



## NEWS RELEASE

20 March 2025

### PRUDENTIAL PLC FULL YEAR 2024 RESULTS: BUILDING TOWARDS OUR 2027 STRATEGIC OBJECTIVES

Prudential plc ("Prudential"; HKEX: 2378; LSE: PRU) today announced its financial results for the year ended 31 December 2024.

#### Performance highlights on a constant exchange rate basis unless otherwise stated

All new business profit growth rates in this report are reported on a constant exchange rate basis, and excluding interest rate and other economic movements, unless otherwise stated.

- New business profit of \$3,078 million, up 11 per cent. Including the effects of interest rates and other economic movements, new business profit was broadly flat. TEV new business profit also up 11 per cent.
- Operating free surplus generated from in-force insurance and asset management business of \$2,642 million (2023: \$2,706 million) was in line with the shape of free surplus generation we set out from 2022 to 2027. We continue to invest in improving our operating model, to build capabilities and create value, including through addressing variances.
- Adjusted operating profit before tax increased 10 per cent to \$3,129 million. Adjusted operating profit after tax increased by 7 per cent to \$2,582 million. Earnings per share based on adjusted operating profit was 89.7 cents per share, representing an increase of 8 per cent on a consistent basis with 2023 (before the adjustment in respect of the non-controlling interest in our Malaysia conventional life business).
- Group EEV equity of \$44.2 billion (2023: \$45.3 billion on an actual exchange rate basis) equivalent to 1,664 cents per share (2023: 1,643 cents per share on an actual exchange rate basis).
- Strong capital position with free surplus ratio of 234 per cent and GWS shareholder surplus over GPCR of \$15.9 billion, equivalent to a cover ratio of 280 per cent. Allowing for the share buyback programme completion, payment of the 2024 second interim dividend and the commencement of the new bancassurance arrangement in Indonesia, the free surplus ratio would be 204 per cent.
- Completed \$1,045 million (123 million shares) in share buybacks as at 14 March under our \$2 billion programme announced in June 2024. This programme is now expected to complete by the end of 2025 rather than our original guidance of mid-2026.
- 2024 total dividend of 23.13 cents per share, up 13 per cent, with 2024 second interim dividend of 16.29 cents per share. Including share buybacks total shareholder returns in FY24 were \$1.4 billion.

Commenting on the results, CEO Anil Wadhvani, said: "In 2024 we made good progress in executing on our strategy to improve our operational capabilities and deliver growth. Our financial performance was in line with our guidance, with new business profit up 11 per cent and operating free surplus generated of \$2,642 million. On a traditional embedded value (TEV) basis, which we will be converting to from Q1 2025, new business profit also grew 11 per cent in the year. The long-term growth trends inherent in our Asia and Africa markets are reasserting themselves, creating significant opportunities for us. Insurance penetration rates in Asia are low and there is continued, and growing, demand for long term savings and protection products across our markets, alongside a need for wealth management and retirement planning, particularly in our higher income Asian markets.

"We are well positioned to capitalise on this growth opportunity. Our focus is on writing quality new business alongside managing our in-force business and improving variances by enhancing operational delivery and serving our customers' needs. We have seen good progress in 2024 with improved cash signatures for new business, growth in the number of active agents in the second half and actions undertaken to improve our variances through implementing better health claims management, improving persistency and modernising our IT infrastructure to capture economies of scale.

"The dividend for 2024 is up 13 per cent on a per share basis and amounts to just over \$600 million. This is alongside the \$785 million we returned to shareholders in 2024 through our \$2 billion share buyback programme, which we have accelerated to complete by the end of 2025 ahead of our original mid-2026 schedule. We have also announced that we are evaluating a potential listing of ICICI Prudential Asset Management Company Limited involving the partial divestment of our shares in that company, subject to market conditions, requisite approvals and other considerations. It is intended that following the completion of such a divestment, the net proceeds would be returned to shareholders. These initiatives underscore our disciplined capital management based on the clear framework communicated in June 2024 and our focus on improving shareholder returns. We intend to update you on our capital management plans at our half year 2025 Results in August."

Key summary financials	2024 \$m	2023 \$m	Change on AER basis	Change on CER basis (and for NBP only excluding interest rate and other economic movements)
New business profit	<b>3,078</b>	3,125	(2) %	11 %
Operating free surplus generated from in-force insurance and asset management business	<b>2,642</b>	2,740	(4) %	(2) %
Group EEV equity*	<b>44,218</b>	45,250	(2) %	n/a
Adjusted operating profit before tax	<b>3,129</b>	2,893	8 %	10 %
Adjusted operating profit after tax	<b>2,582</b>	2,449	5 %	7 %
IFRS profit after tax	<b>2,415</b>	1,712	41 %	43 %
IFRS shareholders' equity*	<b>17,492</b>	17,823	(2) %	n/a

\* Balance sheet metrics are presented after deduction of non-controlling interests. For 2024 non-controlling interests include the 49 per cent non-controlling interest in our conventional life business in Malaysia.

## Business Performance

We are writing quality new business with improved cash signatures alongside improving operational delivery and better serving our customers' needs. The investment in, and focus on, our customer, distribution, and health strategic pillars is creating strong and stable platforms to support our future growth.

We are focused on building momentum in our agency channel by prioritising quality recruitment and through improving agent activation and productivity across all our markets. We are already seeing benefits, with our active agent count being 67,000 in the second half of 2024, up from 63,000 in the first half. Agency new business profit momentum improved in the second half of 2024, being 4 per cent higher than the same period in the prior year, compared with the (5) per cent decrease seen in the first half given the strong performance in 2023 when the Hong Kong border re-opened. Overall, new business profit per active agent grew 5 per cent. Key actions we are taking to drive the performance of the agency channel are quality recruitment, including through expanding our PRUVenture career development programme, partnering with MDRT.org to enhance agent training and development and continuing to invest in PRUForce, our agency digital platform, to improve our agents' productivity and our operational efficiency.

Bancassurance new business profit increased by 31 per cent. New business margins improved, before allowing for the effects of interest rate and other economic movements, driven by a higher contribution to APE sales from Health and Protection products, which now represent 8 per cent of our bancassurance APE sales. 14 markets achieved double-digit year-on-year growth in new business profit, led by Hong Kong, Singapore, and Taiwan. We also further strengthened our bancassurance platform with new strategic partnerships in Indonesia and by launching new wealth and health and protection products.

Health new business profit grew 11 per cent to \$346 million, with growth led by Hong Kong, Singapore, and Indonesia, supported by new healthcare products, repricing initiatives, and further training and enablement of our agency force. Creating a specialist health pillar and sharing best practice across our health businesses has given us first-mover advantage on repricing, which has helped offset the effects of medical inflation.

We have achieved top quartile relationship Net Promoter Scores (rNPS) in five markets, improving from four markets in 2023, with all ten markets in which we measure rNPS now ranked in the first or second quartile. This reflects strong customer satisfaction, driven by continuous improvement in customer experience, and enhancement of our customer digital servicing platform, PRUServices, which we expect to have deployed in seven business units by the end of the first quarter of 2025.

Eastspring Investments reported strong net inflows from third parties (excluding money market funds and funds managed on behalf of M&G) of \$6.5 billion (2023: \$4.1 billion), contributing to total funds under management and advice (FUM) at 31 December 2024 of \$258 billion. The growth in FUM reflects improved investment market conditions, better investment performance, and strong in-house and external retail momentum. We see asset management as an integrated part of the Prudential franchise.

## Outlook

Our multi-channel and multi-growth model and our focus on operational delivery positions us well for 2025. We remain focused on quality growth and consistent execution of our transformation programme with 2025 marking the inflection point for growth in our gross operating free surplus generation. We expect to grow each of new business profit, basic earnings per share based on adjusted operating profit and operating free surplus generated from in-force insurance and asset management business by more than 10 per cent in 2025, all based on constant exchange rates. Based on this, we expect the dividend per share to increase by at least 10 per cent, in line with our dividend guidance.

Since announcing our strategy in 2023, we substantially reset our focus on Customer, Distribution and Health. We have been building and modernising our capabilities through targeted investments to address the historic under investment, including digitising and harmonising our core operations and infrastructure. Our investments are transforming our ways of working across all aspects of our business. We believe during 2025 and into 2026, we will further evolve our capabilities to a level that will position us strongly for accelerated growth. Looking further ahead, based on our relentless focus on writing quality new business, managing our in-force business and improving our net experience variances, we remain confident in achieving our 2027 financial and strategic objectives and generating sustainable value for our shareholders and other stakeholders.

## KEY SUMMARY FINANCIALS

### Earnings

Key summary financials	2024 \$m	2023 \$m	Change on AER basis	Change on CER basis
Adjusted operating profit	<b>3,129</b>	2,893	8 %	10 %
Adjusted operating profit after tax	<b>2,582</b>	2,449	5 %	7 %
Basic earnings per share based on adjusted operating profit* (cents)	<b>89.7</b>	89.0	1 %	2 %
IFRS profit after tax	<b>2,415</b>	1,712	41 %	43 %
Basic earnings per share based on IFRS profit after tax* (cents)	<b>84.1</b>	62.1	35 %	37 %

### Value

Key summary financials	2024 \$m	2023 \$m	Change on AER basis	Change on CER basis (and for NBP only excluding interest rate and other economic movements)
APE sales	<b>6,202</b>	5,876	6 %	7 %
Present value new business premiums (PVNBP)	<b>30,612</b>	28,737	7 %	8 %
New business profit (EEV)	<b>3,078</b>	3,125	(2) %	11 %
New business margin (% APE)	<b>50</b>	53	(3)ppts	2ppts
Life weighted premium income	<b>25,409</b>	24,001	6 %	7 %
Group EEV equity*	<b>44,218</b>	45,250	(2) %	n/a
Group EEV equity per share (US\$)*	<b>16.64</b>	16.43	1 %	n/a
EEV operating profit	<b>4,828</b>	4,546	6 %	7 %
Operating return on embedded value (%)	<b>12</b>	12	-ppts	n/a
Group EEV per share (\$)*	<b>16.36</b>	16.15	1 %	n/a
Eastspring funds under management / advice (\$bn)	<b>258.0</b>	237.1	9 %	n/a

### Capital

Key summary financials	2024 \$m	2023 \$m	Change on AER basis
IFRS shareholders' equity*	<b>17,492</b>	17,823	(2) %
IFRS shareholders' equity per share (US\$)*	<b>6.58</b>	6.47	2 %
Operating return on IFRS shareholders' equity (%)*	<b>14</b>	14	-ppts
Adjusted total comprehensive equity* #	<b>36,660</b>	37,346	(2) %
Operating free surplus generated from in-force insurance and asset management business	<b>2,642</b>	2,740	(4) %
Free surplus excluding distribution rights and other intangibles*	<b>8,604</b>	8,518	1 %
Free surplus ratio (%)	<b>234</b>	242	(8)ppts
Group leverage ratio (Moody's basis) (%)	<b>13</b>	14	(1)ppts
Shareholders GWS coverage ratio over GPCR (%)	<b>280</b>	295	(15)ppts
Total GWS coverage ratio over GPCR (%)	<b>203</b>	197	6ppts
Dividend per share (cents)	<b>23.13</b>	20.47	13 %

\* Presented after deduction of non-controlling interests. For 2024 non-controlling interests include the 49 per cent non-controlling interest in our conventional life business in Malaysia.

# Includes IFRS shareholders' equity and contractual service margin net of tax and other adjustments. See "Definitions of Performance Metrics" in our Annual Results Document for further information.

### Notes

The summary financials presented above are the key financial metrics Prudential's management use to assess and manage the performance and position of the business. In addition to the metrics prepared in accordance with IFRS standards - IFRS profit after tax and IFRS shareholders' equity - additional metrics are prepared on alternative bases. The presentation of these key metrics is not intended to be considered as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS Standards. The definitions of the key metrics we use to discuss our performance in this press release are set out in the "Definition of performance metrics" section in our Annual Results Document, including, where relevant, references to where these metrics are reconciled to the most directly comparable IFRS measure.

Further information on actual and constant exchange rate bases is set out in note A1 of the IFRS financial statement. All results are presented in US dollars.

### **Annual Results Document**

Prudential plc's results for the year ended 31 December 2024 are available to view on the Prudential corporate website at <https://www.prudentialplc.com/investors> and have been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

We will announce our **Full Year 2024 Results** on Thursday, 20 March HKT | Wednesday, 19 March 2025 UKT & ET.

Please note the impact of time zones on the announcement date for your particular location.

Please find key details below:

#### **Announcement publication**

- Hong Kong Stock Exchange & Financial Media: 6.00am HKT, Thursday 20 March | 10.00pm UKT – 6.00pm ET, Wednesday 19 March
- London Stock Exchange: 3:00pm HKT | 7:00am UKT | 3.00am ET, Thursday 20 March

#### **Pre-Recorded Results Presentation**

- A pre-recorded presentation for analysts and investors will be available on-demand from 6.00am HKT, on Thursday 20 March | 10.00pm UKT – 6.00pm ET, on Wednesday 19 March via this link: <https://www.investis-live.com/prudential/67a38013bd0e0d0014d7b5de/japeht>
- A copy of the presentation script will also be available on Prudential plc's website at the same time.

#### **Virtual Q&A Event for Analysts & Investors**

Date: Thursday, 20 March 2025

Time: 4.30pm HKT | 8.30am UKT | 4.30am ET

#### **How to Join:**

**Listen to the audio webcast online & Submit Questions:** <https://www.investis-live.com/prudential/67a382b40164ff000f7d4206/lqpmk>

The audio webcast will be available for replay using the same link.

#### **Dial-in to Listen & Ask Questions:**

- Dial-in Numbers:
  - Hong Kong: +852 5803 3413
  - Hong Kong Freephone: +852 800 908 350
  - China: +86 21 8036 9402
  - UK & International: +44 (0) 20 3936 2999
  - UK Freephone: 0800 358 1035
  - Global dial-in numbers: <https://www.netroadshow.com/events/global-numbers?confId=77645>
- Access Code: **218834**
- Please join 15 minutes before the start time (lines open at 4.00pm HKT | 8.00am UKT | 4.00am ET).

#### **Post-Event Access**

Transcript: Available on Tuesday, 25 March on Prudential's results centre webpage.

Playback Facility:

- Dial: +44 (0) 20 3936 3001
- Replay Code: 279410
- Available from 9.00pm HKT | 1:00pm UKT | 9.00am ET on 20 March until 6.59am HKT on Friday, 4 April | 11.59pm UKT – 5.59pm ET on Thursday, 3 April.

For any questions, please contact us at the Investor Relations team using the details below.

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## About Prudential plc

Prudential plc provides life and health insurance and asset management in 24 markets across Asia and Africa. Prudential's mission is to be the most trusted partner and protector for this generation and generations to come, by providing simple and accessible financial and health solutions. The business has dual primary listings on the Stock Exchange of Hong Kong (2378) and the London Stock Exchange (PRU). It also has a secondary listing on the Singapore Stock Exchange (K6S) and a listing on the New York Stock Exchange (PUK) in the form of American Depositary Receipts. It is a constituent of the Hang Seng Composite Index and is also included for trading in the Shenzhen-Hong Kong Stock Connect programme and the Shanghai-Hong Kong Stock Connect programme.

Prudential is not affiliated in any manner with Prudential Financial, Inc. a company whose principal place of business is in the United States of America, nor with The Prudential Assurance Company Limited, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

<https://www.prudentialplc.com/>

## Forward-looking statements

This document contains 'forward-looking statements' with respect to certain of Prudential's (and its wholly and jointly owned businesses') plans and its goals and expectations relating to future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about Prudential's (and its wholly and jointly owned businesses') beliefs and expectations and including, without limitation, commitments, ambitions and targets, including those related to sustainability matters, and statements containing the words 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning and the negatives of such words, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty.

A number of important factors could cause actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement. Such factors include, but are not limited to:

- current and future market conditions, including fluctuations in interest rates and exchange rates, inflation (including resulting interest rate rises), sustained high or low interest rate environments, the escalation of protectionist policies, the performance of financial and credit markets generally and the impact of economic uncertainty, slowdown or contraction (including as a result of the emergence, continuation and consequences of adverse geopolitical conditions, such as political instability, unrest, war, the ongoing conflicts between Russia and Ukraine and in the Middle East, and increasing global or diplomatic tensions related to China and/or the US, as well as resulting economic sanctions and export and currency controls), which may also impact policyholder behaviour and reduce product affordability;
- asset valuation impacts from sustainability related considerations;
- derivative instruments not effectively mitigating any exposures;
- global political uncertainties, including the potential for increased friction in cross-border trade and the exercise of laws, regulations and executive powers to restrict trade, financial transactions, capital movements and/or investment;
- the policies and actions of regulatory authorities, including, in particular, the policies and actions of the Hong Kong Insurance Authority, as Prudential's Group-wide supervisor, as well as the degree and pace of regulatory changes and new government initiatives generally;
- the impact on Prudential of systemic risk and other group supervision policy standards adopted by the International Association of Insurance Supervisors, given Prudential's designation as an Internationally Active Insurance Group;
- the physical, social, morbidity/health and financial impacts of climate change and global health crises (including pandemics), which may impact Prudential's business, investments, operations and its duties owed to customers;
- legal, policy and regulatory developments in response to climate change and broader sustainability-related issues, including the development of regulations and standards and interpretations such as those relating to sustainability reporting, disclosures and product labelling and their interpretations (which may conflict and create misrepresentation risks);
- the collective ability of governments, policymakers, the Group, industry and other stakeholders to implement and adhere to commitments on mitigation of climate change and broader sustainability-related issues effectively (including not appropriately considering the interests of all Prudential's stakeholders or failing to maintain high standards of corporate governance and responsible business practices), and the challenges presented by conflicting national approaches in this regard;
- the impact of competition and fast-paced technological change;
- the effect on Prudential's business and results from mortality and morbidity trends, lapse rates and policy renewal rates;
- the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries;
- the impact of internal transformation projects and other strategic actions failing to meet their objectives or adversely impacting the Group's operations or employees;
- the availability and effectiveness of reinsurance for Prudential's businesses;
- the risk that Prudential's operational resilience (or that of its suppliers and partners) may prove to be inadequate, including in relation to operational disruption due to external events;
- disruption to the availability, confidentiality or integrity of Prudential's information technology, digital systems and data (or those of its suppliers and partners), including the risk of cyber-attacks and challenges in integrating AI tools, which may result in financial loss, business disruption and/or loss of customer services and data and harm to Prudential's reputation;
- the increased non-financial and financial risks and uncertainties associated with operating joint ventures with independent partners;
- the impact of changes in capital, solvency standards, accounting standards or relevant regulatory frameworks, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate; and
- the impact of legal and regulatory actions, investigations and disputes.

These factors are not exhaustive. Prudential operates in a continually changing business environment with new risks emerging from time to time that it may be unable to predict or that it currently does not expect to have a material adverse effect on its business. In addition, these and other important factors may, for example, result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. Further discussion of these and other important factors that could cause actual future financial condition or performance to differ, possibly materially, from those anticipated in Prudential's forward-looking statements can be found under the 'Risk Factors' heading of this document.

Any forward-looking statements contained in this document speak only as of the date on which they are made. Prudential expressly disclaims any obligation to revise or update any of the forward-looking statements contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise except as required pursuant to the UK Prospectus Rules, the UK Listing Rules, the UK Disclosure Guidance and Transparency Rules, the Hong Kong Listing Rules, the SGX-ST Listing Rules or other applicable laws and regulations.

Prudential may also make or disclose written and/or oral forward-looking statements in reports filed with or furnished to the US Securities and Exchange Commission, the UK Financial Conduct Authority, the Hong Kong Stock Exchange and other regulatory authorities, as well as in its annual report and accounts to shareholders, periodic financial reports to shareholders, proxy statements, offering circulars, registration statements, prospectuses, prospectus supplements, press releases and other written materials and in oral statements made by directors, officers or employees of Prudential to third parties, including financial analysts. All such forward-looking statements are qualified in their entirety by reference to the factors discussed under the 'Risk Factors' heading of this document.

### **Cautionary statements**

This document does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to purchase, acquire, subscribe for, sell or dispose of, any securities in any jurisdiction nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor.

# Strategic and operating review

## Relentless execution of our new strategy with measurable progress

Our purpose at Prudential – for every life, for every future – defines why we exist and the value we seek to create for all our stakeholders: our customers, our employees, our shareholders and, importantly, our communities.

This underpins the clear and simple strategy we launched in August 2023 to capture the growth opportunities from the multiple demand drivers for insurance and savings products across our markets, which we believe we are well-positioned to do. We operate a multi-market and multi-channel model entirely focused on the growing markets across Greater China, the countries within ASEAN, India and Africa. We have top three positions in ten Asian and three African markets<sup>3</sup>. We offer life and health insurance, savings and investments products across a broad range of customer segments, which represent a spectrum of income and wealth levels, and as at the year end, we serve over 18 million retail customers. Eastspring, our unique Asia-based asset management business, serves both in-house and third-party clients, has over US\$258 billion in funds under management and is ranked in the top 10 in seven of its markets<sup>5</sup>.

In 2024, we have seen many of our markets returning to the underlying growth trends seen in the period before the effect of Covid-related restrictions that applied in 2019–2022, though certain life markets, such as Vietnam and China, continue to have specific local circumstances that we believe have deferred the reassertion of these underlying trends.

We continue to execute our strategy with operational and financial discipline, and our capital position remains strong. We are making good progress in transforming our business, through changes in our operating model, integration of our technology platforms and digitising the core of our operations. In this transformation, we are prioritising: enhanced customer experiences to drive higher customer acquisitions and loyalty for lifetime value creation; technology-powered distribution with a focus on agency and bancassurance productivity and activation; and unlocking the health opportunity by disciplined implementation of best practices across all our markets. This transformation is underpinned by a consistent execution across each of our markets, with the intended outcome being to deliver the capacity for growth alongside efficient scalability and consistent operational performance so that Prudential can deliver to its full potential.

Our two key 2027 financial objectives<sup>1</sup> are as follows:

- to grow new business profit to 2027 at a compound annual growth rate of 15–20 per cent from the level achieved in 2022; and
- in 2027, to deliver at least \$4.4 billion of operating free surplus generation from in-force insurance and asset management business.

Given our performance in 2024, we continue to be confident in achieving our 2027 objectives and in accelerating the value we can bring to our shareholders.

### Key highlights<sup>2</sup>

*All growth rates in the Strategic and Operating Review are reported on a constant exchange rate basis, and for new business profit exclude interest rate and other economic movements, unless otherwise stated.*

Prudential delivered new business profit growth of 11 per cent (consistent with the guided range of 9 to 13 per cent), against a strong comparative from the prior period in Hong Kong, following the border with Mainland China reopening in 2023. This growth in new business profit is supported by a 7 per cent increase in APE sales and margin expansion.

Our performance in 2024 reflects the breadth of our markets, with new business profit growing in 18 of our 22 life markets. Our operating free surplus generation from in-force insurance and asset management business of \$2.6 billion is in line with the shape of free surplus generation we set out from 2022 to 2027.

Our multi-channel agency and bancassurance distribution platform remains substantial with an average of around 65,000 monthly active agents across the year, and we are the number one independent insurer in Asia bancassurance<sup>4</sup> with over 200 bank partners across our markets, including 11 strategic partners.<sup>5</sup>

In 2024, the first full year since the launch of our strategy, key points of progress across our strategic pillars included:

- **Customer:** We improved the functionality and consistency of our customer digital servicing platform, PRUServices. We expect to have deployed this in seven business units by the end of the first quarter of 2025 with the aim of improving customers' journeys and enabling real-time customer feedback. We continue to leverage AI and data analytics to drive better customer experiences. These efforts alongside the service quality of our operations and agents have resulted in an improvement in our relationship net promoter score (rNPS) with five business units<sup>6</sup> achieving top quartile rNPS during 2024 and three other business units<sup>6</sup> moving up one quartile in 2024. All ten business units<sup>6</sup> in which we measure rNPS now rank in the first or second quartile.
- **Distribution:** We continue to add to the strength of our market-leading agency and bancassurance channels. In our agency business, we intensified our focus on high-quality recruitment with our flagship programme for full-time professional agents – PRUVenture – together with continuing to upskill our top-producing agents and agency leaders. We continued to upgrade our digital agency platform – PRUForce – to empower agents with lead management capabilities through PRULeads, our digital leads platform within PruForce. In bancassurance, the strength of our relationships with key bank partners, including strategic exclusive regional relationships with Standard Chartered and UOB, are driving growth as we work with our partners to focus on distributing health and protection business and expanding propositions for the high-net-worth segment. We have also recently entered into a new partnership with BSI, the largest Syariah bank in Indonesia, during 2024. We also deepened our distribution into the upper affluent customer base in Vietnam through a distribution agreement with HSBC. Over the next year, we will continue to leverage our strong relationships, as well as working towards integrating our products on the platforms of our key bank partners to reach new customers.

