pound of capital better deployed here versus in those two other businesses? We need to look at the return on capital and the return on cash. From a PRT perspective, it needs to meet that. Yes, there were many deals last year where we didn't bid or where we bid, and we didn't win because we are the largest player in the market.

I'm very conscious that we need to have that pricing discipline. Actually, the number 1 objective I have from the board is pricing discipline, not market share of volumes, because we want to maintain the health of the market from a profitability perspective. Do you want to say something on that? Then I'll come back.

Gareth Mee

Maybe one more thing just to bring to life. Have you imagined we're bringing one of our bigger deals to discuss with António and Andrew, and then onto the board? Then we've got our base metrics that we're underwriting on, but we then also look at what might happen over the lifetime of the business. One of the things we did over the course of last year was we slightly reduced the duration of some of the credit that we were investing in, which gives us a little bit more optionality later on.

In some of the scenarios, let's say that we were pricing scenario which hit the 14% IRR but had a relatively lower IFRS new business margin, one of the things that António and Andrew would definitely ask is, what are the numbers that can drive those up over time?

If we see that there is more optionality that we're able to access in that particular deal, then that might make us feel more comfortable underwriting at a lower headline IFRS new business margin, but with the opportunity to be able to go and redeploy in the future. That was definitely the case for some of the deals that we looked at over the course of last year.

Andrew Kail

Slide 38. This is definitely one for the team to walk you through. Think about the 331 number that we've disclosed, that's an IFRS number, and that's for asset optimization. When we disclose asset optimization on a Solvency II basis, one important adjustment is that gets disclosed net of tax. You have to translate the numbers through a different basis.

What we've done on this slide is embed the asset optimization OSGs within the underlying business. You see that coming through, and then other management actions sit on top of that. The equivalent of the 331 on a pre-tax basis... Sorry, on a post-tax basis is sitting in the charts, and other actions will sit around that.

António Simões

If that's not clear, we can talk to you in the end. We spent a lot of time on this chart, meaning we didn't just put this together yesterday. There's a lot of thinking on, but I appreciate that there's a lot of new numbers, so we can take you through that, Andy.

Andy Sinclair

We've got the last couple of minutes left. We've got some questions online, but I think Fahad's questions have already been answered there. I'm just going to take two follow-ups in the room. Andrew and then Andrew. It's not just an Andrew thing.

António Simões

Exactly, yes. There's a bias there towards the Andrews.

Andrew Crean

One question. Sorry, thank you for giving me the extra shot. Listen, you just done 9% EPS growth for '25. You're doing 9% again, you say for '26. You say that share buybacks will be more impactful for '27. Why not raise the 6-9% guidance?

António Simões

We'll think about it. Look, I think we gave a 6. The serious answer is, in June 2024, I've gave guidance for 3 years, '25, '26, and '27. Our number 1 focus is to deliver on those numbers. I've said here on stage, I'd love to beat the targets that we've announced, but as we continue to deliver, we're not changing the guidance, but I want to beat our targets.

António Simões

Thank you. Andrew.

Andrew Baker

Thank you. Thank you for the follow-up as well. Just a quick question. The modeling and assumption changes, so the negative variances that you mentioned. Was that longevity? I guess if it is longevity, or I guess if it's not as well, how are you thinking about longevity going forward, given where, I guess, mortality trends are going in the UK? How should we think about the risk of it at some point having to strengthen longevity reserves, not next couple of years, but down the road? Thank you.

António Simões

Yeah, this is the first line of page 30, which are the ones that we said we focus a lot on the other three lines, which are the ones that are more that we regard more explanation. But on the modeling changes?

Andrew Kail

Broadly, no, it's not longevity, those changes. It's more around we did some change to our cash flow modeling, the principal changes around persistency. On longevity, I think we've disclosed, we use a CMI 23 table, but we have taken it... '25 was a light year for debts. Our experience has been overlaid onto 23, and we'll continue that process going forward. But short answer to your question is no, it's not really driven by longevity changes this year.

Andy Sinclair

Well done to everyone in the room for keeping it to two questions. Just one final question has actually just come through online. It's from Marcus Rivaldi from Jefferies, which is just given the level of tier 2 debt restriction, is there an appetite to consider liability management to right-size tier 2 and accelerate debt deleveraging?

António Simões

Andrew.

Andrew Kail

Been working closely with the Treasury team, there are no shortage of helpers, including from many organizations in the room to help us suggest how we might manage some of our treasury and capital requirements. The answer to that question is we are looking at the mix of tier 2 and tier 1 and financing structures that optimize the balance sheet.

António Simões

Great point to end on.

Look, thank you for all of your questions. I know we've covered a lot today, actually, even more than usual.

I'm very happy with the progress that we're making and the strong recommendations that we've been stressing that we have to build on for 2026 and beyond. We'll see you back here on the 5th of August for our half-year results. Andy was saying this, our investor relations team is available. If you have any follow-up questions, I appreciate some of the questions today and the numbers as you digest them.

Thank you for coming today, and see you.