- **Health:** Our new operating model and increased strategic focus have supported growth in the health business with new business profit increasing by 11 per cent. Growth in Hong Kong, Singapore and Indonesia was supported by repricing initiatives, new healthcare products and our enhancement of our customers' healthcare journeys. We continue to build and differentiate our health capabilities by focusing on providing attractive propositions through professional agents and delivering superior service.

Our agency channel delivered a set of resilient results with new business profit of \$1.9 billion in 2024, consistent with 2023 performance, following strong growth of 75 per cent in 2023. Overall, the compound annual growth rate in new business profit over 2022–2024 was 31 per cent. Agency new business profit momentum improved in the second half of 2024, being 4 per cent higher than the same period in the prior year, compared with the (5) per cent decrease seen in the first half given the strong performance in 2023 when the Hong Kong border re-opened. This demonstrates the quality of our agency force and our ability and discipline in driving consistent growth. Overall, new business profit per active agent grew 5 per cent, with around 65,000 average monthly active agents across 2024, despite the continued operating challenges in the life insurance markets in Mainland China and Vietnam.

Bancassurance new business profit increased 31 per cent to \$872 million in 2024, supported by sales growth and positive product mix effects, with an increased proportion of APE sales being health and protection products. The growth was led by Hong Kong, Singapore and Taiwan.

Hong Kong new business profit grew by 15 per cent, driven by accelerating sales momentum during 2024 and margin enhancement, aided by an increased proportion of health and protection business. We continue to see sustained quality growth in Hong Kong and are confident in the continuation of the underlying drivers of demand from domestic and Mainland China visitors.

Mainland China's macroeconomic environment and, in particular, the substantial reduction in long-dated government bond yields, presented a key challenge for the Mainland China life industry during 2024, which we expect to continue into 2025. Nevertheless, our Mainland China joint venture grew new business profit by 7 per cent. We continue to prioritise quality and sustainable growth supported by the proactive actions taken to reposition our product portfolio and to de-risk our balance sheet.

New business profit grew 12 per cent in Singapore and 7 per cent in Indonesia. Despite 6 per cent growth in APE sales, Malaysia new business profit was down (4) per cent, following a channel mix shift in the year that led to reduced margins.

Our growth markets and other segment delivered overall 7 per cent new business growth driven by strong growth in India, Thailand, Taiwan and Africa, despite ongoing headwinds in Vietnam.

Eastspring's funds under management and advice increased by 9 per cent (on an actual exchange rate basis) from \$237.1 billion at 31 December 2023 to \$258.0 billion at 31 December 2024, reflecting large positive inflows from external retail clients and our life businesses as well as positive market movements. These more than offset third-party institutional outflows in the period and negative foreign exchange effects.

Operating free surplus generated by our in-force insurance and asset management business was \$2,642 million (2023: \$2,740 million). We continue to invest in our strategic pillars, with a total of \$0.3 billion spent out of our planned \$1 billion investment programme to date. Looking ahead, the additional contribution from new business, continuing efforts to improve the cash flow profile of new business and the actions being taken to manage down operating variances, including through increased efficiency and repricing, will support progress towards our 2027 financial objective.

Group adjusted operating profit after tax for 2024 was \$2,582 million, 7 per cent higher than 2023. IFRS profit after tax for 2024 was \$2,415 million (2023: \$1,691 million on a constant exchange rate basis, \$1,712 million on an actual exchange rate basis).

## Capital management

The Group's regulatory capital position remains strong, with an estimated shareholder surplus above the Group's Prescribed Capital Requirement (GPCR) of \$15.9 billion at 31 December 2024 (31 December 2023: \$16.1 billion on an actual exchange rate basis) and a cover ratio of 280 per cent (31 December 2023: 295 per cent).

In June 2024, the Group provided a capital management update, which reaffirmed that we would continue to prioritise investment in profitable new business at attractive returns and enhancements to our capabilities as we execute our strategy. We will pursue selective partnership opportunities to accelerate growth in our key markets. Investment decisions will be judged against the alternative of returning surplus capital to shareholders.

A total dividend of 23.13 cents per share was approved for 2024, up 13 per cent, with a 2024 second interim dividend of 16.29 cents per share.

Going forward, the Group will assess the deployment of free surplus, in the context of the Group's growth aspirations, leverage capacity and our liquidity and capital needs, in terms of the free surplus ratio. The free surplus ratio is defined as the Group's capital resources, being Group free surplus (excluding intangibles) plus the embedded value required capital of the life business, divided by the embedded value required capital of the life business.

Based on our current risk profile and our business units' applicable capital regimes, we seek to operate with a free surplus ratio of between 175 and 200 per cent. As at 31 December 2024, our free surplus ratio was 234 per cent (31 December 2023: 242 per cent). Capital in excess of 200 per cent over the medium term, if assessed to be not able to be deployed at attractive returns, will be considered for returning to shareholders, and is evidence of our strong focus on shareholder value creation and total shareholder return.

To that end, in June 2024 we announced a \$2 billion return of excess capital by way of share buybacks, through a series of tranches, which was originally expected to complete by mid-2026. We accelerated our buyback programme, which is now expected to complete by the end of 2025.

In February 2025, we announced we are evaluating a potential listing of ICICI Prudential Asset Management Company Limited, our India asset management associate, involving the partial divestment of our shares in that company, subject to market conditions, requisite approvals and other considerations, with the intention that net proceeds would be returned to shareholders.

Shareholder returns in respect of the financial year ended 2024 will be \$1.4 billion, including a share buyback of \$785 million and dividends of \$618 million.

## Progress within our three strategic pillars

### Enhancing customer experiences

At Prudential, we are relentlessly focused on serving customers well; we believe that satisfied, loyal customers help us drive higher customer lifetime value. We have been making good progress to achieve our vision of enhancing customer experience.

Our target is to be top quartile in relationship NPS (rNPS), an annual measure of how likely customers are to recommend Prudential, for all local business units, and achieve customer retention rates of 90 to 95 per cent by 2027. These two objectives reflect the strength of our commitment to customer advocacy. We are pleased to see continuous improvement in our rNPS results. In 2024, five business units<sup>6</sup> ranked top quartile and three business units moved up one quartile<sup>6</sup>. Customer retention increased by 1 per cent to 87 per cent (full year 2023: 86 per cent). We have also made strong progress against our priorities, which are to deliver:

#### – Compelling and differentiated propositions for every stage of a customer’s life

Prudential’s comprehensive product suite meets a broad range of needs across every life stage of our customers, helping them achieve their health and wealth goals. We are actively focused on developing relevant propositions to serve the unique needs of each segment across the range of life stages. In Hong Kong and Singapore, we have launched innovative Prime Eternity and PRUVantage Legacy Index products, respectively, to address the growing protection and legacy planning needs of high-net-worth (HNW) individuals, especially in the bancassurance channel. In Thailand, we enhanced our existing index-linked products to meet the needs of affluent clients that are seeking to grow their wealth to achieve their life goals and plan for their retirement.

To address health and protection needs, we continue to proactively drive awareness across segments, designing and delivering tailored products to specific target customer groups. In Malaysia, 40 per cent of APE sales for our award-winning PRUMillion Active Med were contributed from young segments (policyholders aged between 21 and 30). In Hong Kong, we launched Premier Flex Medical Plan along with our value-adding medical services to address increasing cross-border medical protection needs within the affluent segment.

#### – Seamless customer journey and experience enabled by technology and data analytics

In the first quarter of 2024, our enhanced customer digital servicing platform, PRUServices went live in Malaysia, which saw a doubling in the number of registrations compared with the previous platform. By the end of the first quarter of 2025, we expect to have deployed the enriched PRUServices to six additional business units. With the increased use of the self-service platform, customer service call volumes dropped 20 per cent compared to 2023. We are continuing to leverage AI and data analytics to drive better customer experience, such as claims processing through AI claims adjudication.

Currently, around 96 per cent of new business policies are submitted electronically with 78 per cent adopting electronic payment methods and around 74 per cent processed through auto-underwriting capabilities. We will continue to focus on transforming customer journeys through digitalisation and automation with a view to increasing straight-through processing and improving turnaround times.

#### – Building advocacy for lifetime value

We are deploying a consistent customer engagement platform to automate and personalise customer engagement in major Asia markets.

At the end of 2024, we had rolled out the platform to four business units, Thailand, Singapore, Vietnam and the Philippines, and in February 2025, we deployed to Hong Kong and to both our conventional life and Takaful businesses in Malaysia. It enables seamless and personalised engagement and communication across a customer’s preferred channel, enhancing the overall customer experience and boosting loyalty and revenue across their insurance life cycle through upsell and cross-sell.

In 2024, APE sales contributed by new-to-Prudential customers grew by 13 per cent. We will continue to nurture and enhance the value of our customer relationships by providing relevant content and enhancing lead quality through data driven insights.

### Technology-powered distribution

Prudential’s leadership in distribution is powered by highly engaged people, scalable technology and partnerships with well-known banks in Asia and Africa. Our strategy for further strengthening our distribution network is focused on two key channels – agency and bancassurance – where we continue to see promising signs of growth and innovation.

#### Agency

	2024 \$m	2023 \$m	AER change %	CER change %	CER excluding interest rate and other economic movements %
Agency new business profit	1,901	2,096	(9)	(9)	–

We are focused on building momentum in our agency channel, prioritising the recruitment and activation of quality and professional agents and enabling them to increase their productivity, income and customer satisfaction.

We remain confident in delivering our 2027 ambition of more than doubling new business profit per active agent and achieving a two-and-a-half to three times increase in agency new business profit from the 2022 level.

Agency new business profit totalled \$1,901 million and is broadly consistent with 2023 if the effects of economic movements are excluded, due in part to strong prior period growth of 75 per cent for this channel, supported by the pent-up demand from Mainland China visitors in Hong Kong after the border reopened. In comparison to 2022, new business profit was 31 per cent higher. Monthly new business profit per active agent was around \$3,000, 1.6 times higher than that achieved in 2022, supporting our objective of more than doubling 2022 new business profit per active agent in 2027. On average across 2024 we had 65,000 monthly active agents, reflecting an increase from an average of 63,000 in the first half of the year to 67,000 in the second half.

Agency new business profit momentum improved in the second half of 2024, and was 4 per cent higher than the same period in the prior year, compared with the (5) per cent decrease seen in the first half given the strong performance in 2023 when the Hong Kong border re-opened. This was underpinned by 8 per cent growth in health and protection APE sales in the second half compared with the same period in the prior year. These sales contributed 51 per cent of new business profits in the second half, driven by improved productivity as measured by sales per active agent.

We continue to make progress towards our strategic objective of delivering a high-quality technology enabled agency distribution channel. We remain focused on strategic recruitment programmes aimed at attracting talent and then supporting their success through targeted learning and development initiatives and our efforts saw new agent recruitment up 9 per cent in the year.

We are intensifying our efforts to support our top-tier agents and leaders to drive productivity improvements and hence improve their income. Our agents form the second largest agency force in the world in terms of membership of the Million Dollar Round Table (MDRT) organisation. To further enhance the capability and recognition of our top producing agents, we announced a long-term strategic global partnership with MDRT.org in February 2025. This will provide Prudential access to bespoke training and development programmes jointly developed with MDRT.org, and drive superior and personalised recognition for top producing MDRT agents. We aim to continuously develop and grow our top producing agent cohort with the support of this strategic global partnership.

Our systematic propositions aim to capture a greater share of the wallet from our affluent and high-net-worth customers, while also enhancing health and protection penetration within this customer segment. This will be empowered by our digital platform, PRUForce, which continued to support our agents in 2024. Through the PRULeads capability that is embedded in PRUForce, we generated 6 per cent year-on-year growth in leads and increased our conversion rate to 8.4 per cent, up from 8.2 per cent in 2023. We will continue to invest in PRUForce to upgrade its capabilities and provide better service and support to our agents to drive superior productivity.

Specific market-related highlights are:

- A large part of the opportunity for improving productivity and active agent count comes through efficient and effective agent recruitment and onboarding. Our flagship recruitment programme PRUVenture continued its momentum with more than 2,500 new PRUVenture recruits across the Group. APE sales generated by all PRUVenture agents increased by 34 per cent compared with 2023. This demonstrates the continued success of our strategy and validates the scaling of this programme across other markets. We will continue to build on the success of the PRUVenture programme and scale this in other markets, along with further acceleration in Hong Kong.
- We are pleased by the performance of Prudential Financial Advisors (PFA) in Singapore, with our strategy to further develop and invest in this professional sales force yielding better productivity and retention of advisers. We plan to take learnings from this distribution model into the higher-income markets and segments during 2025. PFA accounted for 16 per cent of the active headcount for Singapore. Singapore delivered 7 per cent growth in new business profit per active agent (including the effects of economics), alongside delivering 4 per cent growth in the number of active agents.
- In Indonesia, we delivered overall agency new business profit growth of 5 per cent for 2024. We maintained our disciplined pricing approach on medical products and significant agent training and education programmes, which helped increase our agency new business profit in the second half by 28 per cent compared with the same period in the prior year. We also saw a sequential increase in active agents in the second half of 44 per cent.
- In Mainland China and Vietnam, the insurance markets continue to face challenging macroeconomic conditions. These have impacted recent performance over the last two years and reduced our active agent numbers in those markets. We remain committed to drive productive, sustainable and value-focused agency models in these markets, which still provide opportunities for growth.
- We launched an AI talkbot in Singapore to support validating and enhancing the quality of leads provided to our agents. We also launched the AI talkbot in the Philippines in the second half of 2024, where we have witnessed initial success of 98 per cent of the talkbot’s validated leads being adopted by agents for follow-up actions. We aim to replicate this capability in Hong Kong, Malaysia and Vietnam in 2025.

## Bancassurance

	2024 \$m	2023 \$m	AER change %	CER change %	CER excluding interest rate and other economic movements %
Bancassurance new business profit	872	793	10	12	31

Bancassurance contributed 41 per cent of the Group’s total APE sales in 2024. It continues to be a significant source of growth and diversification for Prudential with over 200 bank partners across our markets with 11 current strategic partners, including partners in our joint ventures and associates. We remain on track to increase new business profit from bancassurance by one-and-a-half to two times the 2022 level by 2027, having recorded a strong performance in 2024. New business profit increased by 31 per cent, with 14 of the 21 markets achieving double-digit growth, led by Hong Kong, Singapore and Taiwan.

APE sales through our bancassurance channel grew 16 per cent in 2024 to \$2,532 million, with APE sales through our regional partners, Standard Chartered and UOB, growing 13 per cent and contributing over half of bancassurance APE sales in 2024. We continue to build and invest in new bank partnerships. In Indonesia, we entered into a long-term bancassurance partnership with Bank Syariah Indonesia (BSI) in 2024, which is the largest Syariah bank in the country by assets. The partnership provides access to an additional 20 million customers across 1,000 branches in Indonesia. In Thailand, the new 10-year-partnership with CIMB started in the first half of 2024 and contributed 6 per cent of Thailand’s bancassurance APE sales in 2024. In addition, we have entered into a partnership with HSBC in Vietnam.

We continue to see healthy customer acquisition across our strategic partners, with around 320,000 new customers in 2024, including a one-off transfer of around 55,000 customers in Thailand following the successful integration of UOB and Citibank. Our bank customer penetration base was 6.8 per cent, providing a solid platform for future growth. Highlights of progress towards our priorities include:

### – Increasing health and protection sales

By working closely with our bank partners and using data and analytical techniques, we have sharpened our focus on anticipating our customers’ needs. We are seeing notable results in health and protection (which includes both health business, focused on medical treatment cover and reimbursement, and other protection products such as life and critical illness policies). APE sales from health and protection products through the bancassurance channel increased by 32 per cent in 2024 – and accounted for over one in every two policies purchased from us through banks, contributing 8 per cent (2023: 7 per cent) of bancassurance APE sales.

### – Broadening our propositions to cover multiple customer segments and needs

We have broadened and deepened our solutions to cover more legacy needs for high-net-worth individuals. Examples include the new propositions in both HNW hubs in Hong Kong and Singapore referred to above in the discussion of the customer pillar. We are continuing to develop our suite of protection products and HNW products with additional features and services.

### – Engaging with customers through enhanced digital capabilities, backed by analytics

We introduced an offline-to-digital sales model that allows customers to complete insurance purchases online via an in-branch QR code. The innovation first started in Thailand, and its success was replicated in Malaysia. In Taiwan, we launched a market-first virtual financial adviser model, that enables engagement with customers remotely via video conference. This model complements the traditional face-to-face channel, enhances the insurance purchase experience as it can now be carried out at a customer's convenience and could support our efficient penetration into the broader mass market segments in our existing markets.

### – Supporting the learning and development of our bank employees

We are building and delivering education tailored for staff at our bank partners. This includes a new regional training programme for UOB and the introduction of HNW-focused training within the Standard Chartered Academy for the first time, where it is being used across the region to equip frontline staff with knowledge on HNW insurance solutions. In Singapore, we leveraged generative AI to create bite-sized, bancassurance-focused training content to support new advisors working for partner banks as part of their onboarding process. The content will be deployed more broadly to enable on-demand access.

Across agency and bancassurance, we remain focused on creating sustainable, profitable growth for Prudential, improving agency productivity and active agent count, while also supporting an exceptional customer, agent and agency leadership experience.

## Transforming the health business model

In 2024, health sales contributed \$346 million to new business profit, an increase of 11 per cent. By leveraging the power of our new health operating model, continuing to build our health capabilities and increasing the momentum around our health priorities, we are committed to achieving our ambitions to double 2022 new business profit and to deliver a top-quartile health insurance NPS in 2027.

Hong Kong, Singapore, Indonesia and Malaysia are the primary markets writing health business. All of these markets have undertaken detailed operational reviews and have implemented substantial operational changes in both premium repricing and medical cost inflation mitigation including product redesign, centralising renegotiations of supplier contracts, and reducing fraud, waste and abuse.

We are tracking health-specific rNPS across the four primary health markets with an ambition to deliver top quartile rNPS results by 2027. The baseline results in 2024 indicate that our current rNPS results for our health businesses are in the third or fourth quartile, with the exception of Malaysia Takaful, leaving significant room for improvement. In 2025, we will continue to execute against our strategy for each of our primary health markets, including new propositions, disciplined management and improved customer experience. We will also be focused on expanding our customer base in new market segments.

We believe there are substantial opportunities to continue growing the Group's health business by becoming a trusted partner to our customers and playing a much-needed coordinating role across their healthcare journeys.

We are focused on the following priorities:

- **Develop segment-specific health propositions:** Building innovative, highly segmented products to address customers' evolving healthcare needs

In July 2024, we launched a segment-specific proposition tailored to the needs of Mainland Chinese visitors in Hong Kong. This new proposition brings medical freedom for people who frequently travel between Hong Kong, Macau and Mainland China, offering comprehensive lifetime protection and access to high-quality care through over 1,500 provider relationships in Mainland China, which is now the largest network of any Hong Kong insurer in Mainland China.

- **Build a health-ready agency:** Ensuring that our agency distribution partners are supported to increase their focus on health and grow health sales

We have increased our focus on supporting the health sales capabilities of our agents. This includes training programmes, an AI agent chatbot and the launch of health-specific incentive campaigns. There is also an increased focus on the structured cross-sell of health products to existing customers. An example of this is in Singapore, where new agents benefit from a training programme which includes Integrated Shield Plan training, health sales techniques, and an initiative known as "9 in 90" where new agents are supported in selling nine policies in the first 90 days, three of which are health policies.

- **Deliver customer value through affordability:** Developing a tiered network of preferred healthcare providers, enabling enhanced control over our medical claims costs and improved health outcomes

Prudential's scale in health across Asia has created the opportunity to take a One Prudential approach to contracting with healthcare providers. In 2024, significant progress was made in improving the data visibility of our medical claims cost spend across markets at an aggregated Group level. This has led to the renegotiation of contracts and an increase in the sophistication of our capacity to guide customers into preferred sites of quality care. Across our health markets, we aim to build long-term provider partnerships, and in Indonesia, these efforts have resulted in annualised savings of more than \$30 million.

- **Enabling Connected Care:** Providing customers with a guided healthcare experience that is seamless, personalised and digitally enabled, resulting in better health outcomes and reduced medical costs

In June 2024, we initiated case management as a core component of our Connected Care strategy, aiming to guide customers with complex medical conditions through their healthcare experiences more efficiently and cost effectively. We launched this service with support from a regional partner in Indonesia first, offering personalised support through case managers or medical teams, ensuring quality and transparency in the care process. By developing and facilitating optimal treatment plans, this approach not only seeks to enhance the health outcomes for customers with chronic or acute conditions but also aims to maximise cost efficiency through guided coordination and monitoring of care pathways.

- **Delivering technical excellence:** Investing in our capabilities for health-specific claims, underwriting and the reduction of fraud, waste and abuse

Investment in tools and acquiring new talent with significant industry expertise led to an improvement in our fraud, waste and abuse detection and recovery rates in 2024. We will continue increasing our vigilance in this area, including through the application of advanced health data analytics, to protect the provision and affordability of our service to customers. Our medical underwriting and claims adjudication best practices continue to be shared across the priority markets to improve customer experience and better control our risks. An example of this in action is Prudential's partnership with Google Cloud to launch a pilot of MedLM in Malaysia and Singapore. MedLM helps us analyse documents submitted alongside health insurance claims, such as diagnostic reports, prescriptions and invoices. It supports human decision-making with its ability to extract relevant information and code it accurately for claims, helping to reduce the potential for errors caused by manual data entry, so claims can be processed faster and more accurately. The pilot is still underway, but initial results indicate a doubling of the automation rate for claims processing and significant improvements in first-time accuracy.

## Outlook

Our multi-channel and multi-growth model and our focus on operational delivery positions us well for 2025. We remain focused on quality growth and consistent execution of our transformation programme with 2025 marking the inflection point for growth in our gross operating free surplus generation. We expect to grow each of new business profit, basic earnings per share based on adjusted operating profit and operating free surplus generated from in-force insurance and asset management business by more than 10 per cent in 2025, all based on constant exchange rates. Based on this, we expect the dividend per share to increase by at least 10 per cent, in line with our dividend guidance.

We continue to focus on shareholder value creation, demonstrated by the acceleration of our \$2 billion share buyback programme (this is now expected to complete by the end of 2025 rather than our original guidance of mid 2026). In addition, we have announced that we are evaluating a potential listing of ICICI Prudential Asset Management Company Limited involving the partial divestment of our shares in that company, subject to market conditions, requisite approvals and other considerations. It is intended that following the completion of such a divestment, the net proceeds would be returned to shareholders.

Since announcing our strategy in 2023, we substantially reset our focus on Customer, Distribution and Health. We have been building and modernising our capabilities through targeted investments to address the historic under investment, including digitising and harmonising our core operations and infrastructure. Our investments are transforming our ways of working across all aspects of our business. We believe during 2025 and into 2026, we will further evolve our capabilities to a level that will position us strongly for accelerated growth. Looking further ahead, based on our relentless focus on writing quality new business, managing our in-force business and improving our net experience variances, we remain confident in achieving our 2027 financial and strategic objectives and generating sustainable value for our shareholders and other stakeholders.

## Notes

- (1) The objectives assume exchange rates at December 2022 and economic assumptions made by Prudential in calculating the EEV basis supplementary information for the year ended 31 December 2022 and are based on regulatory and solvency regimes applicable across the Group at the time the objectives were set. The objectives assume that existing EEV and free surplus methodology at December 2022 will be applicable over the period.
- (2) As in previous years, we discuss our performance in this report on a constant currency basis, unless stated otherwise. We discuss our financial position on an actual exchange rates basis, unless otherwise noted. See note A1 to the IFRS financial statements for more detail on our exchange rate presentation. All new business profit growth rates in this report are reported on a constant exchange rate basis, and excluding interest rate and other economic movements, unless otherwise stated. The definitions of the key metrics we use to discuss our performance are set out in the "Definitions of performance metrics" section later in this document.
- (3) As reported at full year 2024 unless otherwise specified. Sources include formal (eg competitors results release, local regulators and insurance association) and informal (industry exchange) market share. Ranking based on new business (APE sales, weighted new business premium, retailed weighted received premium, full year premium or weighted first year premium) or gross written premium depending on availability of data. Hong Kong ranking based on APE sales. Rankings in the case of Mainland China, Taiwan and Myanmar are among foreign insurers, while for India they are among private companies. Markets based on eleven months ended November 2024; Thailand, nine months ended September 2024; Mainland China, Hong Kong, Malaysia, Uganda (Africa), three months ended March 2024; PPMZ (Africa), and full year 2023: Laos, Zambia (Africa), Ghana (Africa), Nigeria (Africa) and Kenya (Africa).
- (4) Based on full year 2022 data from local regulators, industry associations and Prudential internal data. Estimates are based on market intelligence, if data is not publicly available.
- (5) As reported at full year 2024. Sources include local regulators, asset management association, investment data providers and research companies (eg Morningstar, Lipper). Rankings are based on total funds under management (including discretionary funds, where available) of onshore domiciled funds or public mutual funds of the respective markets.
- (6) Business units equate to legal entities in this instance.

# Financial review

## Delivering value, earnings and cash

Prudential has continued to make progress in the execution of the strategy we set out in 2023, and we continue to have confidence in the achievement of our 2027 financial objectives. Our financial performance over 2024 reflects our operational progress, which is further supported by our active and highly disciplined capital allocation approach.

We report our financial progress through our three key financial performance indicators of new business profit, IFRS adjusted operating profit and operating free surplus generation. New business profit increased by 11 per cent, excluding economic effects, following growth of 47 per cent in 2023 measured on the same basis. Adjusted operating profit before tax was \$3,129 million in 2024, a growth of 10 per cent over the prior year on a constant exchange rate basis. Operating free surplus generated from in-force insurance and asset management business declined by (2) per cent to \$2,642 million largely reflecting the monetisation in 2024 of lower sales in prior years especially those in 2019–2022, which were affected by Covid-related restrictions. In addition, we invested in improving operational delivery and serving our customers' needs, including \$175 million representing this year's part of our \$1 billion investment programme.

Our capital position remains strong and capital generation is in line with our expectations. Supported by a clear and disciplined capital allocation policy, the Group is well positioned, with considerable financial flexibility including leverage capacity, to take advantage of the growth opportunities ahead, notwithstanding continued uncertainty in terms of macroeconomic and political development and, in certain markets, consumer sentiment.

In 2024, we allocated capital to investing in new business at attractive rates of return as well as developing our customer, distribution, health and technology capabilities in line with our strategy. In June 2024, consistent with our capital allocation framework, we announced a US\$2 billion share buyback programme to return capital to shareholders. We completed the first tranche of this programme and commenced our second tranche in December 2024, effectively accelerating our buyback programme. This is now expected to complete by the end of 2025. As at 31 December 2024, a total of \$785 million has been returned to shareholders under this programme.

We have also announced in February 2025 that we are evaluating a potential listing of ICICI Prudential Asset Management Company, our India asset management associate in which we hold 49 per cent. In line with our focus on shareholder value, this would include the partial divestment of our shares in that company, subject to market conditions, requisite approvals and other considerations, with the intent to return the net proceeds to shareholders.

During 2024, the macroeconomic environment remained volatile over the year characterised by generally positive equity market developments and significant variations in the directional levels of government bond yields. The MSCI Asia excluding Japan equity index grew by 10 per cent, the Hang Seng index in Hong Kong increased by 18 per cent and the CSI 300 in Mainland China increased by 17 per cent. In the US, while the S&P 500 index increased by 23 per cent, the Nasdaq composite increased by 29 per cent. While government bond yields in Mainland China fell in the year, yields in many of our other Asian markets increased, and the US 10-year yield increased to 4.7 per cent, from 3.9 per cent at the end of 2023. The movement in US rates is particularly relevant for the financial outcomes in Hong Kong and Singapore, which are our two largest sources of new business profit and adjusted operating profit.

In July 2024, the Federal Court of Malaysia overturned the previous rulings of the High Court and the Court of Appeal in Prudential's favour in an ongoing series of litigation with a minority partner. While the Group has continued to consolidate the business of Prudential Assurance Malaysia Berhad (PAMB), which remains a subsidiary controlled by the Group, it has now reflected a 49 per cent non-controlling interest at 31 December 2024. Previously, the Group had consolidated a 100 per cent economic interest, and comparatives are presented on this basis. The decision has no impact on the business of PAMB at an operational level, and further details are set out in the notes to the financial statements.

We comment on our performance below in local currency terms (expressed on a constant exchange rate basis) to show the underlying business trends in periods of currency movement. We discuss our financial position on an actual exchange rates basis, unless otherwise noted. The definitions of the key metrics we use to discuss our performance in this report are set out in the 'Definitions of performance metrics' section later in this document.

In 2025, we will be converting to Traditional Embedded Value (TEV) reporting from the first quarter and EEV reporting will cease. The change will improve the comparability of our external reporting to our key peers and will reduce the economic volatility seen in our embedded value reporting, with a view to improving the transparency of underlying growth in new business profit and embedded value. In the discussion below, all EEV new business profit growth rates and changes in new business margin have been stated to exclude interest rate and other economic movements, unless otherwise noted.

New business profit was \$3,078 million, representing an increase of 11 per cent, driven by increased APE sales and pricing actions, together with a greater proportion of health and protection business. Growth was led by Hong Kong and Singapore and we saw growth in 18 of our 22 markets. After taking into account the impact of interest rate and other economic movements, new business profit was stable compared with the prior year.

Group EEV operating profit increased by 7 per cent to \$4,828 million, largely due to higher profits from in-force insurance business and, at Eastspring, our asset management business. The operating return on embedded value<sup>1</sup> was 12 per cent, consistent with the prior year, despite an increase in the minority interest of our Malaysian conventional life business as discussed above. After allowing for this change, together with payment of the external dividend, share repurchases and buybacks and economic effects, such as changes in interest rates and currency movements, Group EEV equity at 31 December 2024 was \$44.2 billion (31 December 2023: \$45.3 billion on an actual exchange rate basis). Following the share buyback, Group EEV equity per share was up 1 per cent at 1,664 cents per share (31 December 2023: 1,643 cents per share on an actual exchange rate basis).

The operating free surplus generated from in-force insurance and asset management business during the period was \$2,642 million, down (2) per cent when compared to the prior year. This largely reflects the delayed impact on operating free surplus from slower new business sales during the past periods affected by Covid-related restrictions. The development in 2024 was in line with the shape of the cash flows we expected to generate in advance of 2027, with early years reflecting both our investment in capabilities and the stage of our transformation. Looking ahead, we expect that the additional contribution from new business, continuing efforts to improve the cash profile of new business and improving operating variances will support progress towards our 2027 financial objective.

Investment in new business of \$(700) million (2023: \$(722) million) reflects the impact of higher APE sales, offset by the benefit from changes to product mix and pricing effects. Our focus on quality, with a high proportion of health and protection, has increased new business profit margins by 2 percentage points. We have written business with aggregate IRRs of greater than 25 per cent, based on EEV required capital, an average payback period of less than four years and an improved cash profile. Using the required capital at the mid-point of our free surplus ratio operating range of 175 per cent to 200 per cent, aggregate IRRs remain above 25 per cent.

After investment in new business, operating free surplus generated from life and asset management business reduced to \$1,942 million (2023: \$1,984 million). Of this, \$1,383 million was remitted to the Group holding company.

As noted above, in 2025, starting with the Q1 new business announcement, we will convert to reporting under TEV. This has no impact on the Group's strategy, capital, free surplus or dividend position. In addition, our 2027 objectives<sup>7</sup> remain unchanged, namely to deliver a compound average growth rate of 15–20 per cent for new business profit over 2022–2027 (from a revised 2022 TEV base of \$1.7 billion) and operating free surplus generated from in-force insurance and asset management business in 2027 of at least \$4.4 billion. TEV new business profit for 2024 grew 11 per cent to \$2.5 billion on a like-for-like basis<sup>2</sup>. Operating return on embedded value was 14 per cent in line with our expectations and Group TEV equity was 1,289 cents per share. More details on our TEV results, alongside details of the methodology and assumptions, are set out later in this document in section III of the additional financial information.

Earnings per share based on adjusted operating profit were 89.7 cents (2023: 87.8 cents) the amount in 2024 is after deducting the non-controlling interest in PAMB, as described above. This reflects Group adjusted operating profit of \$3,129 million, up 10 per cent in 2024, driven by increased contributions from both our insurance business and Eastspring, our asset management business. The Group's total IFRS profit after tax for the period was \$2,415 million (2023: \$1,691 million on a constant exchange rate basis, \$1,712 million on an actual exchange rate basis). The improvement largely reflects improved operating earnings and a moderation in the effects of short-term fluctuations in interest rates.

The contractual service margin (CSM) is the principal source of our IFRS 17 insurance business adjusted operating profit. Using a longer-term normalised return for variable fee approach (VFA) business, the unwind and new business contribution would have exceeded the release in the period by \$2.0 billion, equivalent to a net increase of 9 per cent in the CSM compared with the start of year position. This increase from new business and unwind was partially offset by negative economic variances and exchange rate movements resulting in a 5 per cent increase in the CSM. Adjusted CSM<sup>3</sup>, net of reinsurance and tax, at 31 December 2024, was \$19.2 billion which, combined with shareholders' equity, resulted in adjusted total comprehensive equity of \$36.7 billion. This is equivalent to 1,379 cents per share (31 December 2023: \$37.3 billion and 1,356 cents per share on an actual exchange rate basis).

The Group's regulatory capital position, free surplus and central liquidity positions remain strong. The Group's core structural debt is unchanged at \$3.9 billion. Prudential seeks, now and in the future, to maintain its current AA- financial strength rating with applicable credit rating agencies, which derives, in part, from its high level of financial flexibility to issue debt and equity instruments. Prudential has substantial headroom to issue debt while remaining within the guidelines set by the credit rating agencies for its current rating.

The Group capital adequacy requirements compare the total eligible Group capital resources with the Group's Prescribed Capital Requirement (GPCR) and form the starting basis of our free surplus reporting. At 31 December 2024, the estimated shareholder surplus above the GPCR was \$15.9 billion (31 December 2023: \$16.1 billion on an actual exchange rates basis) and cover ratio 280 per cent (31 December 2023: 295 per cent).

The Group's central liquidity position was \$2.9 billion at 31 December 2024 (31 December 2023: \$3.5 billion), with the reduction over the year from unusually high levels, reflecting the return of excess capital to shareholders through the ongoing buyback programme.

The Group assesses the deployment of free surplus, in the context of the Group's growth aspirations, leverage capacity and our liquidity and capital needs in terms of the free surplus ratio. Based on our current risk profile and our business units' applicable capital regimes, we seek to operate with a free surplus ratio of between 175–200 per cent. Our free surplus ratio as at 31 December 2024 was 234 per cent (31 December 2023: 242 per cent). Where the business consistently exceeds a free surplus ratio of 200 per cent over the medium term, then consideration will be made as to returning that excess capital to shareholders.

The Group's dividend policy is unchanged and described later in this report. For 2024, recognising the strong conviction we have in the Group's strategy, when determining the annual dividend, the Board has looked through the investments in new business and investments in capabilities and has approved a second interim dividend of 16.29 cents per share (2023: 14.21 cents per share, up 15 per cent). When this is combined with the first interim dividend, the Group's total 2024 dividend is 23.13 cents per share (2023: 20.47 cents per share), an increase of 13 per cent.

A scrip dividend alternative was offered in respect of the 2024 first interim dividend to support the development of liquidity in the trading of the Group's shares on the Hong Kong Stock Exchange. The scrip dividend alternative involved the issuance of new ordinary shares on the Hong Kong line only and the dilutive effect was neutralised by a share repurchase on the London line. The scrip dividend alternative will be offered going forward.

We believe that the Group's performance during the year positions us well as we implement the new strategy, to meet our financial objectives to grow new business profit and, consequently, in-force insurance and asset management operating free surplus generated, as detailed in the Strategic and operating review.

## IFRS profit

	Actual exchange rate			Constant exchange rate	
	2024 \$m	2023 \$m	Change %	2023 \$m	Change %
Mainland China	363	368	(1)	362	–
Hong Kong	1,069	1,013	6	1,018	5
Indonesia	268	221	21	212	26
Malaysia	338	305	11	304	11
Singapore	693	584	19	587	18
Growth markets and other	688	746	(8)	713	(4)
<b>Insurance business</b>	<b>3,419</b>	<b>3,237</b>	<b>6</b>	<b>3,196</b>	<b>7</b>
Asset management	304	280	9	277	10
<b>Total segment profit</b>	<b>3,723</b>	<b>3,517</b>	<b>6</b>	<b>3,473</b>	<b>7</b>
<b>Other income and expenditure</b>					
Net investment return and other items	21	(21)	n/a	(21)	n/a
Interest payable on core structural borrowings	(171)	(172)	1	(172)	1
Corporate expenditure	(237)	(230)	(3)	(230)	(3)
<b>Other income and expenditure</b>	<b>(387)</b>	<b>(423)</b>	<b>9</b>	<b>(423)</b>	<b>9</b>
Restructuring and IFRS 17 implementation costs	(207)	(201)	(3)	(201)	(3)
<b>Adjusted operating profit before tax</b>	<b>3,129</b>	<b>2,893</b>	<b>8</b>	<b>2,849</b>	<b>10</b>
<b>Non-operating items:</b>					
Short-term interest rate and other market fluctuations	(105)	(774)	(86)	(756)	(86)
Loss attaching to corporate transactions	(71)	(22)	n/a	(22)	n/a
<b>Profit for the year before tax</b>	<b>2,953</b>	<b>2,097</b>	<b>41</b>	<b>2,071</b>	<b>43</b>
<b>Adjusted operating profit before tax</b>	<b>3,129</b>	<b>2,893</b>	<b>8</b>	<b>2,849</b>	<b>10</b>
Tax on operating items	(547)	(444)	(23)	(437)	(25)
<b>Adjusted operating profit after tax</b>	<b>2,582</b>	<b>2,449</b>	<b>5</b>	<b>2,412</b>	<b>7</b>
Short-term interest rate and other market fluctuations	(105)	(774)	(86)	(756)	(86)
Loss on corporate transactions	(71)	(22)	n/a	(22)	n/a
Tax credit attributable to items above	9	59	(85)	57	(84)
<b>Profit for the year after tax</b>	<b>2,415</b>	<b>1,712</b>	<b>41</b>	<b>1,691</b>	<b>43</b>

## IFRS earnings per share

	Actual exchange rate			Constant exchange rate	
	2024	2023	Change %	2023	Change %
	Before adjustment to non-controlling interest	Adjustment to non-controlling interest	Total		
Basic earnings per share based on adjusted operating profit after tax	94.7¢	(5.0)¢	89.7¢	89.0¢	1
Basic earnings per share based on IFRS profit after tax	89.4¢	(5.3)¢	84.1¢	62.1¢	35

Adjusted operating profit reflects that the assets and liabilities of our insurance businesses are held for the longer term and the Group believes that the trends in underlying performance are better understood if the effects of short-term fluctuations in market conditions, such as changes in interest rates or equity markets, are excluded.

Group IFRS adjusted operating profit was \$3,129 million, an increase of 10 per cent, reflecting a 7 per cent increase in profits from our long-term insurance business and a 10 per cent increase in adjusted operating profit generated by Eastspring, our asset management business. Central costs were broadly stable.

Earnings per share, based on adjusted operating profit, net of tax and non-controlling interest, were 89.7 cents (2023: 87.8 cents using a constant exchange rate). For 2024, the adjusted operating profit figure used in the calculation of this measure reflects the adjustment made to non-controlling interests as a result of a Federal Court ruling in July 2024 over the ownership of the Malaysia conventional life business, as discussed at the start of the Financial review. Before this adjustment, the equivalent figure would have been 94.7 cents, an increase of 8 per cent.

Detailed discussion of IFRS financial performance by segment, including the detailed analysis of asset management business, is presented in the section 'Segment discussion'.

## Adjusted operating profit after tax

The table below sets the Group's adjusted operating profit after tax by segment as described in note B3.2 of the IFRS financial results.

	Actual exchange rate			Constant exchange rate	
	2024 \$m	2023 \$m	Change %	2023 \$m	Change %
Mainland China <sup>4</sup>	363	368	(1)	362	–
Hong Kong	971	942	3	947	3
Indonesia	218	172	27	165	32
Malaysia <sup>4</sup>	264	237	11	236	12
Singapore	594	493	20	495	20
Growth markets and other <sup>4</sup>	531	594	(11)	568	(7)
<b>Insurance business</b>	<b>2,941</b>	<b>2,806</b>	<b>5</b>	<b>2,773</b>	<b>6</b>
Asset management	275	254	8	251	10
<b>Total segment profit</b>	<b>3,216</b>	<b>3,060</b>	<b>5</b>	<b>3,024</b>	<b>6</b>
<b>Other (including central items and restructuring costs)</b>	<b>(634)</b>	<b>(611)</b>	<b>4</b>	<b>(612)</b>	<b>4</b>
<b>Adjusted operating profit after tax</b>	<b>2,582</b>	<b>2,449</b>	<b>5</b>	<b>2,412</b>	<b>7</b>

## Insurance business analysis of operating profit drivers

The table below sets out the key drivers of the Group's adjusted operating profit for the insurance business as described in note B1.3 of the IFRS financial results.

	Actual exchange rate			Constant exchange rate	
	2024 \$m	2023 \$m	Change %	2023 \$m	Change %
Adjusted release of CSM <sup>5</sup>	2,333	2,205	6	2,177	7
Release of risk adjustment	268	218	23	215	25
Experience variances	(81)	(118)	31	(115)	30
Other insurance service result	(68)	(109)	38	(108)	37
<b>Adjusted insurance service result</b>	<b>2,452</b>	<b>2,196</b>	<b>12</b>	<b>2,169</b>	<b>13</b>
Net investment result on longer-term basis	1,146	1,241	(8)	1,224	(6)
Other insurance income and expenditure	(89)	(122)	27	(120)	26
Share of related tax charges from joint ventures and associates	(90)	(78)	(15)	(77)	(17)
<b>Insurance business</b>	<b>3,419</b>	<b>3,237</b>	<b>6</b>	<b>3,196</b>	<b>7</b>

The release of CSM is the principal source of our IFRS 17 insurance business adjusted operating profit. The adjusted CSM release<sup>5</sup> in 2024 of \$2,333 million (2023: \$2,177 million) equates to an annualised release rate of 9.5 per cent (2023: 9.5 per cent).

The release of the risk adjustment of \$268 million (2023: \$215 million) represents the run-off of non-market risk in the year as policies move closer to maturity. As expected, this release is a relatively stable proportion of the opening balance as compared with the corresponding rate in the prior year.

Experience variances of \$(81) million (2023: \$(115) million) largely comprise expense variances reflecting the investment in our strategic pillars consistent with our strategy. More widely, 2024 has seen improving experience against our expectations, particularly in Indonesia.

The other insurance service result of \$(68) million (2023: \$(108) million) primarily reflects the small losses on contracts that are described under IFRS 17 as 'onerous', either at inception or because changes in the period result in the CSM being exhausted. It does not mean these contracts are not profitable overall as the CSM does not allow for real-world returns, which are earned over time.

The net investment result of \$1,146 million (2023: \$1,224 million) largely reflects the long-term return on assets backing shareholders' equity within the life businesses and long-term spreads on business not accounted for under the variable fee approach.

Other income and expenditure of \$(89) million (2023: \$(120) million) mainly relates to expenses that are not directly related to an insurance contract as defined under IFRS 17.

## Movement in contractual service margin

The CSM balance represents a discounted stock of unearned profit, which will be released over time as services are provided. This balance increases due to additions from profitable new business contracts sold in the period and the unwind of the in-force book. It is also updated for any changes in expected future profitability, where applicable, including the effect of short-term market fluctuations for business measured using the variable fee approach. The release of the CSM, which is the main driver of adjusted operating profit, is then calculated after allowing for these movements.

In a normalised market environment, if the contribution from new business and the unwind of the CSM balance is greater than the rate at which services are provided, then the CSM balance will increase. The new business added to the CSM will, therefore, be an important factor in building the CSM, and we expect the compounding effect from the new business added to the CSM over time to support growth in IFRS 17 adjusted operating profit in the future.

The table below sets out the movement of CSM over the period.

## Contractual service margin net of reinsurance

	Actual exchange rate	
	2024 \$m	2023 \$m
<b>CSM at 1 January (net of reinsurance)</b>	<b>21,012</b>	19,989
New contracts in the year	2,596	2,348
Unwind*	1,731	1,563
<b>Balance before variances, effect of foreign exchange and CSM release</b>	<b>25,339</b>	23,900
Economic and other variances	(671)	(619)
<b>Balance before release</b>	<b>24,668</b>	23,281
Release of CSM to income statement	(2,352)	(2,208)
Effect of movements in exchange rates	(356)	(61)
<b>CSM at 31 December (net of reinsurance)</b>	<b>21,960</b>	21,012
CSM relating to reinsurance attributable to policyholders	789	1,367
Related deferred tax adjustments <sup>#</sup>	(2,604)	(2,856)
Less non-controlling interests	(977)	–
<b>Adjusted CSM at 31 December (net of reinsurance)</b>	<b>19,168</b>	19,523

\* The unwind of CSM presented in this table reflects the accretion of interest on general measurement model contracts, as presented in note C3.3 to the IFRS financial results, together with the unwind of the CSM related to variable fee approach contracts on a long-term normalised basis. This differs from the presentation in note C3.3 to the IFRS financial results by reallocating \$1,410 million from economic and other variances to unwind.

<sup>#</sup> CSM is presented gross of tax and so this is to allow for tax on the future profits contained in the CSM.

Profitable new business in 2024 grew the CSM by \$2,596 million (2023: 2,348 million on an actual exchange rate basis), which combined with the unwind of the CSM balance shown in the table above of \$1,731 million (2023: \$1,563 million), increased the CSM by \$4,327 million (2023: \$3,911 million). This increase exceeded the release of the CSM to the income statement in the period, which was \$(2,352) million (2023: \$2,208 million), demonstrating the strength of our franchise and its ability to deliver future growth in CSM and ultimately adjusted operating profit.

Other movements in the CSM reflect economic and other variances to update the CSM for changes in expected future profitability including the impact of short-term market effects of business accounted for under the variable fee approach. Movements in exchange rates had a negative impact of \$(356) million on the closing CSM. Overall the CSM grew by 5 per cent, or 9 per cent excluding the effect of economic and other variances and exchange rates.

### Other income and expenditure

Central costs (before restructuring and IFRS 17 implementation costs) were 9 per cent lower in 2024 as compared to the prior year, reflecting continued control of head office and finance costs, and increased investment income on Group treasury balances. Interest payable on core structural borrowings remained broadly constant at \$(171) million (2023: \$(172) million). Total head office expenditure was \$(237) million (2023: \$(230) million). Net investment return and other items improved by \$42 million from increased investment returns on Group treasury balances following the increase in US dollar interest rates.

Restructuring costs of \$(207) million (2023: \$(201) million) reflect the costs incurred to enhance back-office efficiency and Eastspring's operating model, partially offset by declining costs to embed IFRS 17 across our business. From the end of 2024, restructuring costs are expected to revert over time to the lower levels typically incurred historically.

### IFRS basis non-operating items

Non-operating items in the year consist of negative short-term interest rate and other market fluctuations of \$(105) million (2023: \$(756) million) and \$(71) million of costs associated with corporate transactions (2023: \$(22) million).

The short-term fluctuations in 2024 are largely driven by interest rate movements in the year. For many of our markets, interest rates have risen, which has had a small, overall negative impact following falls in bond values and increases in the discount rates applied to the future cash flows of our insurance contracts classified as General Measurement Model (GMM). Movements in these contract values are included in the income statement. In FY23, the losses largely arose in Mainland China, following falling interest rates on a largely GMM portfolio. While FY24 has seen further falls in interest rates in Mainland China, improvements in equity markets alongside the actions taken by the Group to manage interest rate risk have reduced the size of these losses.

### IFRS effective tax rates

In 2024, the effective tax rate on adjusted operating profit was 17 per cent (2023: 15 per cent). The increase from the 2023 effective tax rate primarily reflects the recognition in 2023 of a deferred tax asset in relation to historical UK tax losses, which reduced the 2023 effective tax rate by 2 per cent.

The effective tax rate on total IFRS profit in 2024 was 18 per cent. This was unchanged from 2023.

In 2024, the new OECD global minimum tax rules took effect in a small number of jurisdictions relevant to Prudential. No tax arose under the new tax rules for these jurisdictions in 2024. The global minimum tax rules will apply to the whole Prudential Group once they are implemented in Hong Kong, where implementation is on track to take effect in 2025. The rules are complex and the outcome in any period will depend on investment market conditions in that period. Management's assessment is that in periods where investment returns are in line with, or below, long-term expected returns, there should be no material impact from the new tax rules.

## Total tax contributions

The Group continues to make significant tax contributions in the jurisdictions in which it operates, with \$1,086 million remitted to tax authorities in 2024. This was higher than the equivalent amount of \$969 million remitted in 2023 (on an actual exchange rate basis), principally due to higher withholding tax on investment income and higher corporate tax payments.

## Tax strategy

The Group publishes its tax strategy annually which, in addition to complying with the mandatory UK (Finance Act 2016) requirements, also includes a number of additional disclosures that provide insight into the Group's tax contributions. An updated version of the tax strategy, including 2024 data, will be available on the Group's website before 31 May 2025.

## Value

New business profit was up 11 per cent, excluding the impact of economics, to \$3,078 million, driven by increased APE sales and positive pricing and product mix effects. Growth was led by Hong Kong with growth in 18 of our 22 markets on this basis. After the impact of interest rate and other economic movements, new business profit was stable compared with the prior year.

## Segment APE, NBP and margin

	2024 \$m		2023 \$m		AER change %		CER change %			New business margin	
	APE sales	New business profit	APE sales	New business profit	APE sales	New business profit	APE sales	NBP including economics	NBP excluding economics*	2024	2023
Mainland China	464	111	534	222	(13) %	(50) %	(12) %	(49) %	7 %	24 %	42 %
Hong Kong	2,063	1,438	1,966	1,411	5 %	2 %	5 %	2 %	15 %	70 %	72 %
Indonesia	262	145	277	142	(5) %	2 %	(2) %	6 %	7 %	55 %	51 %
Malaysia	406	160	384	167	6 %	(4) %	6 %	(4) %	(4) %	39 %	43 %
Singapore	870	557	787	484	11 %	15 %	10 %	15 %	12 %	64 %	61 %
Growth markets and other	2,137	667	1,928	699	11 %	(5) %	16 %	– %	7 %	31 %	36 %
Total	6,202	3,078	5,876	3,125	6 %	(2) %	7 %	– %	11 %	50 %	53 %

\* Change in new business profit excluding the effect of interest rate and other economic movements.

Our new business mix continues to reflect our focus on quality and our higher margin products, with 41 per cent of new business profit arising from health and protection business (2023: 40 per cent), 39 per cent from non-participating contracts (2023: 43 per cent), 15 per cent from participating business (2023: 13 per cent) and the remainder from linked business.

Detailed discussion of new business performance by segment, including the detailed analysis of asset management business, is presented in the section 'Segment discussion'.

## EEV basis results

### EEV financial results

	Actual exchange rate			Constant exchange rate	
	2024 \$m	2023 \$m	Change %	2023 \$m	Change %
New business profit	3,078	3,125	(2)	3,093	–
Profit from in-force business	2,095	1,779	18	1,790	17
<b>EEV operating profit from insurance business</b>	<b>5,173</b>	4,904	5	4,883	6
Asset management	275	254	8	251	10
Other income and expenditure	(620)	(612)	(1)	(612)	(1)
<b>EEV operating profit for the year</b>	<b>4,828</b>	4,546	6	4,522	7
Non-operating results	(1,967)	(834)	n/a	(824)	n/a
<b>Profit for the year</b>	<b>2,861</b>	3,712	(23)	3,698	(23)
External cash dividends	(552)	(533)			
Share repurchases/buybacks	(878)	–			
Adjustment to non-controlling interests	(1,703)	–			
Foreign exchange movements	(639)	(134)			
Other movements	(121)	21			
<b>Net (decrease) increase in Group EEV equity</b>	<b>(1,032)</b>	3,066			
Group EEV equity at 1 Jan	45,250	42,184			
Group EEV equity at end of year	44,218	45,250			
% Operating profit/opening EEV shareholders' equity excluding goodwill and intangibles*	12%	12%			

\* This new definition replaces the approach based on average EEV used in prior years to improve comparability with peers. For further details on the return on EEV calculation, see section II(ix) Calculation of alternative performance measures: Calculation of return on embedded value within the Additional Information section of this report.

<b>Group EEV equity</b>	31 Dec 2024 \$m	31 Dec 2023 \$m
Represented by:		
Mainland China	2,596	3,038
Hong Kong	17,882	17,702
Indonesia	1,487	1,509
Malaysia	4,112	3,709
Singapore	8,823	7,896
Growth markets and other	8,177	7,734
Non-controlling interests' share of embedded value	(1,943)	(60)
<b>Embedded value from insurance business excluding goodwill</b>	<b>41,134</b>	41,528
Asset management and other excluding goodwill	2,348	2,955
<b>Group EEV</b>	<b>43,482</b>	44,483
Goodwill attributable to equity holders	736	767
<b>Group EEV equity</b>	<b>44,218</b>	45,250
Group EEV equity per share	1,664¢	1,643¢

Group EEV operating profit increased by 7 per cent to \$4,828 million, reflecting a 6 per cent increase in the operating profit for the insurance business, a 10 per cent increase in the operating profit for the asset management business and stable central costs. The operating return on opening Group EEV equity was 12 per cent (2023: 12 per cent).

The operating profit from the insurance business increased to \$5,173 million, reflecting a 17 per cent increase in in-force business profit to \$2,095 million. The profit from in-force business is driven by the expected return and the effects of operating assumption changes and experience variances. The expected return was 13 per cent higher at \$2,365 million, reflecting both a higher opening balance to which the expected return is applied, given the growth in the business in 2023, and higher interest rates. Operating assumption changes and experience variances were negative \$(270) million on a net basis compared with \$(310) million in 2023 on a constant exchange rate basis.

The non-operating loss of \$(1,967) million (2023: loss of \$(824) million on a constant exchange rate basis) was largely driven by higher interest rates in several of our markets during the year, with the higher risk discount rate reducing the value of future profits more than the benefit from higher assumed future investment returns. The inverse is true in Mainland China, where interest rates have fallen and there is an adverse impact from the consequential change in the assumptions for future investment returns. This has been partially offset by actions taken by the Group to mitigate the effect of falling interest rates.

Overall, after reflecting adjustments to non-controlling interests, EEV shareholders' equity declined to \$44.2 billion at 31 December 2024 (31 December 2023: \$45.3 billion). Of this, \$41.1 billion (31 December 2023: \$41.5 billion) relates to the insurance business operations, excluding goodwill attributable to equity shareholders. This amount includes our share of our India life business associate valued using embedded value principles. The market capitalisation of 100 per cent of this life business associate at 31 December 2024 was circa \$11.2 billion, which compares with a publicly reported embedded value of circa \$5.5 billion at 30 September 2024.

EEV shareholders' equity on a per share basis at 31 December 2024 was 1,664 cents (31 December 2023: 1,643 cents on an actual exchange rate basis).

## Shareholders' equity

### Group IFRS shareholders' equity

	2024 \$m	2023 \$m
Profit for the year	2,415	1,712
Less non-controlling interest	(130)	(11)
<b>Profit after tax for the year attributable to shareholders</b>	<b>2,285</b>	1,701
Exchange movements, net of related tax	(309)	(124)
External cash dividends	(552)	(533)
Share repurchases/buybacks	(878)	–
Adjustment to non-controlling interest	(857)	–
Other movements	(20)	48
<b>Net (decrease)/increase in shareholders' equity</b>	<b>(331)</b>	1,092
IFRS shareholders' equity at beginning of the year	17,823	16,731
<b>IFRS shareholders' equity at end of the year</b>	<b>17,492</b>	17,823
Adjusted contractual service margin (CSM) (net of reinsurance)	19,168	19,523
<b>Adjusted total comprehensive equity<sup>6</sup></b>	<b>36,660</b>	<b>37,346</b>
IFRS shareholders' equity per share <sup>6</sup>	658 ¢	647 ¢
<b>Adjusted total comprehensive equity per share<sup>6</sup></b>	<b>1,379 ¢</b>	1,356 ¢

Group IFRS shareholders' equity decreased from \$17.8 billion at the start of 2024 to \$17.5 billion at 31 December 2024. This decline largely reflects dividend payments and share buybacks of \$(1.4) billion, adjustment to non-controlling interest of \$(0.9) billion and exchange movements of \$(0.3) billion offset by \$2.3 billion of profit earned in the period.

Adjusted total comprehensive equity represents the sum of Group IFRS shareholders' equity and adjusted CSM<sup>3</sup>, net of tax and reinsurance. Adjusted total comprehensive equity was \$36.7 billion at 31 December 2024 (31 December 2023: \$37.3 billion), reflecting the fall in IFRS shareholders' equity and the CSM. A full reconciliation to shareholders' equity is included in note C3.1 of the IFRS financial results.

### Capital management

We aim to invest capital to write new business at risk-adjusted internal rates of return above 25 per cent, based on EV required capital, with less than four-year payback periods. Our ability to invest at attractive returns will drive our capital allocation priorities, which are as follows:

- We will continue to target resilient capital buffers such that the Group shareholder coverage ratio is above 150 per cent of the shareholder Group Prescribed Capital Requirement to ensure the Group can withstand volatility in markets and operational experience;
- Following sufficient capital being held, our priority for allocating capital will be reinvesting in new business that will support delivery of our overall capital objectives. Our resilient capital position allows us to prioritise investment in new business with an aim to write quality new business while managing the initial capital strain and capturing the economic value at attractive returns;
- Our next priority is investing around \$1 billion in core capabilities, primarily in the areas of customer, distribution, health and technology;
- Our dividend policy remains linked to net operating free surplus generation, which is calculated after investment in new business and capability investment;
- We will invest in inorganic opportunities where there is good strategic fit; and
- We assess the deployment of free surplus, in the context of the Group's growth aspirations, leverage capacity and our liquidity and capital needs, based on the free surplus ratio. We seek to operate with a free surplus ratio of between 175 per cent and 200 per cent. If the free surplus ratio is above the operating range over the medium term, and taking account of opportunities to reinvest at appropriate returns and allowing for market conditions, capital will be returned to shareholders.

To generate capital to allocate to these priorities, we will also prioritise managing our in-force embedded value to ensure maximum conversion into free surplus over time. We will drive improved emergence of free surplus by managing claims, expenses and persistency in each market. This additional free surplus will enable our continued investment in profitable new business at attractive returns, as well as in our strategic capabilities, and support payments of returns to shareholders including dividends.

### Group free surplus generation

Free surplus is the metric we use to measure the internal cash generation of our business operations and broadly reflects the amount of money available to our operational businesses for investing in new business, strengthening our capacity and capabilities to grow the business and potentially paying returns to the Group. For our insurance businesses, it largely represents the Group's available regulatory capital resources after allowing for the prescribed required regulatory capital held to support the policies in issue, with a number of adjustments so that the free surplus better reflects resources potentially available for distribution to the Group. For our asset management businesses, Group holding companies and other non-insurance companies, the measure is based on IFRS net assets with certain adjustments, including to exclude accounting goodwill and to align the treatment of capital instruments with our regulatory basis.

Operating free surplus generation represents amounts emerging from the in-force business during the year, net of amounts reinvested in writing new business. For asset management businesses, it equates to post-tax adjusted operating profit for the year. Further information is contained in the EEV financial results.

## Analysis of movement in Group free surplus

	Actual exchange rate			Constant exchange rate	
	2024 \$m	2023 \$m	Change %	2023 \$m	Change %
Expected transfer from in-force business and return on existing free surplus	2,666	2,869	(7)	2,827	(6)
Changes in operating assumptions and experience variances	(299)	(383)	22	(372)	20
<b>Operating free surplus generated from in-force insurance business</b>	<b>2,367</b>	<b>2,486</b>	<b>(5)</b>	<b>2,455</b>	<b>(4)</b>
Asset management	275	254	8	251	10
<b>Operating free surplus generated from in-force insurance and asset management business</b>	<b>2,642</b>	<b>2,740</b>	<b>(4)</b>	<b>2,706</b>	<b>(2)</b>
Investment in new business	(700)	(733)	5	(722)	3
<b>Operating free surplus generated from insurance and asset management business</b>	<b>1,942</b>	<b>2,007</b>	<b>(3)</b>	<b>1,984</b>	<b>(2)</b>
Central costs and eliminations (net of tax):					
Net interest paid on core structural borrowings	(171)	(172)	1	(172)	1
Corporate expenditure	(237)	(230)	(3)	(230)	(3)
Other items and eliminations	(15)	(18)	17	(19)	21
Restructuring and IFRS 17 implementation costs (net of tax)	(197)	(192)	(3)	(191)	(3)
<b>Net Group operating free surplus generated</b>	<b>1,322</b>	<b>1,395</b>	<b>(5)</b>	<b>1,372</b>	<b>(4)</b>
Non-operating and other movements, including foreign exchange	205	(206)			
Share repurchases/buybacks	(878)				
External cash dividends	(552)	(533)			
<b>Increase in Group free surplus before net subordinated debt redemption</b>	<b>97</b>	<b>656</b>			
Net subordinated debt redemption	–	(421)			
<b>Increase in Group free surplus before amounts attributable to non-controlling interests</b>	<b>97</b>	<b>235</b>			
Adjustment to non-controlling interest	(161)	–			
Non-controlling interests' share of free surplus generated	(33)	(9)			
Free surplus at beginning of year	12,455	12,229			
Free surplus at end of year	12,358	12,455			
<b>Free surplus at end of year excluding distribution rights and other intangibles</b>	<b>8,604</b>	<b>8,518</b>			
Required capital	6,410	5,984			
Free surplus ratio (%)	234 %	242 %	(8)ppts		

Operating free surplus generated from in-force insurance and asset management business was \$2,642 million (2023: 2,706 million). The cost of investment in new business was 3 per cent lower at \$(700) million with the increase in APE sales offset by favourable effects from pricing and business mix changes. As a consequence, the Group generated a net amount of operating free surplus from insurance and asset management operations (before restructuring costs) of \$1,942 million, down (2) per cent compared with 2023. This largely reflects the delayed impact on operating free surplus from slower new business sales during the past periods affected by Covid-related restrictions and was in line with the shape of the cash flows we expected to generate in advance of 2027.

After allowing for central costs and restructuring costs, total Group operating free surplus generation was \$1,322 million (2023: \$1,372 million).

Total returns to shareholders in 2024 included dividends paid in the period of \$552 million and share buyback of \$785 million. After allowing for these returns as well as other share repurchases, short-term market gains and currency movements, free surplus at 31 December 2024 was \$12.4 billion, broadly stable compared with the start of the year. Excluding distribution rights and other intangibles, free surplus was \$8.6 billion (31 December 2023: \$8.5 billion on an actual exchange rates basis). The free surplus ratio, defined as Group free surplus (excluding intangibles) plus EEV required capital divided by the EEV required capital, was 234 per cent at the end of 2024 lower than the 242 per cent at the end of 2023, as the Group's share buyback progresses.

## Expected transfer of value of in-force business and required capital to free surplus for insurance business operations on a discounted basis

The table below shows how the value of EEV in-force business and associated required capital for insurance business operations are projected as emerging into free surplus over future years.

	Total expected emergence	Expected period of conversion of future post-tax distributable earnings and required capital flows to free surplus at 31 Dec					
		1–5 years	6–10 years	11–15 years	16–20 years	21–40 years	40+ years
2024 (\$m)	36,270	10,895	6,910	5,002	3,740	7,464	2,259
(%)	100 %	30 %	19 %	14 %	10 %	21 %	6 %
2023 (\$m)	35,223	9,897	6,744	4,884	3,749	7,590	2,359
(%)	100 %	28 %	19 %	14 %	11 %	21 %	7 %

## Dividend

Reflecting the Group's capital allocation priorities, a portion of capital generation will be retained for reinvestment in organic growth opportunities and for investment in capabilities, and dividends will be determined primarily based on the Group's operating capital generation after allowing for the capital strain of writing new business and recurring central costs. Dividends are expected to grow broadly in line with the growth in the Group's operating free surplus generation, and will be set taking into account financial prospects, investment opportunities and market conditions.

Recognising the strong conviction it had in the Group's strategy, the Board previously indicated that when determining the annual dividend it intended to look through the investments in new business and investments in capabilities and expected the annual dividend to grow in the range 7–9 per cent per annum over 2023 and 2024.

The Board has applied this approach to determining the 2024 second interim cash dividend and has approved a 2024 second interim cash dividend of 16.29 cents per share (2023: 14.21 cents per share). Combined with the first interim cash dividend of 6.84 cents per share (2023: 6.26 cents per share), the Group's total 2024 cash dividend is 23.13 cents per share (2023: 20.47 cents per share), an increase of 13 per cent.

A dividend reinvestment plan (DRIP) will continue to be offered to shareholders on the UK register. A scrip dividend alternative, with the issuance of new ordinary shares on the Hong Kong line only and the dilutive effect neutralised by a share repurchase on the London line, will be offered for the second interim dividend.

## Group capital position

The Prudential Group applies the Insurance (Group Capital) Rules set out in the GWS Framework issued by the Hong Kong Insurance Authority (HKIA) to determine Group regulatory capital requirements (both minimum and prescribed levels). The GWS Group capital adequacy requirements require that total eligible Group capital resources are not less than the GPCR and that GWS Tier 1 group capital resources are not less than the GMCR. More information is set out in note I(i) of the Additional financial information.

The Group holds material participating business in Hong Kong, Singapore and Malaysia. Alongside the regulatory GWS capital basis, a shareholder GWS capital basis is also presented which excludes the contribution to the Group GWS eligible Group capital resources, the GMCR and the GPCR from these participating funds.

	31 Dec 2024			31 Dec 2023		
	Shareholder	Policyholder*	Total †	Shareholder	Policyholder*	Total
Group capital resources (\$bn)	24.8	16.3	41.1	24.3	14.3	38.6
of which: Tier 1 capital resources (\$bn)	17.6	1.3	18.9	17.1	1.2	18.3
Group Minimum Capital Requirement (\$bn)	5.1	0.7	5.8	4.8	1.1	5.9
Group Prescribed Capital Requirement (\$bn)	8.9	11.3	20.2	8.2	11.4	19.6
<b>GWS capital surplus over GPCR (\$bn)</b>	<b>15.9</b>	<b>5.0</b>	<b>20.9</b>	16.1	2.9	19.0
<b>GWS coverage ratio over GPCR (%)</b>	<b>280 %</b>		<b>203 %</b>	295 %		197 %
<b>GWS Tier 1 surplus over GMCR (\$bn)</b>			<b>13.1</b>			12.4
<b>GWS Tier 1 coverage ratio over GMCR (%)</b>			<b>325 %</b>			313 %

\* This allows for any associated diversification impacts between the shareholder and policyholder positions reflected in total company results where relevant.

† The total company GWS coverage ratio over GPCR presented above represents the eligible group capital resources coverage ratio as set out in the GWS framework, while the total company GWS Tier 1 coverage ratio over GMCR represents the Tier 1 capital coverage ratio.

As at 31 December 2024, the estimated shareholder GWS capital surplus over the GPCR is \$15.9 billion (31 December 2023: \$16.1 billion), representing a coverage ratio of 280 per cent (31 December 2023: 295 per cent), comfortably above the Group's risk appetite of 150 per cent as discussed in the capital management section above. The estimated total GWS capital surplus over the GPCR is \$20.9 billion (31 December 2023: \$19.0 billion) representing a coverage ratio of 203 per cent (31 December 2023: 197 per cent).

Operating capital generation in 2024 was \$1.3 billion after allowing for central costs and the investment in new business, in addition foreign exchange and other movements were \$0.1 billion. These were offset by the payment of external dividends and share repurchases and buybacks which together totalled \$(1.4) billion. The shareholder capital surplus over GPCR at 31 December 2024 also reflects a \$(0.2) billion adjustment to non-controlling interests following the outcome of the court case in Malaysia discussed at the start of the financial review.

The Group's GWS position is resilient to external macroeconomic movements as demonstrated by the sensitivity disclosure contained in note I(i) of the Additional financial information, alongside further information about the GWS measure.

The GWS capital surplus set out in the table above includes amounts held within operating entities as well as at Group. The businesses may remit this surplus as dividends provided the local regulatory requirements are met and there are sufficient accounting profits.

## Financing and liquidity

Prudential seeks to maintain its financial strength rating with applicable credit rating agencies, which derives, in part, from its high level of financial flexibility to issue debt and equity instruments, which is intended to be maintained in the future. Prudential has substantial headroom to issue debt while remaining within the guidelines set by the credit rating agencies for its current rating of AA-.

### Net core structural borrowings of shareholder-financed businesses

	31 Dec 2024 \$m			31 Dec 2023 \$m		
	IFRS basis	Mark-to-market value	EEV basis	IFRS basis	Mark-to-market value	EEV basis
Core borrowings of shareholder-financed businesses	3,925	(231)	3,694	3,933	(274)	3,659
Less: holding company cash and short-term investments	(2,916)	–	(2,916)	(3,516)	–	(3,516)
Net core structural borrowings of shareholder-financed businesses	1,009	(231)	778	417	(274)	143
Group leverage ratio (Moody's revised basis)	13%			14%		

The total core borrowings of the shareholder-financed businesses were \$3.9 billion at 31 December 2024 (31 December 2023: \$3.9 billion). The Group had central cash resources of \$2.9 billion at 31 December 2024 (31 December 2023: \$3.5 billion), resulting in net core structural borrowings of the shareholder-financed businesses of \$1.0 billion at end of 31 December 2024 (31 December 2023: \$0.4 billion). We have not breached any of the requirements of our core structural borrowings nor modified any of their terms during 2024.

With the exception of a \$750 million perpetual note that the Group retains the right to call at par on a quarterly basis, the Group's debt securities have contractual maturities that fall between 2029 and 2033. Further analysis of the maturity profile of the borrowings is presented in note C5.1 to the IFRS financial results.

In addition to its net core structural borrowings of shareholder-financed businesses set out above, the Group has structures in place to enable access to funding via the medium-term note programme, the US shelf programme (the platform for issuance of SEC-registered bonds in the US market), a commercial paper programme and committed revolving credit facilities. All of these are available for general corporate purposes. Proceeds from the Group's commercial paper programme are not included in the holding company cash and short-term investment balance.

Prudential plc has maintained a consistent presence as an issuer in the commercial paper market for the past decade and had \$527 million in issue at 31 December 2024 (31 December 2023: \$699 million).

As at 31 December 2024, the Group had a total of \$1.6 billion of undrawn committed facilities, none of which expire before 2029. Apart from small drawdowns to test the process, these facilities have never been drawn, and there were no amounts outstanding at 31 December 2024.

## Cash remittances

### Holding company cash flow<sup>8</sup>

	Actual exchange rate		
	2024 \$m	2023 \$m	Change %
<b>Net cash remitted by businesses units</b>	<b>1,383</b>	1,611	(14)
Net interest received (paid)	17	(51)	n/a
Corporate expenditure	(253)	(271)	7
Centrally funded recurring bancassurance fees	(198)	(182)	(9)
<b>Total central outflows</b>	<b>(434)</b>	(504)	14
<b>Holding company cash flow before dividends and other movements</b>	<b>949</b>	1,107	(14)
Dividends paid, net of scrip dividends	(552)	(533)	(4)
<b>Operating holding company cash flow after dividends but before other movements</b>	<b>397</b>	574	(31)
<b>Other movements</b>			
Redemption of debt	–	(393)	n/a
Share repurchases/buybacks	(860)	–	n/a
Other corporate activities	(109)	226	n/a
Total other movements	(969)	(167)	n/a
<b>Net movement in holding company cash flow</b>	<b>(572)</b>	407	n/a
Cash and short-term investments at the beginning of the year	3,516	3,057	
Foreign exchange and other movements	(28)	52	
<b>Cash and short-term investments at the end of the year</b>	<b>2,916</b>	3,516	

Remittances from our businesses were \$1,383 million (2023: \$1,611 million). The remittances in both 2024 and 2023 are net of cash advanced to CPL, our joint venture business in Mainland China, of \$(174) million (2023: \$(176) million) in anticipation of a future capital injection. The first capital injection was completed in 2024 and the second received regulatory approval in 2025. Remittances were used to meet central outflows of \$(434) million (2023: \$(504) million) and to pay cash dividends of \$(552) million (2023: \$(533) million).

Central outflows include net interest received of \$17 million (2023: net interest paid \$(51) million), which reflects higher interest earned on central cash balances, reflecting current interest rates, less the largely fixed interest payments made on core structural borrowings.

Cash outflows for corporate expenditure of \$(253) million (2023: \$(271) million) include cash outflows for restructuring costs.

Other cash flow movements included net payments for other corporate activities of \$(109) million as we invested in new bancassurance partnerships and purchased the remaining interest in our Nigeria life business (2023: net receipts of \$226 million largely relating to the disposal of the Group's remaining investment in Jackson).

Cash used for share buyback and repurchases totalled \$(860) million, including \$(785) million utilised towards the \$2 billion share buyback programme, with the remainder representing associated costs and share repurchases to neutralise the issue of new shares.

The Group will continue to seek to manage its financial condition such that it has sufficient resources available to provide a buffer to support the retained businesses in stress scenarios and to provide liquidity to service central outflows.

#### Notes

- (1) Based on the new RoEV definition using the opening EV balance excluding goodwill and other intangible assets. See section II(ix) Calculation of alternative performance measures: Calculation of return on embedded value within the Additional Information section of this report for further discussion on changes to the EEV RoEV definition.
- (2) Based on FY23 NBP adjusted for the lower long-term risk free rate (reduced by 50 bps) applied for Mainland China for FY24 and on a constant exchange rate basis. FY23 remains unchanged at \$2.3bn on an actual exchange rate basis.
- (3) Adjusted CSM represents the total CSM balance for subsidiaries, joint ventures and associates, net of reinsurance, non-controlling interests and related tax and other adjustments. See note C3.1(b) to the IFRS financial statements for more detail and reconciliation to CSM.
- (4) In our segmental disclosure, the tax on our life joint ventures in Mainland China and Malaysia (the Takaful business) and on our associate in India is included within the 'Growth markets and other' segment.
- (5) Adjusted release of CSM reflects an adjustment to the release of CSM figure as shown in note C3.2 of the IFRS financial results of \$(19) million (2023: \$(3) million) for the treatment adopted for adjusted operating purposes of combining losses on onerous contracts and gains on profitable contracts that can be shared across more than one annual cohort. See note B1.3 to the IFRS financial results for more information.
- (6) See note II of the Additional unaudited financial information for definition and reconciliation to IFRS balances.
- (7) These objectives assume exchange rates at December 2022 and are based on regulatory and solvency regimes applicable across the Group at the time the objectives were set. The objectives assume that the same TEV and free surplus methodology will be applicable over the period and no material change to the economic assumptions.
- (8) Holding company cash and short term investments in Group head office companies.

## Segment Discussion

### Delivering through our multi-market growth engines

The following commentary provides an overview of each of the Group's segments, together with a discussion of their 2024 financial performance.

Unless otherwise stated, we discuss our performance on a constant currency basis, and, for all new business profit growth rates and changes in new business margin, excluding interest rate and other economic movements. The definitions of the key metrics we use to discuss our performance in this report are set out in the 'Definitions of performance metrics' section later in this document, including, where relevant, references to where these metrics are reconciled to the most directly comparable IFRS measure.

#### Hong Kong

	Actual exchange rate			Constant exchange rate excluding economics for NBP*
	2024	2023	Change	Change
APE sales (\$m)	<b>2,063</b>	1,966	5 %	5 %
New business profit (\$m)	<b>1,438</b>	1,411	2 %	15 %
New business margin (%)	<b>70</b>	72	(2)ppts	7 ppts
Adjusted operating profit (\$m)	<b>1,069</b>	1,013	6 %	5 %
Adjusted operating profit after tax (\$m)	<b>971</b>	942	3 %	3 %
IFRS profit after tax (\$m)	<b>851</b>	976	(13) %	(13) %

\* Excluding interest rate and other economic movements for new business profit and new business margin. All metrics are on a constant exchange rate basis.

In Hong Kong, Prudential is a trusted household brand with a successful agency force. Hong Kong is a relatively high-income market in the context of Asia and our products address the specific and complex needs of the customers across different life stages. Our products include comprehensive health and protection solutions as well as solutions to address customers' wealth accumulation, retirement and legacy planning needs.

Our successful agency force and our strong partnership with Standard Chartered Bank position us well to grow across segments both in the domestic market, which is expanding due to net migration especially of highly educated young professionals, and in the international markets serviced in Hong Kong. The bulk of our distribution is focused on agency and bancassurance partnerships, and we maintain a niche presence in the broker markets. We seek to maintain high-quality new business growth, with strong adherence to prudent sales practices, and are focused on capital and cash efficient long-term products, especially those with health and protection riders.

In the international market, we serve the needs of Mainland China customers, which include diversification of currency and asset class, professional financial advice across a broad product spectrum and access to high-quality medical care available in Hong Kong. Our surveys of potential Mainland China customers report consistent demand for Hong Kong's specialised long-term savings, health and protection products. Including our Macau branch, we are present in all 11 cities<sup>2</sup> in the Greater Bay Area, with a population of over 86 million people<sup>3</sup>.

#### Financial performance

New business profit increased by 15 per cent to \$1,438 million, reflecting an increase in APE sales and favourable product mix. This was delivered despite exceptional new business profit growth of 273 per cent in 2023, fuelled by the border reopening after Covid. The APE sales compound annual growth rate over the period from 2022 to 2024 was 98 per cent, the strongest among the top five insurers in the market<sup>4</sup>, underpinned by the strength of our distribution, product innovations and the effectiveness of customer campaign design.

Overall, the new business margin for Hong Kong was 70 per cent up 7 ppts before allowing the effects of economics. Both agency and bancassurance channels saw margin improvements, reflecting our continued focus on driving quality distribution and value creation.

In 2024, APE sales for our business in Hong Kong increased by 5 per cent to just over \$2 billion, reflecting the solid demand from customers. This exceeded the level of APE sales recorded in 2019, prior to the impact of Covid. Our Hong Kong business has demonstrated improving momentum during the year and achieved consecutive quarter-on-quarter APE sales growth throughout 2024 and double-digit growth in the second half of 2024 compared to the corresponding period in the prior year. Health and protection mix increased in the year and made up 19 per cent of total APE sales in 2024 (2023: 16 per cent).

Our domestic customer segment delivered 34 per cent APE sales growth year on year, thanks to the successful execution of our retirement product campaign. APE sales to our Mainland China customer segment were (11) per cent lower, impacted by the strong comparator in the first half of 2023 as previously highlighted. Momentum accelerated in the second half, with APE sales growing at 16 per cent against the first half and 18 per cent higher than the equivalent period in the prior year. Overall the number of new policies increased by 15 per cent year on year and grew faster than APE sales growth.

Agency new business profit was (1) per cent lower than the prior year, reflecting a similar marginal decline in APE sales, given the exceptional outperformance in the comparative period after the border reopened in the first quarter of 2023. We have seen a strong return in the second half

with new business profit growing by 4 per cent year on year and 23 per cent higher than the first half. This is supported by the strong agency recruitment momentum with over 5,000 new recruits in 2024. This includes scaling up our quality recruitment programme PRUVenture to over 1,800 new recruits in 2024, doubling the number from 2023. These efforts have led to average monthly active agents increasing by 15 per cent compared with 2023. On the digital side, APE sales facilitated by PRULeads doubled in 2024 versus 2023, proving the effectiveness of using PRULeads to drive agent productivity and activity.

Our bancassurance channel delivered significant growth with new business profit up 54 per cent, driven by an increase in APE sales and positive product mix effects. The proportion of APE sales comprising health and protection products increased from 5 per cent in 2022 to 13 per cent in 2023 and further increased to 18 per cent in 2024. Of the overall bancassurance APE sales, around 67 per cent were from 'new to insurance' customers. Furthermore, we enhanced our bancassurance channel by integrating the middle offices of both our bancassurance and broker businesses and developing a brokerage strategy with a strong emphasis on quality growth.

Additionally, we generated \$86 million new business profit from health business, covering more than 550,000 in-force customers.

In Hong Kong, adjusted operating profit was \$1,069 million, up 5 per cent as new business growth compounded leading to higher CSM amortisation. Growth was dampened by our active capital management actions, with local capital surplus being remitted to the centre leading to lower investment returns being earned by this segment.

The IFRS profit after tax for our Hong Kong business was \$851 million, lower than 2023 (\$976 million on an actual exchange rate basis), due to higher short-term unrealised losses on bonds and higher discount rates applied to our stand-alone protection business following increases in interest rates in 2024.

## Indonesia

	Actual exchange rate			Constant exchange rate excluding economics for NBP*
	2024	2023	Change	Change
APE sales (\$m)	262	277	(5) %	(2) %
New business profit (\$m)	145	142	2 %	7 %
New business margin (%)	55	51	4 pts	5 pts
Adjusted operating profit (\$m)	268	221	21 %	26 %
Adjusted operating profit after tax (\$m)	218	172	27 %	32 %
IFRS profit after tax (\$m)	181	156	16 %	21 %

\* Excluding interest rate and other economic movements for new business profit and new business margin. All metrics are on a constant exchange rate basis.

In Indonesia, we are among the top three life insurers<sup>1</sup> in both the conventional and Syariah markets. Our agency force is the largest by market share. It also has a rapidly growing bancassurance channel that has historically been focused on the upper affluent segment through international bank partners such as Standard Chartered and UOB.

Prudential Indonesia has been proactive in managing the significant challenges in the health market due to rising medical inflation. Starting in 2023, we implemented annual repricing actions, which have led to growth in health new business profit and improved claims experience. Additionally, the introduction of a first in market claims-based pricing proposition, which offers both flexibility and protection for our clients, demonstrates our commitment to creating more resilient customer-centric solutions.

Our dedicated Syariah entity launched a dynamic strategy specifically designed to address the underserved Muslim population. We are well positioned to meet the growing demands for Syariah solutions and support the growth of this community and economy. As a testament to our Syariah strategy, Prudential signed a new partnership with BSI, the largest Syariah bank in Indonesia by assets, in September 2024. This new partnership provides access to 20 million customers, for whom we will develop and deliver new Syariah-compliant solutions. We are moving quickly to develop working relationships and activation plans as part of this partnership. We expect it to be an important key growth engine for the future of this business with sales volumes developing during 2026.

## Financial performance

Overall new business profit grew 7 per cent compared with the prior year, reflecting strong sales performance in the agency channel during the second half of the year and growth in the bancassurance channel throughout the year. The growth benefited from a shift to more profitable traditional, non-investment-linked, business including health. Health new business profit grew by 45 per cent year on year, improving health's overall contribution to new business profit to 54 per cent, and increasing Indonesia's focus on traditional business.

In the first half of 2024, our agency business encountered several short-term challenges, particularly in the health sector, leading to a sales lag. However, the second half of the year saw a substantial recovery, with the number of active agents increasing 44 per cent, agency APE sales increasing by 91 per cent and new business profit rising by 122 per cent all compared to the first half of the year. This strong performance is also evident when compared with the same period last year, with APE sales growing by 19 per cent year on year and new business profit by 28 per cent over the same period. As a result, the agency channel grew new business profit by 5 per cent in 2024 and agency productivity increased by 21 per cent in 2024.

APE sales through the bancassurance channel grew by 43 per cent, accompanied by a 14-point increase in new business margin, which resulted in an increase in new business profit through the bancassurance channel of 131 per cent for the year. This performance is driven by strong sales of investment-linked products, the launch of revamped traditional endowment products, and UOB's acquisition and integration of Citibank's Indonesian operations. As a result, this channel's market share rose considerably and is now within the top ten bancassurance players.

Prudential Indonesia is also focused on creating value through improving efficiency. We are implementing operational transformation to enhance our process and controls as well as servicing capability for both customers and the sales force. This includes the expected deployment of PRUServices, our enhanced digital services platform, with a view to enhancing customer loyalty. Additionally, we are intensifying efforts in new

customer acquisition by diversifying customer propositions and implementing leads management capabilities, utilising PRUForce, our agency digital platform.

The adjusted operating profit for Indonesia increased by 26 per cent to \$268 million in 2024 as operating performance moved closer to expectations leading to an improvement in experience variances. The IFRS profit after tax in 2024 was \$181 million for the period (2023: \$156 million) with the increase in adjusted operating profit partially offset by the adverse effect of higher interest rates on bond values and insurance liabilities (to the extent these are recognised in the income statement rather than the CSM).

## Mainland China – CITIC Prudential Life (CPL)

	Actual exchange rate			Constant exchange rate excluding economics for NBP*
	2024	2023	Change	Change
APE sales (\$m)	464	534	(13) %	(12) %
New business profit (\$m)	111	222	(50) %	7 %
New business margin (%)	24	42	(18)ppts	9 ppts
Adjusted operating profit (\$m)	363	368	(1) %	– %
Adjusted operating profit after tax (\$m)	363	368	(1) %	– %
IFRS profit (loss) after tax (\$m)	159	(577)	n/a	n/a

Amounts included in the table above represent the Group's 50 per cent share.

\* Excluding interest rate and other economic movements for new business profit and new business margin. All metrics are on a constant exchange rate basis.

Prudential's life business in Mainland China, CITIC Prudential Life (CPL), is a 50/50 joint venture with CITIC, a leading Chinese state-owned conglomerate. It benefits from the strong brands of both shareholders with a multi-distribution platform offering a diverse set of products to meet customers' needs.

CPL will celebrate its 25<sup>th</sup> year of operation in 2025 and operates with an extensive footprint across 23 branches covering 102 cities. In Mainland China, we are focused on the affluent and advanced affluent segments of the market where individuals typically have more resilient personal income levels, which are still significantly underpenetrated. We have a high-quality agency force as well as an extensive network of 62 bancassurance partners with access to over 5,200 branches across Mainland China. We expect that the changes in bancassurance regulations will provide CPL with further opportunities to grow its bank channel in particular. The broad reach of our banking partners and the focus of our agency business capabilities in the affluent and advanced affluent segments means that we are able to access the portion of the population that is likely to generate quality new business growth as consumer sentiment recovers. We expect that this growth will be largely in the form of health and protection, long-term policyholder participating savings products and pensions.

In 2024, our business in Mainland China has adapted its business model and operations to a number of new regulatory requirements, including transitioning to new capital rules, as well as to the downward trends in interest rates. Our focus is on delivering high-quality new business as we actively rebalance our product mix while maintaining prudent risk management. We have continued to target agent recruitment, as well as improving penetration of our bank partners' customer bases. As previously announced, Prudential has made a further RMB 1.25 billion (\$174 million) cash contribution to increase the capital of CPL, with its joint venture partner contributing an equal amount. CPL's 2024 local comprehensive solvency ratio, assuming the second capital contribution had occurred at the end of the year, would be 258 per cent, well in excess of regulatory requirements.

The business continues to focus on quality growth whilst prudently managing risk given the continuing low interest rate environment in Mainland China. The Group manages the risk of its net investment position through holding derivatives to mitigate the effect of a further decrease in interest rates. While we remain cautious about the momentum for the business in 2025, we believe that, after the changes the business is making, for example in terms of products, we will be well placed to take advantage of improving macroeconomic conditions and customer confidence as they develop.

## Financial performance

New business profit increased by 7 per cent, driven by the favourable product mix, which contributed to the new business margin increasing by 9 percentage points. CPL has shifted its product mix by pivoting towards higher margin annuity and longer premium payment-term participating business, while continuing to comply with the effects of the 2023 regulatory guidance on expense control for the bancassurance channel. In addition, consistent with the rest of the industry, a series of re-pricing actions were implemented over the year mainly due to falling bond yields. While these market factors contributed to an overall fall in APE sales of (12) per cent, within this, we saw growth from our renewed focus on participating and health and protection products with their contribution to total APE sales increasing by 10 percentage points and five percentage points, respectively, compared with the prior year.

In the bancassurance channel and other channels, CPL has shifted to higher value, less capital intensive business that is more resilient to the current economic environment. While bancassurance APE sales for 2024 were lower than the prior year, momentum noticeably improved in the second half of 2024, as CPL and its bank partners gradually adapted to the regulatory guidance on expense control for the bancassurance channel implemented in late 2023. As a result APE sales for the second half of 2024 increased by 20 per cent compared with the same period in the prior year. Bancassurance new business margins increased by 19 percentage points, driven by a favourable product mix of health and protection and retirement products. As a result, new business profit in bancassurance and other channels was up 28 per cent.

Agency business saw a (24) per cent decline in APE sales, which were impacted by product regulatory changes that had boosted sales in 2023. Sales across the year were weaker as the effect of the product shift away from interest-rate-based savings products took effect. Management continues to focus on shifting the product mix in agency towards higher value products, with APE sales of participating products growing year on

year. The improvement in product mix helped new business margins increase by 9 percentage points, partially offsetting the fall in sales volumes, with new business profit (11) per cent lower.

The adjusted operating profit before tax for CPL was \$363 million, broadly flat in comparison to the prior year. Growth was constrained as lower amounts were added to CSM from new business given the challenging sales environment in recent periods. The segmental IFRS profit for the year was \$159 million compared to a loss of \$(577) million in 2023, largely as a result of improved equity returns and longer asset duration in 2024 contributing to a reduction in the level of short-term market driven fluctuations.

CPL is accounted for as a joint venture in the Group accounts. Hence the Group's balance sheet includes a single line of \$0.9 billion being the Group's share of CPL's shareholders' equity. This represents 5 per cent of the Group's shareholders' equity.

## Malaysia

	Actual exchange rate			Constant exchange rate excluding economics for NBP*	
	2024	2023	Change		Change
APE sales (\$m)	406	384	6 %		6 %
New business profit (\$m)	160	167	(4) %		(4) %
New business margin (%)	39	43	(4)ppts		(4)ppts
Adjusted operating profit (\$m)	338	305	11 %		11 %
Adjusted operating profit after tax (\$m)	264	237	11 %		12 %
IFRS profit after tax (\$m)	296	257	15 %		16 %

\* Excluding interest rate and other economic movements for new business profit and new business margin. All metrics are on a constant exchange rate basis.

In 2024, we celebrated 100 years of our Malaysian operations. Today, we are a leading life insurer in the conventional market and the largest Takaful operator<sup>1</sup> making Prudential one of the largest life insurance providers in the country<sup>1</sup>. In 2024, we increased our market share and outgrew the industry, based on relevant Malaysia market metrics, despite a challenging environment by developing new solutions to meet our customers' health and savings needs, while taking proactive actions to manage our medical book amid high medical inflation.

In Malaysia, our diversified distribution network includes our premier agency force and our bank partnerships with Standard Chartered Bank, UOB and Bank Simpanan Nasional.

In July, we launched our pioneering claims-based pricing proposition, aimed at managing the rising medical inflation while improving health outcomes for our customers. We also launched a first-in-market gender-specific critical illness proposition to address the different protection needs of our customers.

These customer-centric innovations led to our operations being honoured at the Insurance Asia Awards 2024 and being named 'International Life Insurer of the Year – Malaysia' and 'New Takaful Insurance Product of the Year'.

The health market in Malaysia has continued to face rising medical costs, driven by escalating medical treatment costs and increased incidences of hospitalisation. We are leading the market in responding to this environment. We were the first to introduce a rigorous and consistent repricing programme while seeking to mitigate the impact on customers by addressing the underlying causes of the increase in expense. For example, we have partnered with Google Cloud on the pilot launch of MedLM, a generative AI fine tuned for the healthcare industry, to improve the accuracy and efficiency of managing medical insurance claims. These actions seek to protect customer value and the value of our medical portfolio amid high medical inflation.

Our health strategy has positioned us to respond swiftly to the recent announcement by Bank Negara Malaysia on the new medical repricing guidelines to cap premium increases. Our capabilities, as highlighted above, provide resiliency and a competitive advantage for us as we address this challenging environment.

In July 2024, the Federal Court of Malaysia overturned the previous rulings of the High Court and the Court of Appeal in Prudential's favour in an ongoing series of litigation with a minority partner. The Group has continued to consolidate its Malaysian conventional life subsidiary and the decision has no impact on the business at an operational level. The metrics in the segment table above reflect the fully consolidated results (i.e. before non-controlling interest impacts) of the conventional life business subsidiary (Prudential Assurance Malaysia Berhad or PAMB) and 49 per cent of the Takaful joint venture.

Prudential owns 51 per cent of the ordinary shares of the holding company of PAMB and a 49 per cent share in the Takaful joint venture.

## Financial performance

New business profit for 2024 was (4) per cent lower compared with the same period in the prior year, despite APE sales in the same period being up 6 per cent. Margins were lower given the channel mix shift in the period.

Agency APE sales declined by (2) per cent and new business profit declined by (7) per cent in 2024, given the initial impact of the repricing actions referred to above. We saw significantly improved momentum in the second half of 2024, with APE sales in that period 32 per cent higher than the first half. Despite the drop in sales volume for the year, our new business profit per active agent increased by 1 per cent, largely driven by growth from our top performing agents. Our Million Dollar Round Table (MDRT) qualifiers grew 9 per cent as we continue to focus on building professional agencies supported by high adoption of our digital tools PRUForce and PRULeads. We expect to see the benefits of our management actions in both the quality and affordability of health products sold in Malaysia during 2025.

The agency industry as a whole faced multiple challenges in 2024 ranging from a shrinking recruitment pool to a persistent increase in medical inflation affecting premium rates. We continued to intensify our efforts to attract quality new agents by revamping our recruitment proposition

and using social media platforms for targeting talent. We have launched a comprehensive training programme to equip our agents with the necessary knowledge and tools to effectively engage our customers.

APE sales through the bancassurance channel grew 12 per cent, driven by higher sales through Standard Chartered, as a result of our consistent focus on driving incremental protection business, and increased customer penetration in Bank Simpanan Nasional in Takaful. New business profit grew 20 per cent driven by higher APE volume as well as margin improvement from our continuous efforts in driving protection sales from Standard Chartered and UOB.

The adjusted operating profit for our business in Malaysia increased from \$305 million (actual exchange rate) to \$338 million, primarily driven by a higher net investment result due to the increase in the underlying investment funds and an improved asset mix.

The IFRS profit after tax for our business in Malaysia increased from \$257 million to \$296 million reflecting, in part, positive equity performance in the year.

## Singapore

	Actual exchange rate			Constant exchange rate excluding economics for NBP*	
	2024	2023	Change		Change
APE sales (\$m)	<b>870</b>	787	11 %		10 %
New business profit (\$m)	<b>557</b>	484	15 %		12 %
New business margin (%)	<b>64</b>	61	3 ppts		1 ppts
Adjusted operating profit (\$m)	<b>693</b>	584	19 %		18 %
Adjusted operating profit after tax (\$m)	<b>594</b>	493	20 %		20 %
IFRS profit after tax (\$m)	<b>566</b>	512	11 %		10 %

\* Excluding interest rate and other economic movements for new business profit and new business margin. All metrics are on a constant exchange rate basis.

In Singapore, we are one of the market leaders in health and protection, savings and investment-linked plans<sup>1</sup>. We have been serving the financial needs of Singapore residents for more than 90 years, delivering a suite of product offerings and professional advice through our network of agents and financial advisers and our bank partners. Through our two strategic partners, UOB and Standard Chartered Bank, we gain access to the retail, commercial banking and high-net-worth customer base of two established banks in Singapore.

We remain focused on our customers and seek to address their needs across the different stages in their lives. In the affluent segment, we offer comprehensive health and retirement solutions. We are one of the key players in the integrated Shield market (private health insurance coverage that integrates with the national MediShield Life scheme) and continue to explore innovative partnerships with healthcare and technology providers to enhance our offerings. For the younger generation, we continually improve our investment-linked propositions and expand options for ESG-themed investments for customers.

In Prudential Financial Adviser (PFA), our financial advisory firm, which was set up in 2023, our advisory force grew over 90 per cent to 1,020 members at end of 2024. PFA offers holistic financial advisory services, including general insurance and wealth solutions, in addition to Prudential's core solutions in whole and term life, health and protection, savings, retirement and employee benefits.

We received external recognition by winning No.1 Insurer The Straits Times Singapore's Best Customer Service 2024/25 survey for the second year in a row.

## Financial performance

In 2024, we rebounded strongly from the previous year, achieving solid growth in sales and new customers as the Singapore economy continued to improve. Overall new business profits grew by 12 per cent to \$557 million, above the growth in APE sales. The improvement in new business margin reflects our discipline in managing product mix and staying at the forefront of product innovation.

Individual health and protection APE sales mix has remained stable, while there has been an increase in the proportion of APE sales that are investment-linked policies. Responding to market interest, we refreshed our unit-linked proposition in 2024 and will continue to improve and expand our offerings in 2025. We also launched our Index Universal Life solutions to extend our legacy planning solution to the high-net-worth space. The product has seen robust sales, particularly in the second half of 2024, driving a 30 per cent increase in single premium sales in the bancassurance channel over last year.

Shield APE sales grew 5 per cent over last year. We remain disciplined in managing the profitability of the portfolio and continue to pursue innovative product features and value-added services.

New business profit from the agency and financial advisory channel improved by 10 per cent in the year, driven by volume growth. The channel continues to deliver strong new business margins, with approximately two-thirds of new business profit being health and protection solutions.

At the end of 2024, our agency force and financial advisers stood at over 5,400. Our number of eligible agency MDRT members remained stable at over 25 per cent of total agents in 2024. We continue to drive quality recruitment through attractive programmes such as PruApprentice, which provides university graduates opportunities to establish a career in the financial sector through exposure to both agency and corporate settings.

New business profit from the bancassurance channel grew 18 per cent over the year, having largely recovered from the decline in 2023. Customer demand for our unit-linked solutions has remained strong, and the product contributed to a third of the business sold through the bank channel.

Adjusted operating profit for our business in Singapore increased by 18 per cent to \$693 million, following underlying growth in the CSM from new business and improvements in the level of future profit expected given operating actions and performance in the period.

The IFRS profit after tax for our Singapore business was \$566 million compared with \$512 million in 2023 on an actual exchange rate basis. The uplift from adjusted operating profit has been largely offset by the negative impact from higher interest rates in the year. These increases reduce the present value of future expected protection profits (recognised as an asset on the balance sheet) and the value of bonds backing shareholders' equity.

## Growth markets and other

	Actual exchange rate			Constant exchange rate excluding economics for NBP*
	2024	2023	Change	Change
APE sales (\$m)	<b>2,137</b>	<b>1,928</b>	11 %	16 %
New business profit (\$m)	<b>667</b>	<b>699</b>	(5) %	7 %
New business margin (%)	<b>31</b>	<b>36</b>	(5)ppts	(3)ppts
Adjusted operating profit (\$m)	<b>688</b>	<b>746</b>	(8) %	(4) %
Adjusted operating profit after tax (\$m)	<b>531</b>	<b>594</b>	(11) %	(7) %
IFRS profit after tax (\$m)	<b>503</b>	<b>775</b>	(35) %	(33) %

\* Excluding interest rate and other economic movements for new business profit and new business margin. All metrics are on a constant exchange rate basis.

Our growth markets and other segment incorporates our life businesses in Thailand, Vietnam, the Philippines, Cambodia, Laos and Myanmar in the ASEAN region, as well as those in India, Taiwan and Africa.

Our growth markets and other segment delivered new business profit of \$667 million representing growth of 7 per cent and it remains the second largest segment in the Group. APE sales grew 16 per cent to \$2,137 million.

There was a fall in overall new business margin as a result of country mix with a lower proportion of sales from Vietnam given the market-wide disruption following regulatory change.

The adjusted operating profit for the segment was down (4) per cent to \$688 million, with higher adjusted operating profit in Taiwan following recent business growth being more than offset by lower profits in Vietnam following a fall in the CSM balance from lower levels of new business and adverse persistency and economics.

The IFRS profit after tax and adjusted operating profit for the 'Growth markets and other' segment includes the tax charge on the profits/losses for the three life joint ventures and associates in Mainland China, India and Malaysia (Takaful business), respectively. The overall tax benefit for these entities from large investment losses seen in 2023 has not been repeated given the more muted short-term market effects in 2024. Accordingly IFRS profit after tax for the segment fell by (33) per cent to \$503 million in 2024.

A detailed discussion of new business performance by key businesses is presented below.

### Thailand

In Thailand, we continue to focus on our bancassurance channel complemented by other distribution channels including digital, agency, direct marketing and brokerage. Our bancassurance channel continues to perform strongly, delivering APE sales growth of 29 per cent compared with the prior year. This is supported by a successful onboarding of the CIMB bancassurance partnership. We retained our top three position in bancassurance sales in the market.

Overall APE sales increased by 27 per cent to \$308 million, driven by the introduction of a number of new products, including a newly launched version of our Global Index Linked savings product. This product targets the needs of affluent clients that are seeking to grow their wealth to achieve their life goals and plan for their retirement. The increase in APE sales has led to increased new business profit in the period.

### Vietnam

Prudential is one of the leading life insurance companies in Vietnam, which has the third-largest population in ASEAN, and operates with diversified distribution strategy across multiple channels. APE sales declined (35) per cent to \$121 million, against an overall market decline of (14) per cent, with the market continuing to face disruption including recent and ongoing regulatory change. New business profit in Vietnam fell in the period reflecting the decrease in APE sales.

We continue to focus on quality customer outcomes with industry-leading quality standards, compliant with, or more stringent than, the new Insurance Business Law. While disruption is expected over the short term, we believe the market will regain its growth momentum as customer confidence is restored. There remains significant opportunity to meet the structural demand for savings and protection solutions due to low market penetration and a significant protection gap.

APE sales through the agency channel declined (26) per cent, reflecting headwinds from weak consumer sentiment. We have a sizeable professional agency force in Vietnam with high level of agents qualifying for MDRT status in 2024. We continue to invest in our agency force to support our long-term quality growth ambitions and to professionalise it further through training and development.

Regulatory actions aimed at addressing weak consumer confidence in the industry meant we continued to face challenges in the bancassurance market in 2024. APE sales declined (52) per cent in 2024. We are working closely with our Vietnam bank partners to drive quality sales that address customer needs through training and better processes and continue to see the opportunity to increase penetration rates in our strategic bank partners. Our partners include an exclusive partnership with Vietnam International Bank, and we recently added HSBC as a partner with a focus on targeting customers in the urban wealth segment. Sales momentum improved in the second half relative to the first, assisted by our

support to bank partners to increase the penetration of target quality segments. Long term we see Vietnam as a market with substantial potential.

## The Philippines

We have a top three market position in the Philippines with 15 per cent market share by weighted new business premium, based on the latest available market data. This reflects the core strength of our leading agency force, which is the largest in the market, and our extensive range of propositions to meet our customers' savings and protection needs.

APE sales of \$164 million were (4) per cent lower than the prior year, largely due to strong competition for our quality agents. We saw an agency headcount reduction in the first half of 2024, and we have responded strongly by taking steps to retain and recruit quality new talent and increase agent productivity. These efforts resulted in a 16 per cent increase in APE sales during second half of 2024 against the prior year, including record sales in the final quarter. Notably sales quality has remained high, with the individual health and protection mix at 24 per cent of APE sales, and regular premium business accounting for over 95 per cent of business written. New business profit in the Philippines fell in the period, reflecting the decrease in APE sales.

Going forwards, we will continue to strengthen our distribution network through onboarding and nurturing high-quality agents, as well as continuing to promote a seamless customer experience through offering comprehensive solutions.

## India

ICICI Prudential Life, of which we currently hold 22 per cent, is among the top-four private life insurance companies in India and is listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India. We have a well-diversified distribution network enabling the company to reach a wider cross-section of customers to drive growth. Our diverse distribution network comprises more than 200,000 agents including the addition of 68,000 new agents in 2024 and 46 bank partnerships with access to more than 22,000 bank branches.

APE sales in India grew 20 per cent in 2024 to \$276 million, driven by strong double-digit growth in both agency and bancassurance channels. We believe this shift in market dynamics is likely to persist in the near term. Through the '3C' framework – Customer centricity, Competency and Catalyst, ICICI Prudential Life will continue to deliver sustainable new business profit by balancing business growth, profitability and risk and prudence.

## Taiwan

Taiwan is the fifth-largest life insurance market in Asia<sup>1</sup>, with a population of 24 million. Prudential is a leading insurance company in Taiwan among foreign players and increased APE market share to 8.0 per cent in 2024 compared to 7.6 per cent in 2023.

Our business in Taiwan provides solutions for long-term savings and protection to our target market segments. During the year we have continued to broaden the distribution of our participating product suite. High-net-worth individuals remain a key customer segment for Prudential Taiwan with over 7,200 new customers acquired from this segment in 2024 (an increase of 34 per cent compared with 2023).

In Taiwan, APE sales grew by 26 per cent to \$1,092 million in 2024, through a diversified channel mix of bancassurance and brokerage. We delivered a strong performance through our local bank partners, supported by key product campaigns and initiatives. Our offering of tailored solutions to fulfil specific customer needs across saving, protection and medical and across different life stages and currencies has contributed to our growth. This increase in sales volumes, together with the positive product mix effects, drove a significant increase in new business profit in the period.

## Africa

Despite macroeconomic uncertainties and, in particular, high inflation, APE sales for Africa grew by 16 per cent to \$146 million in 2024, with double-digit growth in both agency and bancassurance sales. Six out of our eight life businesses delivered double-digit growth in new business profit in the year. This resulted from an improved channel and product mix, as well as the growth in APE sales.

In Africa, Prudential has an established agency force with over 530 agents who qualified for Million Dollar Round Table membership. In addition, Prudential Africa has added four new bank partners in the year, giving us access to nearly 1,600 bank branches in total. We expanded our Standard Chartered relationship to a further two countries completing the rollout to our core markets.

We will continue to focus our investment and capital on large markets in which we see long-term attractive returns. In line with our strategy, we successfully acquired full ownership of Prudential Zenith Life Insurance Limited Nigeria in 2024.

## Eastspring

	Actual exchange rate			Constant exchange rate
	2024	2023	Change	Change
Total funds under management (\$bn)	<b>258.0</b>	237.1	9%	12%
Adjusted operating profit (\$m)	<b>304</b>	280	9%	10%
Fee margin based on operating income (bps)	<b>30</b>	31	(1) bps	(1) bps
Cost/income ratio (%)	<b>52</b>	53	1ppts	1ppts
IFRS profit after tax (\$m)	<b>264</b>	254	4%	5%

Eastspring is the Group's asset management company. We are uniquely positioned with one of the widest footprints among asset management companies in Asia through our operations in 11 key markets. Eastspring has \$258.0 billion funds under management or advice (referred collectively as funds under management or FUM) including \$148.5 billion funds under management on behalf of the Prudential Group with the balance managed for external third parties.

### **Investment performance: Delivering excellence for our clients**

Over the past year, we have seen 60 per cent of FUM outperform their benchmarks, a notable improvement from 44 per cent in 2023. On a three-year basis, 61 per cent of FUM outperformed their benchmark (2023: 50 per cent). This improvement can largely be attributed to the efforts of our investment teams. Notably, the Multi Asset Portfolio Solutions (MAPS) team implemented platform improvements and process enhancements in early 2024, leading to 95 per cent of MAPS portfolios outperforming their benchmark over one year. Our fixed income strategies continued to demonstrate consistent strong results while our equity strategies also improved.

Delivering strong investment returns for clients is at the heart of everything we do. The arrival of a new Chief Investment Officer in mid-2024 has accelerated the development and execution of plans to further strengthen existing capabilities and develop new opportunities. This includes building one unified regional investment platform which has enabled us to nurture and draw on expertise and research from our teams across markets for better market insights and investment decision-making.

Eastspring's investment expertise and performance have been well recognised with over 70 industry accolades in 2024, including 19 Lipper Fund awards, 13 Asset Benchmark Research accolades and eight Asia Asset Management Best of the Best awards.

### **Client-first: Sharpen, focus and scale**

We continued to strengthen and deepen our relationships with third-party clients and with other Prudential Group businesses, providing them with advice through the most dynamic of environments.

Our focus on clients has led to good success, particularly in our wholly-owned retail business, which achieved record net inflows of \$2.9 billion. This marks our best performing year since 2015 for our wholly-owned retail business. Notably, our Japan, Thailand and Taiwan businesses delivered impressive net flows. While we saw strong gross flows across the organisation, our overall net flow was challenged by several one-off institutional outflows.

The appointment of our new Chief Distribution Officer in March 2024 has greatly shaped our global distribution strategy, which drives our client-first approach. To ensure we remain attuned to our clients' voices and needs, we conducted our first global NPS survey for third-party clients, which yielded promising results. We also introduced our High Conviction strategies, a selection of carefully curated regional products designed to meet clients' investment goals and align with our current investment outlook.

### **Stewardship and materiality: Through the Eastspring lens**

Our leadership extends to responsible investment and governance. Our proprietary ESG integration tool, the ESG Visualiser (ESGV), is now available across Eastspring's investment teams. We have also deepened our climate strategy to seize investment opportunities and address the climate investing gap. This includes the development of an industry best-practice standard, the Eastspring-Prudential 'Framework for Investing in Climate Transition in the Capital Markets', endorsed by the Climate Bonds Initiative.

Currently, we are creating solutions based on this framework using our particular insights as an asset manager that operates in Asia and Africa. Our efforts have been recognised by industry organisations, such as the Asia Investor Group for Climate Change (AIGCC). We have also been selected to co-chair the AIGCC Just Transition working group in 2025, further establishing us as thought leaders in climate investment.

### **Joint venture growth initiatives**

As at 31 December 2024, Eastspring FUM includes \$51.5 billion that represents our 49 per cent share in funds managed by ICICI Prudential Asset Management Company (IPAMC) in India and \$11.5 billion that represents our 49 per cent share in funds managed by CITIC-Prudential Fund Management Company Limited (CPFMC) in China.

In India, during 2024 IPAMC serviced more than 10 million customers across over 300 locations. It is the second largest asset manager by FUM with more than 12 per cent market share<sup>5</sup> as at 31 December 2024. In the year to 31 December 2024, our 49 per cent share of the profit after tax reported by the business was \$146 million, up 31 per cent year on year. Direct business customer numbers grew by over 35 per cent year on year to 4.2 million and constitute 30 per cent of IPAMC's overall customer base at 31 December 2024.

In China, CPFMC strengthened its distribution capabilities. In addition to 76 new institutional clients, its retail client base exceeded 9.1 million customers, of which 1.38 million were newly acquired. Investment performance was strong in 2024, with 21 products receiving five-star ratings and 17 products ranking among the top 20 per cent in their respective investment categories.

## Financial performance

	Actual exchange rate			Constant
	2024	2023	Change	exchange rate
	\$m*	\$m*	%	%
External funds under management (\$bn)	<b>108.2</b>	94.2	15	19
Funds managed on behalf of M&G plc (\$bn)	<b>1.2</b>	1.9	(37)	(33)
<b>External funds under management (\$bn)</b>	<b>109.4</b>	96.1	14	18
Internal funds under management (\$bn)	<b>115.4</b>	110.0	5	8
Internal funds under advice (\$bn)	<b>33.2</b>	31.0	7	11
<b>Total internal funds under management or advice (\$bn)</b>	<b>148.6</b>	141.0	5	9
<b>Total funds under management or advice (\$bn)</b>	<b>258.0</b>	237.1	9	12
<b>Total external net flow†</b>	<b>6,499</b>	4,054	n/a	n/a
<b>Analysis of adjusted operating profit</b>				
Retail operating income	<b>414</b>	353	17	19
Institutional operating income	<b>333</b>	347	(4)	(3)
Operating income before performance-related fees	<b>747</b>	700	7	8
Performance-related fees	<b>–</b>	(2)	n/a	n/a
<b>Operating income (net of commission)</b>	<b>747</b>	698	7	8
Operating expense	<b>(385)</b>	(372)	(3)	(4)
Group's share of tax on joint ventures' adjusted operating profit	<b>(58)</b>	(46)	(26)	(29)
<b>Adjusted operating profit</b>	<b>304</b>	280	9	10
Adjusted operating profit after tax	<b>275</b>	254	8	10
<b>Average funds managed by Eastspring</b>	<b>249.3</b>	225.9	10	11
Fee margin based on operating income	<b>30bps</b>	31bps	(1) bps	(1) bps
Cost/income ratio	<b>52%</b>	53%	1 ppts	1 ppts

\* Unless otherwise stated.

† Excluding funds managed on behalf of M&G plc.

Eastspring's total funds under management (FUM) increased by 9 per cent to \$258.0 billion (31 December 2023: \$237.1 billion on actual exchange rate basis), reflecting favourable market movements, and net inflows from third parties and the Group's life business. In 2024, there was a shift in overall asset mix from bonds and multi-assets to equity funds, while the overall assets remain well diversified across both clients and asset classes.

Third-party net inflows (excluding money market funds and funds managed on behalf of M&G plc) were \$6.5 billion (2023: \$(4.1) billion) with net inflows into higher margin retail funds being partly offset by institutional net outflows. The expected redemption of funds managed on behalf of M&G plc has been completed with further net outflows of \$(0.7) billion in 2024. Net inflows from Prudential's life business were \$5.2 billion, more than doubling that of the prior year (2023: \$2.3 billion).

The average FUM grew by 11 per cent, comparable with the 10 per cent growth in Eastspring's adjusted operating profit. 2024's adjusted operating profit of \$304 million includes a \$22 million (2023: \$22 million) net investment gain, reported within operating income before performance-related fees, on shareholders' investments including seed capital. Excluding the gains on shareholders' investments from both periods, operating profit was 11 per cent higher. There was an improvement in the cost/income ratio, as revenue growth outpaced a moderate increase in costs. Fee margin fell slightly from the prior year, due to margin compression in India given strong inflows and FUM growth.

### Notes

- (1) As reported at full year 2024 unless otherwise specified. Sources include formal (eg competitors results release, local regulators and insurance association) and informal (industry exchange) market share. Ranking based on new business (APE sales, weighted new business premium, retail weighted received premium, full year premium or weighted first year premium) or gross written premium depending on availability of data. Hong Kong ranking based on APE sales. Rankings in the case of Mainland China, Taiwan and Myanmar are among foreign insurers, while for India they are among private companies. Markets based on eleven months ended November 2024: Thailand, nine months ended September 2024; Mainland China, Hong Kong, Malaysia, Uganda (Africa), three months ended March 2024; PPMZ (Africa), and full year 2023: Laos, Zambia (Africa), Ghana (Africa), Nigeria (Africa) and Kenya (Africa).
- (2) Source: The Guangdong-Hong Kong-Macao Greater Bay Area Development Office.
- (3) Source: Swiss Re Institute.
- (4) Compound annual growth rate for APE sales in 9-month period to 30 September 2024 from the 9-month period to 30 September 2022, compared with top-5 insurers in the market as at 30 September 2022.
- (5) Source: AMFI.

# Risk review

## Thoughtful risk management through advocating the interests of our people, customers, regulators and shareholders

### 1 Introduction

Prudential's Group Risk Framework, risk appetite and robust governance have enabled the business to manage and control its risk exposure throughout market volatility and uncertainty in 2024 to support the Group's strategy of delivering sustainable value for all our stakeholders. As Prudential focuses on executing its strategy across Asia and Africa, the Group-wide Risk, Compliance and Security (RCS) function has continued to provide risk advice, recommendations and assurance. It also engages with Prudential's Group-wide supervisor, the Hong Kong Insurance Authority (Hong Kong IA), on critical activities, while overseeing the risks and implications to the ongoing business with the goal of ensuring that the Group remains within its approved risk appetite. Our risk strategy places strong emphasis on thoughtful risk management as a core mission statement, outlining four essential strategic pillars covering stewardship, agile and robust risk management, effective systems of governance and compliance, and value-add mindset. This is also supported by three enablers including standardisation and simplifications of controls and processes, timely access to data and increased use of technology and analytics, and building capabilities at scale. The Group effectively leverages its risk management, compliance and security experience in more mature markets, applying it appropriately to its growth markets. The manner and extent of their application take into account their specific risks and the extent of their challenges under complex operating environments, and are reflective of opportunities, customer issues and needs, and local customs. Prudential will continue to take a holistic and coordinated approach in managing the increasingly dynamic, multifaceted and often interconnected risks facing its businesses.

Below we explain how we manage risk, including through our risk governance framework and processes. We then describe the principal risks the Group faces, including how each principal risk is managed and mitigated, followed by a detailed description of the specific risk factors that may affect our business, the Group and our stakeholders.

### 2 Risk governance

#### a. System of governance

Prudential has in place a system of governance that embeds clear ownership of risk, together with risk policies and standards to enable risks to be identified, measured and assessed, managed and controlled, and monitored and reported. The Group Risk Framework, owned by the Board, details Prudential's risk governance, risk management processes and risk appetite. The Group's risk governance arrangements are based on the 'three lines' model. The 'first line' is responsible for taking and managing risk within the risk appetite, while the 'second line' provides additional challenge, expertise and oversight to support risk and compliance management, and the 'third line' provides independent assurance on the design, effectiveness and implementation of the overall system of internal control. The Group-wide RCS function reviews, assesses, oversees and reports on the Group's aggregate risk exposure and solvency position from an economic, regulatory compliance and credit ratings perspective.

The level of Group governance and its appropriateness are reviewed regularly to promote individual accountability in decision-making and support the overall corporate governance framework to provide sound and prudent management and oversight of the Group's business. The Group also regularly reviews the Group Risk Framework and supporting policies, to ensure that sustainability considerations, which form an integral part of the wider Group governance, are appropriately reflected in policies and processes and embedded within all business functions.

#### b. Group Risk Framework

##### i. Risk governance and culture

Prudential's risk governance comprises the Board organisational structures, reporting relationships, delegation of authority, roles and responsibilities, and risk and compliance policies that have been established to enable business decision-making with respect to control activities and risk-related matters. The Risk Committee leads the risk governance structure, supported by independent Non-executive Directors on the risk committees of the Group's material subsidiaries. The Risk Committee approves changes to the Group Risk Framework and the core risk and compliance policies that support it, and has direct lines of communication to, and reporting and oversight of the risk committees of, the Group's material subsidiaries. The chief risk and compliance officers of the Group's material subsidiaries and the regional chief executive officers of the Group's Strategic Business Groups are also invited to the Group Executive Risk Committee, which serves as the advisory committee to the Group Chief Risk and Compliance Officer. The chief risk and compliance officers of the Group's material subsidiaries also attend the Risk Committee meetings on a rotational basis.

Risk culture is a strategic priority of the Board, which recognises its importance in the way the Group conducts business. The Group has a set of fundamental values, referred to as 'The PruWay', that serve as the Group's guiding principles to ethical and authentic conduct, and apply equally to all members of Prudential and its affiliates. The PruWay defines how Prudential expects business to be conducted to achieve its strategic objectives, to build a culture of trust and transparency that allows our people to thrive, and to deliver sustainable value for all our stakeholders: customers, employees, shareholders and the communities in which we operate. The Board-level Sustainability Committee was established in 2024, replacing the Responsibility & Sustainability Working Group, to support the Board's responsibilities on embedding the Group's sustainability strategy, goals, and implementation of sound culture considerations in the ways we operate, as well as overseeing progress on environment, responsible investment, customer, culture, people and community matters. The Risk Committee's previous oversight responsibilities for environmental and climate-related risk have been transferred to the Sustainability Committee. However, the Risk Committee continues to receive regular updates on key sustainability-related risk matters, such as regulatory and legislative developments related to environment and climate-related topics, and progress against the Group's responsible investment commitments.

The Group Risk Framework and underlying policies support sound risk management practices by requiring a focus on customers, longer-term goals and sustainability, the avoidance of excessive risk taking, and highlighting acceptable and unacceptable behaviours. This is supported by the inclusion of risk and sustainability considerations in performance management and remuneration for key executives; the building of appropriate skills and capabilities in risk management; and ensuring that employees understand and care about their role in managing risks through open discussions, collaboration and engagement. The Risk Committee has a key role in providing advice to the Remuneration Committee on risk management considerations to be applied in respect of executive remuneration.

Prudential's Code of Conduct and Group Governance Manual, supported by the Group's risk-related policies, are reviewed regularly. The Code of Conduct lays down the principles and guidelines that outline the ethical standards and responsibilities of the organisation and our people. Supporting policies include those related to regulatory compliance, anti-money laundering, sanctions, anti-bribery and corruption, counter fraud, conduct, conflicts of interest, confidential and proprietary information and securities dealing. The Group's Third-Party Supply and Outsourcing Policy requires that human rights and modern slavery considerations be taken into account for material supplier arrangements. Procedures to allow individuals to speak out safely and anonymously against unethical behaviours and conduct violations are also in place.

Further details on the Group's sustainability governance arrangements and strategic framework are included in the Group's 2024 Sustainability Report.

## **ii. The risk management cycle**

The Group Own Risk and Solvency Assessment (ORSA) is the ongoing process of identifying, measuring and assessing, managing and controlling, monitoring and reporting the risks to which the business is exposed. It includes an assessment of capital adequacy to ensure that the Group's solvency needs are met at all times, as well as stress and scenario testing that also includes climate scenarios.

### **Risk identification**

The Group identifies and manages principal and emerging risks in accordance with the Group-wide Supervision (GWS) regulatory framework issued by the Hong Kong IA and provision 28 of the UK Corporate Governance Code. The Group performs a robust assessment and analysis of principal and emerging risk themes through the risk identification process, the Group ORSA report, and the risk assessments undertaken as part of the business planning review, including how they are managed and mitigated, which supports decision-making. Top-down and bottom-up processes are in place to support Group-wide identification of principal risks. The Group's principal risks, which are reported and managed by the Group with enhanced focus, are reviewed and updated on a regular basis.

An emerging risk identification framework also exists to support the Group's preparations in managing financial and non-financial risks expected to crystallise beyond the business-planning horizon. The Group's emerging risk identification process recognises the dynamic materiality of emerging risk themes, whereby the topics and the associated risks that are important to the Group and its respective key stakeholders can change over time, often very quickly. This is often seen for sustainability-related (including environmental, social and governance (ESG) and climate-related) and technology innovation-related (including machine learning and artificial intelligence (AI), data security, privacy and cyber resilience) risks, which can potentially impact the Group both financially and reputationally given evolving stakeholder expectations.

The risk profile assessment is a key output from the risk identification and risk measurement processes and is used as a basis for setting Group-wide limits and assessment of management actions which could be taken to maintain a strong capital position and aid stakeholder value creation.

### **Risk measurement and assessment**

All identified risks are assessed based on an appropriate methodology for that risk. Quantifiable risks which are material and mitigated by holding capital are modelled in the Group's internal model, which is used to determine the Group Internal Economic Capital Assessment (GIECA) with robust processes and controls on model changes. The GIECA model and results are subject to independent validation.

### **Risk management and control**

The Group's control procedures and systems focus on aligning the levels of risk taking with the Group's strategy and can only provide reasonable, not absolute, assurance against material misstatement or loss. The Group's risk policies define the Group's appetite for material risks and set out the risk management and control requirements to limit exposure. These policies also set out the processes to enable the measurement and management of these risks in a consistent and coherent way, including the flows of management information required. Stress and scenario testing is also in place to assess the robustness of capital adequacy and liquidity and the appropriateness of risk limits, as well as to support recovery planning. This includes reverse stress testing, which requires the Group to ascertain the point of business model failure and is another tool that helps to identify the key risks and scenarios that may have a material impact on the Group. The methods and risk management tools employed to mitigate each of the Group's principal risks are detailed in section 3 below.

### **Risk monitoring and reporting**

The Group's principal risks are highlighted in the management information received by the Risk Committee and the Board, which also includes key exposures against appetite and developments in the Group's principal and emerging risks.

## **iii. Risk appetite, limits and triggers**

The Group aims to balance the interests of the broad spectrum of its stakeholders (including customers, investors, employees, regulators, communities and key business partners) and understands that a well-managed acceptance of risk lies at the heart of its business. The Group generates stakeholder value by selectively taking exposure to risks, mitigated to the extent it is cost effective to do so, and where these are an outcome of its chosen business activities and strategy. Those risks for which the Group has no tolerance are actively avoided. The Group's systems, procedures and controls are designed to manage risk appropriately, and its approach to resilience and recovery aims to maintain the Group's ability and flexibility to respond in times of stress.

Qualitative and quantitative expressions of risk appetite are defined and operationalised through risk limits, triggers and indicators. The RCS function reviews the appropriateness of these measures at least annually. The Board approves changes to the Group's aggregate risk appetite and the Risk Committee has delegated authority to approve changes to the system of limits, triggers and indicators.

Group risk appetite is defined and monitored in aggregate by the setting of objectives for its capital requirements, liquidity and non-financial risk exposure, covering risks to stakeholders, including those from participating and third-party businesses. Group limits operate within these expressions of risk appetite to constrain material risks, while triggers and indicators provide additional defined points for escalation. The Risk Committee, supported by the RCS function, is responsible for reviewing the risks inherent in the Group's business plan and for providing the Board with a view on the risk/reward trade-offs and the resulting impact to the Group's aggregated position relative to Group risk appetite and limits, including non-financial risk considerations.

- 1. Capital requirements:** Limits on capital requirements aim to ensure that, in both business-as-usual and stressed conditions, the Group maintains adequate capital in excess of internal economic capital requirements and regulatory capital requirements, achieves its desired target credit rating to meet its business objectives, and avoids the need for supervisory intervention. The two measures in use at the Group level are the GWS and GIECA capital requirements.
- 2. Liquidity:** The objective of the Group's liquidity risk appetite is to help ensure that appropriate cash resources are available to meet financial obligations as they fall due in both business-as-usual and stressed scenarios. This is measured using a liquidity coverage ratio, which considers the sources of liquidity against liquidity requirements under stress scenarios.
- 3. Non-financial risks:** The Non-Financial Risk Appetite Framework is in place to identify, measure and assess, manage and control, monitor and report effectively on material non-financial risks across the business. The non-financial risk appetite is framed around the perspectives of its varied stakeholders, accounts for current and expected changes in the external environment, and provides limit and trigger appetite thresholds for non-financial risk categories across the Group's locations. The Group accepts a degree of non-financial risk exposure as an outcome of its chosen business activities and strategy, and aims to manage these risks effectively to maintain its operational resilience, and its commitments to customers and all other stakeholders, and avoid material adverse financial loss or impact to its reputation.

### 3 The Group's principal risks

The delivery of the Group's strategy in building long-term value for all our stakeholders inevitably requires the acceptance of certain risks. The materialisation of any of these risks within the Group or in its joint ventures, associates or key third-party partners may have a financial impact and may affect the performance of products or services or the fulfilment of commitments to customers and other stakeholders, with an adverse impact on Prudential's brand and reputation.

This section provides a high-level overview of the principal risks faced by the Group including the key tools used to manage and mitigate each risk. A detailed description of these and other risks is presented under the heading 'Risk factors' below.

The Group's 2024 Sustainability Report includes further detail on the sustainability-related (including ESG and climate-related) risks which contribute to the materiality of the Group's principal risks detailed below.

#### Summary of principal risks

##### Risks to the Group's financial position

**The global economic and geopolitical environment may impact the Group directly by affecting trends in financial markets and asset values, as well as driving short-term volatility.**

**Risks in this category include the market risks to our investments and the credit quality of our investment portfolio, as well as liquidity risk.**

#### Global economic and geopolitical conditions

Prudential operates in a macroeconomic and global financial market environment that continues to present significant uncertainties and potential challenges. This includes the risk of divergent and uncertain interest rate trajectories and the escalation of protectionist policies, which could put pressure on the creditworthiness of borrowers and growth prospects of businesses. Moreover, the relatively slower economic growth in Mainland China and concerns around its property sector, domestic private sector and customer demand, continue to place downward pressure on Mainland China's interest rates. Mainland China, other countries and many other significant economic blocs could also face protectionist policies from the US which may lead to uncertain implications for global external trade conditions. Such uncertainties could also weigh on both the broader Asian region and the global economy's growth outlook. A number of issuers within the Mainland China property sector and the US commercial real estate sector continued to experience a reduction in financial strength and flexibility, although the overall direct impact to the Group's invested credit portfolio was immaterial due to our diversified investment strategy. The above factors, along with concerns over uneven global growth, will likely contribute to increased securities market volatility, particularly if recession risk materialises in some regions where Prudential operates.

Conflicts, including Russia-Ukraine and Israel-Gaza, and geopolitical tensions, particularly from US-China relations and related tariffs, trade restrictions and enforcement actions, and resulting complexity and uncertainty, continued to impact on global and regional economic growth in 2024. Conflicts and escalating tensions may lead to further realignment and fragmentation risk within and between blocs and regions. Geopolitical events (including the impact of elections) will also continue to impact local domestic political and economic environments across Prudential's markets.

Macroeconomic and geopolitical developments are considered material to the Group and can potentially increase operational and business disruption and regulatory (including sanctions) and financial market risks, and have the potential to directly impact Prudential's sales and distribution networks, as well as its reputation. The potential impacts to the Group are included in sections 1.1 and 1.2 of the Risk factors.

## Market risks to our investments

(Audited)

The value of Prudential's direct investments is impacted by fluctuations in interest rates, equity and property prices, credit spreads, and foreign exchange rates. There is also potentially indirect impact through the value of the net equity of its joint ventures and associates. The Group's direct exposure to inflation remains modest. Exposure mainly arises through an increase in medical claims obligations, driven by rising medical prices as well as potential impact on customers from an affordability perspective. Medical inflation risk as well as challenges for insurers linked to affordability and existing challenges in persistency are detailed in the Insurance risks section below.

The Group has appetite for market risk where it arises from profit-generating insurance activities to the extent that the risk remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. The Group's market risks are managed and mitigated by the following:

- The Group Market Risk Policy;
- The Group Capital and Asset Liability Management (ALM) Committee and Group ALM Policy;
- Changes in asset allocation, bonus revisions, repricing and the use of reinsurance where appropriate;
- The Group Investment Committee and Group Investment Policy;
- The Group Chief Investment Office, which is responsible for the formulation and execution of the company's investment strategies;
- Hedging using derivatives, including currency forwards and swaps, bond forwards/futures, interest rate futures and swaps, and equity futures;
- The monitoring and oversight of market risks through the regular reporting of management information;
- Regular deep dive assessments; and
- The Group Crisis Management Procedure (GCMP), which defines specific governance to be invoked in the event of a crisis such as a significant market, liquidity or credit-related event, cyber incident or staff safety issue. This includes, where necessary, the convening of the Executive Crisis Group and the Group Crisis Management Team to oversee, coordinate and, where appropriate, direct management of the event.

### Interest rate risk, including ALM

Interest rate risk is driven by the impact of the valuation of Prudential's assets (particularly government and corporate bonds) and liabilities, which are dependent on market interest rates.

The Group's risk exposure to rising interest rates arises from the potential impact to the present value of future fees for unit-linked businesses, such as in Singapore, Indonesia and Malaysia, as well as the impact to the present value of the future profits for accident and health products, such as in Hong Kong and Singapore. Exposure to higher interest rates also arises from the potential impact to the value of fixed income assets not attributed to policyholder liabilities, such as the assets in the shareholder funds.

The Group's risk exposure to lower/decreased interest rates arises from the guarantees of some non-unit-linked products with a savings component, including the Hong Kong, Singapore, Taiwan and Mainland China's participating and non-participating businesses. This exposure results from the potential for an asset and liability mismatch, where long-dated liabilities and guarantees are backed by short-dated assets.

The Group Capital and ALM Committee is a management committee supporting the identification, assessment and management of key financial risks to the achievement of the Group's business objectives. It oversees ALM, solvency and liquidity risks of the local businesses as well as the declaration and management of non-guaranteed benefits for participating and universal life businesses. Local business units are responsible for the management of their own asset and liability positions, with appropriate governance in place. The objective of the local business unit ALM process is to meet policyholder liabilities with the returns generated from the investment assets held, while maintaining the financial strength of capital and solvency positions. The ALM strategy adopted by the local business units considers the liability profile and related assumptions of in-force business and new products to appropriately manage investment risk within ALM risk appetite, under different scenarios in accordance with policyholders' reasonable expectations, and economic and local regulatory requirements. Assessments are carried out on an economic basis which is consistent with the Group's internal economic capital methodology. Factors such as local regulations, the availability of assets, currency, duration, and diversifications are considered as appropriate.

The Group's appetite for interest rate risk requires that assets and liabilities should be tightly matched for exposures where assets or derivatives exist that can cover these exposures. Interest rate risk is accepted where this cannot be hedged, provided that this arises from profitable products and to the extent that such interest rate risk exposure remains part of a balanced exposure to risks and is compatible with a robust solvency position. When asset and liability duration mismatch is not eliminated, it is monitored and managed through local risk and asset liability management committees and Group risk limits consistent with the Group's appetite for interest rate risk.

## Market risks to our investments continued

### Equity and property investment risk

The shareholder exposure to equity price movements arises from various sources, including from unit-linked products where fee income is linked to the market value of funds under management. Exposure also arises from participating businesses through potential fluctuations in the value of future shareholders' profits and where bonuses declared are based broadly on historical and current rates of return from the businesses' investment portfolios, which include equities.

The material exposures to equity risk in the Group's businesses include Mainland China's exposure to equity risk through investments in equity assets for most of its products, including participating and non-participating savings products and protection and unit-linked products. The Hong Kong and Singapore business contribute to the Group's equity risk exposure due to the equity assets backing participating products. The Singapore, Indonesia and Malaysia businesses are also exposed to equity risk through their unit-linked products.

The Group has limited acceptance for exposures to equity risk from non-participating products if it is not rewarded for taking the equity risk. The Group accepts equity exposure that arises from future fees (including shareholder transfers from the participating businesses) but limits its exposure to policyholder guarantees by hedging against equity movements and guarantees where it is considered economically optimal to do so.

Where equity risk is accepted, it is explicitly defined by the strategic asset allocation, as well as monitored and managed through local risk and ALM committees. Overall exposure to equity risk from the participating businesses is also managed through Group risk limits consistent with the Group's appetite for equity risk.

### Foreign exchange risk

The geographical diversity of Prudential's businesses means that it is exposed to the risk of foreign exchange rate fluctuations. Some entities within the Group write policies, invest in assets or enter into other transactions in local currencies or currencies not linked to the Group's reporting/functional currency, the US dollar. Although this limits the effect of exchange rate movements on local operating results, it can lead to fluctuations in the Group's US-dollar-reported financial statements. This risk is further detailed in section 1.6 of the Risk factors.

The Group accepts the currency risk that emerges from profits retained locally to support the growth of the Group's business and the translation risks from capital being held in the local currency of the business to meet local regulatory and market requirements. However, in cases where a surplus arising in an overseas operation supports Group capital or shareholders' interest (ie remittances), this exposure is hedged if it is economically optimal to do so. The Group does not accept significant shareholder exposures to foreign exchange risks in currencies outside the local territory.

Foreign exchange risk is managed by the Group Capital and ALM Committee through the implementation of asset allocation on funds which captures the exposure to non-locally-denominated assets.

## Liquidity risk

(Audited)

Prudential's liquidity risk arises from the need to have sufficient liquid assets to meet policyholder and third-party payments as they fall due, considered under both business-as-usual and stressed conditions. It includes the risk arising from funds composed of illiquid assets and results from a mismatch between the liquidity profile of assets and liabilities. Liquidity risk may impact market conditions and valuation of assets in a more uncertain way than other risks like interest rate or credit risk. It may arise, for example, where external capital is unavailable at sustainable cost, where derivatives transactions require a sudden significant need of liquid assets or cash to post as collateral to meet derivatives margin requirements, or where redemption requests are made against funds managed for external clients (both retail and institutional). Liquidity risk is considered material at the level of the Group.

The Group has no appetite for any business to have insufficient resources to cover its outgoing cash flows, or for the Group as a whole to not meet cash flow requirements from its debt obligations under any plausible scenario. The Group has significant internal sources of liquidity sufficient to meet its expected cash requirements for at least 12 months from the date the financial statements are approved, without having to resort to external sources of funding. The Group has a total of \$1.6 billion of undrawn committed facilities that can be made use of, expiring in 2029. Access to further liquidity is available through the debt capital markets and the Group's extensive commercial paper programme. Prudential has maintained a consistent presence as an issuer in the market for the past decade.

A number of risk management tools are used to manage and mitigate liquidity risk, including the following:

- The Group's Liquidity Risk Policy;
- Regular assessment and reporting by the Group and business units of liquidity coverage ratios, which are calculated under both base case and stressed scenarios;
- The Group's Liquidity Risk Management Plan;
- The Group's Collateral Management Standard;
- The Group's contingency plans and identified sources of liquidity;
- The Group's ability to access the money and debt capital markets; and
- The Group's access to external committed credit facilities.

## Credit risk

(Audited)

Credit risk is the potential for loss resulting from a borrower's failure to meet its contractual debt obligation(s). Counterparty risk, a type of credit risk, is the probability that a counterparty defaults on its contractual obligation(s) causing the other counterparty to suffer a loss. These risks arise from the Group's investments in bonds, reinsurance arrangements, derivative contracts with third parties, and its cash deposits with banks. Credit spread risk, another type of credit risk, arises when the interest rate/return on a loan or bond is disproportionately low compared with another investment with a lower risk of default. Invested credit and counterparty risks are considered material risks for the Group's business units.

The total debt securities at 31 December 2024 held by the Group's operations were \$73.8 billion (31 December 2023: \$83.1 billion). The majority (84 per cent, 31 December 2023: 83 per cent) of the portfolio are investments either held in unit-linked funds or that support insurance products where policyholders participate in the returns of a specified pool of investments<sup>1</sup>. The gains or losses on these investments will largely be offset by movements in policyholder liabilities<sup>2</sup>. The remaining 16 per cent (31 December 2023: 17 per cent) of the debt portfolio (the 'shareholder debt portfolio') are investments where gains and losses broadly impact the income statement, albeit short-term market fluctuations are recorded outside of adjusted operating profit.

- **Group sovereign debt:** Prudential invests in bonds issued by national governments. This sovereign debt holding within the shareholder debt portfolio represented 54 per cent or \$6.3 billion<sup>3</sup> of the total shareholder debt portfolio as at 31 December 2024 (31 December 2023: 55 per cent or \$7.8 billion). The particular risks associated with holding sovereign debt are detailed further in the disclosures in the Risk factors. The total exposures held by the Group in sovereign debt securities at 31 December 2024 are given in note C1 of the Group's IFRS financial statements.
- **Corporate debt portfolio<sup>6</sup>:** In the shareholder debt portfolio, corporate debt exposures totalled \$4.9 billion of which \$4.5 billion or 93 per cent were investment grade rated (31 December 2024: \$5.8 billion of which \$5.4 billion or 94 per cent were investment grade rated).
- **Financial sector debt exposure and counterparty credit risk:** The financial sector, especially banks, represents a material concentration in the Group's corporate debt portfolio which largely reflects the composition of the fixed income markets across the regions in which Prudential is invested. As such, exposure to the financial sector, particularly banks, is a key part of its core investments, considered to be a material risk for the Group, as well as being important for the hedging and other activities undertaken to manage its various financial risks.

At 31 December 2024:

- 93 per cent of the Group's shareholder portfolio (excluding all government and government-related debt) is investment grade rated<sup>4</sup>. In particular, 57 per cent of the portfolio is rated<sup>4</sup> A- and above (or equivalent); and
- The Group's shareholder portfolio is well diversified: no individual sector<sup>5</sup> makes up more than 15 per cent of the total portfolio (excluding the financial and sovereign sectors).

The Group's holdings across its life portfolios are mostly in local currency and with a largely domestic investor base. These portfolios are generally positioned towards high-quality names, including those with either government or considerable parent company balance sheet support. Areas which the Group is actively monitoring include ongoing developments in the global banking and property sectors, potential slowdown of global economic growth, heightened geopolitical tension and protectionism, inflation risks and monetary policy responses, along with Mainland China's pace of economic growth and high indebtedness in African countries. The impacts of these closely monitored trends include potential for deterioration in the credit quality of the Group's invested credit exposures, particularly due to rising funding costs and overall credit risks, and the extent of downward pressure on the fair value of the Group's portfolios. The Group's portfolio is generally well diversified in relation to individual counterparties, although counterparty concentration is monitored, particularly in local markets where depth (and therefore the liquidity of such investments) may be low. Acknowledging that we can never eliminate downgrade or default risks, the Group has appetite to accept credit risk to the extent that it remains part of a balanced portfolio of sources of income for shareholders and is compatible with a robust solvency position. This risk is further detailed in sections 1.4 and 1.5 of the Risk factors.

The Group actively reviews its investment portfolio to maintain the robustness and resilience of the solvency position. A number of risk management tools are used to manage and mitigate credit and counterparty credit risk, including the following:

- The Group Credit Risk Policy and the Group Dealing Controls Policy;
- The Global Counterparty Limit Framework and concentration limits on large names;
- Collateral arrangements for derivative, secured lending reverse repurchase and reinsurance transactions which aim to provide a high level of credit protection; and
- The Group Executive Risk Committee, Group Risk Committee and Group Investment Committee's oversight of credit and counterparty credit risk and sector and/or name-specific reviews.

Exposure to the financial sector is considered a material risk for the Group. Counterparty credit risk exposures, arising from cash, derivatives and reinsurance activities, are managed using an array of risk management tools, including a comprehensive system of rating-based limits, a focus on prioritising investment grade banks and implementing collateral arrangements where feasible. Regarding reinsurance, the vast majority of our reinsurance exposures are to reinsurers rated A- or above, and where appropriate, collateral is taken to support the reinsurance exposure. Where necessary, Prudential mitigates the level of its counterparty credit risk by reducing its exposure, or seeking alternative instruments.

## The Group's sustainability-related (including ESG and climate-related) risks

Sustainability-related risks refer to (a) environmental, social or governance issues, trends or events that could have a financial or non-financial impact on the company, and/or (b) the company's sustainability-focused activities, strategy and commitments that could have an external impact on the environment and wider society.

### Risk description

### Risk management

#### Sustainability-related (including ESG and climate-related) risks

Material and emerging risks associated with key sustainability themes may undermine the long-term success of a business by adversely impacting its financial and operational resilience, reputation and brand, and ability to attract and retain customers, investors, employees and distribution and other business partners, and therefore the results of its operations and delivery of its strategy and long-term financial success. Sustainability-related risks arise from the activities that support implementation of the Group's strategy, which is centred on three key pillars (providing simple and accessible health and financial protection, responsible investment and creating a sustainable business) and increases the expectations of the Group's stakeholders with regard to the Group's potential external environmental and social impact.

As custodians of stakeholder value for the long term, the Group seeks to manage sustainability-related risks and their potential impact on its business and stakeholders through transparent and consistent implementation of its strategy in its markets and across operational, underwriting and investment activities. It is enabled by strong internal governance, sound business practices and a responsible investment approach, with sustainability-related considerations integrated into investment processes and decisions, and the performance of fiduciary and stewardship duties, including via voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager. Enhancing governance and controls around sustainability-related topics and external disclosures, internal knowledge sharing and capacity-building particularly for the boards of the local business units, establishing frameworks and governance for transition finance investments, preparation for the transition to the Hong Kong Stock Exchange and Singapore Exchange's climate disclosure requirements, and continued progress towards the Group's external climate-related commitments, remained priorities for the Group for 2024.

Further information on the Group's sustainability governance and strategy, as well as the management of material sustainability themes, is included in the Group's 2024 Sustainability Report.

The Group participates in networks, industry forums and working groups, such as the Net Zero Asset Owner Alliance (NZAOA), Principles for Responsible Investment (PRI) and CRO Forum, to further develop understanding and support action, consistent with the Group's fiduciary responsibilities, in relation to sustainability risks and promoting a just and inclusive transition. The Group also actively engages with, responds and contributes to, discussions, consultations and information-gathering exercises with local regulators, international supervisory bodies and global industry standard setters.

### Sustainability-related (including ESG and climate-related) risks continued

Potential regulatory compliance and litigation risks exist globally and across Asia, as sustainability-related topics remain high on the agenda of both local regulators and international supervisory bodies, including the Financial Conduct Authority, the International Association of Insurance Supervisors (IAIS), the Hong Kong Stock Exchange and Singapore Exchange, which published their climate disclosure requirements in 2024, and the European Securities and Market Authority and the Monetary Authority of Singapore, which published their further requirements with regards to the use of sustainability and ESG nomenclature in the labelling of investment products. Delivery of the Group's Sustainability Strategy, including the decarbonisation commitments and the development of sustainable and inclusive offerings, heightens the risk of accusations of misleading or unsubstantiated representations to the extent of the environmental or societal impact of the Group's activities and the sustainability features of new products (eg greenwashing), which subsequently increases the risk of potential litigation, regulatory action or reputational damage. Evolving and diverging approaches to sustainability efforts in various jurisdictions also create challenges in addressing conflicting requirements and expectations. Further details of the Group's sustainability-related risks and regulations are included in sections 2.1 and 4.1 of the Risk factors.

The Group Risk Framework continues to be critically evaluated and updated where required to ensure both sustainability-related considerations and risks to the Group, including those arising from stakeholder expectations of the external impact of the Group's activities, are appropriately captured. Consideration is given to a number of risk characteristics which sustainability-related risks may exhibit, but which are not generally recognised in more traditional risk management practices. These characteristics are reflected in the materiality assessment of sustainability-related risk themes, the decision on how to treat the risks associated with the themes, and the assessment and enhancement of existing controls or development of new controls where necessary. Whilst some material sustainability themes are reflected in the risk taxonomy as standalone risks, the risks associated with most sustainability topics are generally treated as thematic cross-cutting risks (eg climate-related risks). These are risk themes that can have significant interdependencies with and influence on, and can potentially amplify, the established risks. Risk management and mitigation of sustainability risks continues to be embedded within the Group Risk Framework and risk processes, including:

- Recognition within the emerging risk identification and evaluation processes that emerging sustainability themes and the associated risks can potentially quickly change from immaterial to material (dynamic materiality);
- The inclusion of 'social and environmental responsibility' as a strategic risk within the risk taxonomy to consider the potential risks arising from the external impact of the Group's activities, recognising that the Group can both be impacted by sustainability issues and have an impact on these in the external world (double materiality);
- Workshops and ongoing function-wide training on specific risk themes, including sustainability risk principles, greenwashing risk and the risks associated with delivery of the Group's external responsible investment commitments;
- Definition of appropriate (and longer) time horizons, including with respect to climate risk management, and the requirement to consider appropriate time horizons in risk-based decision-making;
- Creating new (and amending existing) frameworks, policies, processes and standards as necessary to mitigate amplified risks and meet regulatory requirements, particularly those associated with product labelling and disclosures; and
- Deep dives into emerging and increasingly material sustainability themes, including climate-related risks, and development of Board-level and broader Group-wide training.

## Risks from the nature of our business and our industry

These include the Group's non-financial risks such as operations processes, change management, third-party and outsourcing, customer conduct, regulatory compliance and legal, model, financial crime, and business continuity risks. With our increasing reliance on technology, information and cyber security, IT infrastructure, data and privacy risks remain areas of focus. Insurance risks and business concentration risks are also assumed by the Group in providing its products. Furthermore, there are risks associated with the oversight of the Group's joint ventures and associates stemming from our operation in certain markets.

Risk description	Risk management
<b>Non-financial risks</b>	
<p>The complexity of Prudential, its activities and the extent of its transformation efforts from time to time creates a challenging operating environment and exposure to a variety of non-financial risks which are considered to be material at a Group level. The Group's non-financial risks, which are not exhaustive and discussed further in section 3 of the Risk factors, are outlined below.</p>	<p>Alongside the Non-Financial Risk Appetite Framework, associated risk policies and standards are in place that individually engage with specific non-financial risks which include subject matter expert-led processes that are designed to identify, assess, manage and control these risks, including:</p> <ul style="list-style-type: none"> <li>- Reviews of key non-financial risks and challenges within Group and business units' business plans during the annual planning cycle, to support business decisions;</li> <li>- Corporate insurance programmes to limit the financial impact of operational risks;</li> <li>- Oversight of risk management during the transformation life cycle, project prioritisation and the risks, interdependencies and possible conflicts arising from a large portfolio of transformation activities;</li> <li>- Screening and transaction monitoring systems for financial crime and a programme of compliance control monitoring reviews and regular risk assessments;</li> <li>- Internal and external review of cyber security capability and defences;</li> <li>- Regular updating and risk-based testing of crisis management, business continuity and disaster recovery plans;</li> <li>- Established processes to deliver the highest quality of service to fulfil customers' needs and expectations; and</li> <li>- Active engagement in managing compliance obligations and monitoring regulatory developments and supervisory focus areas.</li> </ul>
<b>Operations processes risk</b>	
<p>Operations processes risk is the risk of failure to adequately or accurately process different types of operational transactions, including customer servicing and asset and investment management operations. Due to human error, among other reasons, operations and process control incidents do occur from time to time and no system or process can entirely prevent occurrence.</p>	<p>The Group aims to manage the risk effectively by maintaining operational resilience and honouring commitments to customers and other stakeholders, whilst avoiding material adverse financial loss or impact on its reputation. Further detail on the risks to the Group arising from system issues or control gaps is included in sections 3.1 and 3.3 in the Risk factors.</p>
<b>Change management risk</b>	
<p>Change management risk remains a material risk for Prudential, with a number of significant change programmes underway which, if not delivered and executed effectively with adequate and capable resources to defined timelines, scope and cost, may negatively impact its operational capability, control environment, employees, reputation and ability to deliver its strategy and maintain market competitiveness. The current portfolio of transformation and significant change programmes includes: (i) delivering the Group's business strategy together with supporting operating model changes; (ii) the implementation and embedding of large-scale regulatory/industry changes; (iii) the expansion of the Group's digital capabilities and use of technology, platforms and analytics; and (iv) improvement of business efficiencies and operations across the Group. Further detail on the risks to the Group associated with large-scale transformation and complex strategic initiatives is included in section 3.1 of the Risk factors.</p>	<p>The Group aims to ensure that, for both transformation and strategic initiatives, strong programme governance is in place with embedded risk expertise to achieve ongoing and nimble risk oversight, with regular risk monitoring and reporting to risk committees. The Group's Transformation Standards are in place alongside the Group's existing risk policies and frameworks with the aim to ensure appropriate governance and controls to mitigate these risks. Governance forums are established to oversee the implementation and risk management of the transformation from various dimensions such as customer-centricity, strategic, financial, operational (including digital platforms) and risk management. In addition, Prudential is continuously enhancing strategic capabilities through internal talent development and talent acquisition. Developing a workforce that remains engaged through change and provides adequate resources for our people to manage change, connect, grow and succeed is one of the priorities for the company.</p>

**Non-financial risks continued****Third-party and outsourcing management risk**

The Group has a number of important third-party relationships, with both market counterparties and outsourcing partners, including distribution, technology and ecosystem providers, in addition to the Group's intra-company arrangements. The Group maintains material strategic partnerships and bancassurance arrangements, which create a reliance on the operational resilience and performance of outsourcing and business partners. This risk is explored in more depth in section 3.3 of the Risk factors.

The Group Third-Party Supply and Outsourcing Policy outlines the Group's requirements for managing third-party risk, which includes material outsourcing arrangements, that is aligned to the Hong Kong IA's GWS Framework. In addition, the Group Third-Party Risk Oversight Policy is embedded within business units who are responsible for overseeing its implementation, with compliance achieved through a comprehensive programme that includes risk assessment, risk-based assurance, internal audit activity and monitoring. These measures collectively ensure that appropriate contract performance and risk mitigation measures are in place for our third-party relationships.

**Information and cyber security, IT infrastructure, data and privacy risks**

Risks related to malicious attacks on Prudential systems or third-parties, service disruption, exfiltration of data, loss of data integrity and the impact on the privacy of our data remain prevalent, owing to the accessibility of attacking tools available to potential adversaries, and increasing advancement of technology such as generative AI. Regulatory expectations of cyber security and data protection controls are becoming increasingly complex as the Group continues to develop and expand digital services and products. Reliance on third-party service providers and business partners is also increasing. Further detail on the risks to the Group associated with operating in high-risk markets is included in sections 3.4 and 3.5 of the Risk factors.

Consistent with the system of governance set out in section 2 above, Prudential follows a 'three lines' model for managing technology-related risks, with a resiliency enhancement programme in progress to further strengthen our capabilities in managing disruptions or failures on system platforms serving our customers. Group Technology, the first line, is primarily responsible for risk identification, assessment, mitigation, monitoring and reporting. Group Technology Risk Management, the second line, provides advisory, assurance and oversight of the risk domains. A number of risk management tools are in place including: key risk indicators covering key technology risk areas; annual risk assessment to identify specific risks, priorities and focus areas; and deep-dive reviews on different technology domains to provide assurance of controls. In addition, the Group Technology Risk Committee is a sub-committee of the Group Executive Risk Committee, which oversees the effectiveness of technology risk management including information security and privacy across the Group. GwIA, the third line, provides independent assessment of control effectiveness and management awareness for both the first and second lines, with a comprehensive audit plan across all risk domains, including cyber security. Cyber and privacy risks are reported regularly to the Risk Committee by the Chief Technology Risk Officer. In addition, the Risk Committee and Audit Committee receive more detailed briefings from the Chief Technology Officer. Both the Chief Technology Risk Officer and Chief Technology Officer are experienced professionals, each with more than 20 years of experience in information technology and cyber security. Further, the Group Executive Committee (GEC) participates in annual cyber tabletop exercises and risk workshops to ensure members are well equipped to respond to a cyber or information security incident and fully understand the latest threats and regulatory expectations.

The Group formally launched the Global Integrated Command Centre in Kuala Lumpur, Malaysia in November 2024. This state-of-the-art centre provides Group-wide monitoring, detection and incident management capabilities to enhance Prudential's technology and cyber security resilience, and utilises AI-based tools to enhance detection of and response to infrastructure and application stability issues.

**Non-financial risks continued****Information and cyber security, IT infrastructure, data and privacy risks continued**

The Group has developed data minimisation and ‘privacy-by-design’ principles, where data should only be collected and used for its intended purpose and is not retained longer than necessary. The handling of sensitive data is governed by policies such as the Group Information Security Policy, the Group Privacy Policy, and the Group Data Governance Policy, each aligned to applicable laws and regulations. These policies, together with our third-party risk management practices, aim to ensure privacy and system availability are maintained for Prudential and its third-party service providers.

AI advancements are shaping the present and future of the insurance industry. Our goal is to remain at the forefront by providing services that are technologically advanced, ethically sound, and socially responsible. With our customers at the core of our operations, we apply our AI Ethics Principles in everything we do. These principles apply to both our own and third-party solutions, ensuring that every AI system and innovation is thoroughly evaluated via appropriate governance channels for ethical considerations and that associated risks are well managed. Employees are regularly reminded of the paramount importance of these AI ethics across all markets, while we engage in ongoing dialogues and cooperative initiatives with our regulators. Prudential’s AI governance and ethics principles are available at <https://www.prudentialplc.com/en/site-services/ai-statement>

We continue to observe a rise in malware and ransomware threats and the Group continues to maintain and, where appropriate, enhance defences to protect its systems from cyber security attacks. Prudential has adopted a holistic risk management approach, designed to prevent and disrupt attacks against the Group and to aid recovery, should an attack occur. Other defences include but are not limited to: distributed denial of services (DDoS) protection for Group websites, AI-based endpoint security software, continuous security monitoring, network-based intrusion detection, and employee training and awareness campaigns.

In addition, the Group recognises the evolving threat of AI-generated deepfakes and other sophisticated social engineering tactics targeting corporate activities. As part of our broader cyber resilience strategy, we are enhancing awareness efforts, strengthening detective controls, and bolstering incident response capabilities. While deepfake detection technologies are still maturing, we continue to monitor advancements and collaborate with industry partners to assess and integrate emerging solutions as they become enterprise-ready.

The Group tests the effectiveness of cyber security and privacy controls via a dedicated ‘red team’ to identify potential vulnerabilities, and engages and rotates external expert vendors to perform adversarial testing on our systems. In addition, we engage external consultants to assess and benchmark the maturity of Prudential’s cyber, information security and privacy controls.

A private ‘Bug Bounty’ programme invites external security practitioners to identify and report security issues and vulnerabilities, supported by a Vulnerability Disclosure Programme that allows independent security researchers to report security issues and vulnerabilities via the Prudential websites.

The Group has subscribed to services from independent security consultants to monitor our external security posture on an ongoing basis. Whilst the cyber threat landscape has continued to elevate due to ransomware and supply chain compromise events, the Group did not experience any cyber security and data breaches with a material impact on its business strategy, operations or financial condition in 2024.

## Non-financial risks continued

### Customer conduct risk

Prudential's conduct of business, especially in the design and distribution of its products and the servicing of customers, is crucial in ensuring that the Group's commitment to meeting its customers' needs and expectations is fulfilled. The Group's Customer Conduct Risk Framework reflects management's focus on customer outcomes.

Factors that may increase conduct risk can be found throughout the product life cycle, from the complexity of the Group's products and services to its diverse distribution channels, which include its agency workforce, virtual face-to-face sales, and sales via online digital platforms.

The Group has developed a Group Customer Conduct Risk Policy, which sets out five customer conduct standards that the business is expected to meet:

- Treat customers fairly, honestly and with integrity;
- Provide and promote products and services that meet customer needs, are clearly explained, and that deliver real value;
- Manage customer information appropriately, and maintain the confidentiality of customer information;
- Provide and promote high standards of customer service; and
- Act fairly and promptly to address customer complaints and any errors found.

Conduct risk is managed via a range of controls that are assessed through the Group's Conduct Risk Assessment Framework, reviewed within its monitoring programmes, and overseen within reporting to its boards and committees.

Management of the Group's conduct risk is key to the Group's strategy. Prudential's conduct risks are managed and mitigated using the following tools, among others:

- The Group's Code of Conduct and conduct standards, product underwriting and other related risk policies, and supporting controls including the Group's financial crime risk control programme;
- A culture that supports the fair treatment of the customer, incentivises the right behaviour through proper remuneration structures, and provides a safe environment to report conduct risk-related issues via the Group's internal processes and the Speak Out programme;
- Product controls, such as a product conduct risk assessment, which is a component of the product development process and helps identify and manage product-related conduct risks;
- Distribution controls, including monitoring programmes relevant to the type of business (insurance or asset management), distribution channel (agency, bancassurance or digital) and ecosystem, to help ensure sales are conducted in a manner that considers the fair treatment of customers within digital environments;
- Quality of sales processes, services and training, and use of other initiatives such as special requirements for vulnerable customers, to improve customer outcomes;
- Appropriate claims management and complaint-handling practices; and
- Regular deep dive assessments on, and monitoring of, conduct risks and periodic conduct risk assessments.

**Non-financial risks continued****Regulatory compliance and legal risk**

Prudential operates in highly regulated markets and under the ever-evolving requirements and expectations of diverse and dynamic regulatory, legal and tax regimes which may impact its business or the way the business is conducted. The complexity of legal and regulatory compliance continues to evolve and increase, representing a challenge for international businesses. Compliance with the Group's legal or regulatory obligations (including in respect of international sanctions) in one jurisdiction may conflict with the law or policy objectives of another jurisdiction or may be seen as supporting the law or policy objectives of one jurisdiction over another, creating additional legal, regulatory compliance and reputational risks. These risks may be increased where the scope of regulatory requirements and obligations is uncertain, including where the interpretation and application of laws and regulations within the jurisdictions in which Prudential operates may be subject to change, and where specific cases applicable to the Group are complex. In certain jurisdictions in which Prudential operates there are several ongoing policy initiatives and regulatory developments which will impact the way Prudential is supervised. Further information on specific areas of regulatory and supervisory focus and changes are included in section 4 of the Risk factors.

**Model risk**

Model risk is the risk of adverse financial, regulatory, operational, or reputational impact, or misinformed business and strategic decision-making, resulting from reliance on a model or user-developed application (UDA) that is inaccurate, incorrect or misused. The Group utilises various tools which form an integral part of operational functions including the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities, determining hedging requirements, assessing projects and strategic transactions.

Technological developments, in particular in the field of AI and the increased use of generative AI, pose new considerations for model risk oversight provided under the Group Risk Framework.

The Group monitors regulatory and legal developments at a market and global level and these considerations form part of the Group's ongoing engagement with regulators or supervisors, government policy teams, and industry groups.

Risk management and mitigation of regulatory and legal risk at Prudential includes a comprehensive set of compliance operating arrangements, such as policies, procedures, reporting protocols, risk management measures, disclosures, and training, to ensure ongoing compliance with regulatory and legal obligations. Appropriate controls or tools have been systematically integrated into the daily operations of Prudential:

- Close monitoring and assessment of our business controls and regulatory landscape, with explicit compliance consideration of risk themes in strategic decisions, risk governance, customer protection, conduct and culture, technology, data, operations, financial crime, and cross-border activities;
- Ongoing engagement with relevant regulators, government policy teams and international standard setters; and
- Compliance oversight to ensure adherence to new regulatory developments, including those associated with emerging risk topics.

The Group has no appetite for model or UDA-related incidents leading to regulatory breaches. There is limited appetite for failures to develop, implement and monitor appropriate risk mitigation measures to manage model and UDA risk. The Group's model and UDA risk is managed and mitigated via the Model and UDA Risk Framework, which applies a risk-based approach to tools (including those under development) with the aim to ensure a proportionate level of risk management. The framework requirements include:

- A set of risk oversight, management and governance requirements;
- Regular risk assessment requirements of all tools taking into account potential impact on various stakeholders, including policyholders; and
- Regular independent validation (including limitations, known errors and approximations) of all Group critical tools.

An oversight forum for the use of AI is also in place to ensure compliance with the AI Ethics Principles adopted by the Group with the aim to ensure the safe use of AI.

**Non-financial risks continued****Financial crime risk**

As with all financial services firms, Prudential is exposed to risks relating to: money laundering (the risk that the products or services of the Group are used by customers or other third parties to transfer or conceal the proceeds of crime); sanctions compliance breaches (the risk that the Group undertakes business with individuals and entities on the lists of the main sanctions regimes); bribery and corruption (the risk that employees or associated persons seek to influence the behaviour of others to obtain an unfair advantage or receive improper benefits); and fraud (including the risk of fraudulent insurance claims or billing). Further detail on the risks to the Group associated with operating in high-risk markets is included in section 3.6 of the Risk factors.

The Group's response to financial crime is aligned with applicable laws and regulations in the jurisdictions in which it operates. Group-wide policies covering anti-money laundering, sanctions, anti-bribery and corruption, and counter fraud are in place which reflect these requirements and are applicable to all staff. Local business units are responsible for overseeing implementation of policies and procedures and organising risk-based training and communications. Compliance is achieved through a programme of risk assessment, risk-based assurance, internal audit activity and monitoring.

The Group continues to enhance its financial crime risk management capability through investment in advanced analytics and AI tools. These actions aim to strengthen prevention, increase detection and deliver enhanced oversight of financial crime risk.

The Group has a formal and mature confidential reporting system in place for reporting and escalation of elevated risk, through which employees and other stakeholders can report concerns relating to potential misconduct. The process and results of this system are overseen by the Audit Committee.

**Business continuity risk**

Prudential is exposed to business continuity risk including potential threats or disruptions that could disrupt the company's critical business services and operations.

The Group continually seeks to increase business resilience and anticipate emerging disruptive threats through forecasting, adaptation, planning, preparation and testing of contingency plans and the Group's ability to respond effectively to and operate through disruptive events. Business resilience is at the core of the Group's embedded Business Continuity Management (BCM) programme and framework that help to protect the Group's systems and its key stakeholders. Taking a proactive approach to anticipating disruption risk, the BCM programme covers risk assessments, business impact analyses, maintenance and testing of business continuity, crisis management and disaster recovery plans. The Group Crisis Management Procedure serves as a cross-functional response tool to limit the impact of any disruptive event and is regularly reviewed and tested. The consideration of impacts on customers is at the core of our resilience efforts, focusing on the delivery of critical business services.

**Insurance risks**

(Audited)

Insurance risks make up a significant proportion of Prudential's overall risk exposure. The profitability of the Group's businesses depends on a mix of factors including levels of, and trends in, mortality (policyholders dying), morbidity (policyholders becoming ill or suffering an accident) and policyholder behaviour (variability in how customers interact with their policies, including utilisation of withdrawals, take-up of options and guarantees and persistency, ie lapsing/surrendering of policies), increases in the costs of claims over time (claim inflation), and changes in the regulatory environment. The risks associated with adverse experience relative to assumptions associated with product performance and customer behaviour are detailed in section 3.7 of the Risk factors. The Group has appetite for retaining insurance risks in the areas where it believes it has expertise and operational controls to manage the risk and where it judges it to be more value-creating to do so than to transfer the risk, but only to the extent that these risks remain part of a balanced portfolio of sources of income for shareholders and are compatible with a robust solvency position.

Inflationary and other economic pressures also impact morbidity experience in several markets (see below). Elevated interest rates may lead customers to lapse in preference for alternate saving options that offer higher levels of guarantees. A high-inflation environment, and the broader economic effects of recessionary concerns, may also increase lapses, surrenders and fraud, as well as heighten premium affordability challenges.

The principal drivers of the Group's insurance risk vary across its business units. In Hong Kong, Singapore, Indonesia and Malaysia, a significant volume of health and protection business is written, and the most significant insurance risks are medical claims inflation risk, morbidity risk and persistency risk.

The Group manages and mitigates insurance risks using the following, among other methods:

- The Group's Insurance Risk Policy;
- The Group's Product Risk Policy, which sets out the required standards for effective product risk management and approvals for new, or changes to existing, products (including the role of the Group). The policy also describes how the Group's Customer Conduct Risk Policy is met in relation to new product approvals and current and legacy products;
- The Group's Financial Crime Policy (see the 'Financial crime risk' section above);
- Using persistency, morbidity and longevity assumptions that reflect recent experience and expectation of future trends, and the use of industry data and expert judgement where appropriate;
- Using reinsurance to mitigate, manage and diversify mortality and morbidity risks;
- Ensuring appropriate medical underwriting when policies are issued and appropriate claims management practices when claims are received in order to mitigate morbidity risk;
- Maintaining the quality of sales processes and training, and using initiatives to increase customer retention in order to mitigate persistency risk;
- The use of mystery shopping to identify opportunities for improvement in sales processes and training; and
- Using product repricing and other claims management initiatives in order to mitigate morbidity and medical claims inflation risk.

**Medical claims inflation risk**

A key assumption when setting and reviewing health insurance premiums is the rate of medical claims inflation, which is often in excess of general price inflation. The cost of medical treatment could increase more than expected, resulting in higher than anticipated medical claims cost passed on to Prudential. There may also be constraints on our ability to pass the medical claims inflation impact onto customers via increased health insurance premiums.

The Group's approach to best managing this risk is by retaining the right to reprice products and appropriate overall claims limits within policies, either per type of medical treatment or in total across a policy, annually and/or over the policy lifetime. Medical reimbursement downgrade experience (where the policyholder reduces the level of the coverage/protection in order to reduce premium payments) following any repricing is also monitored by the Group's businesses. Medical claims inflation risk is managed through a range of activities and mitigants including end-to-end analytics identifying fraud, waste or abuse, tariff and discount negotiations with hospital and other medical providers, robust claim adjudication rules and processes, product innovation, and proactive collaboration with regulators.

**Morbidity risk**

Morbidity risk is the risk of deviations in the future frequency and magnitude of non-fatal accident and sickness claims relative to initial assumptions that are adverse to shareholder value. It can be influenced by a range of factors including: inflationary, economic and other pressures on the cost of medical treatment; medical advances which can reduce the incidence and improve recovery rates of serious health conditions but can also increase diagnosis rates and/or increase or prolong treatment costs of certain conditions; government and regulatory policies; opportunistic activities (including fraud); and natural events (including pandemics). Morbidity risk can also result from: product design features that incentivise adverse policyholder behaviour; inappropriate or insufficiently informed initial assumptions; claims volatility due to random fluctuation or a large-scale systemic event; insufficient recognition of an individual's medical, financial and/or other relevant circumstances during the policy application assessment process; and/or ineffective claims assessments leading to payment of claims that are inconsistent with the insurance product's contract and/or best practice.

The Group manages morbidity risk through prudent product design, underwriting and claims management and, for certain products, the right to reprice where appropriate. Prudential's morbidity assumptions reflect its recent experience and expectation of future trends for each relevant line of business.

## Insurance risks continued

### Persistency risk

Persistency risk results from adverse changes in policy surrenders, paid-ups and other policy discontinuances. In general, lower persistency experience results in deterioration of profits and shareholder value and can be an indicator of inadequate sales quality controls, and can elevate conduct, reputational and regulatory risks. Persistency risk generally stems from misalignment between customer needs and purchased product as a result of insufficient product collaterals and/or sales process, insufficient post-sale communication and engagement with the customer leading to a deterioration of appreciation of the value of their policy, operational barriers to premium renewal payment, and/or changes in policyholder circumstances resulting from external drivers.

The Group manages persistency risk by appropriate controls across the product life cycle. These include: review of and revisions to product design and incentive structures where required; ensuring appropriate training and sales processes, including those ensuring active customer engagement and high service quality; appropriate customer disclosures and product collaterals; use of customer retention initiatives; and post-sale management through regular experience monitoring. Strong risk management and mitigation of conduct risk and the identification of common characteristics of business with high lapse rates is also crucial. Where appropriate, allowance is made for the relationship (either assumed or observed historically) between persistency and investment returns. Modelling this dynamic policyholder behaviour is particularly important when assessing the likely take-up rate of options embedded within certain products.

### Business concentration risk

Prudential operates in markets in both Asia and Africa via various channels and product mix; although largely diversified at the Group level, several of these markets are exposed to certain levels of concentration risk. From a channel concentration perspective, some of the Group's key markets rely more on agency and some markets rely more on bancassurance. From a product concentration perspective, some of the Group's markets focus heavily on specific product types, depending on the target customer segments. Geographically, the Greater China (Hong Kong, Mainland China and Taiwan) region contributes materially to the Group's top and bottom lines. Uncertainties in macroeconomic and geopolitical conditions as well as regulatory changes may impact the levels of business concentration, including any slowdown in business from Mainland China visitors to Hong Kong as well as the domestic business in Mainland China, and adversely impact the Group's business performance and financial condition.

To improve business resilience, the Group continues to look for opportunities to enhance business diversification in products and distribution channels as well as across geographical markets, by building multi-market growth engines as part of its strategy.

### Risks associated with the oversight of the Group's joint ventures and associates

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures and other joint ownership or associates. For such operations, the level of control exercisable by the Group depends on the terms of the contractual agreements between participants. Whilst the joint ventures and associates are run as separate entities, the Group's interests are best safeguarded by our ability to effectively oversee and influence these joint ventures and associates in a way that is proportionate to our ownership level and control. Further information on the risks to the Group associated with its joint ventures and other shareholders and third parties are included in section 3.6 of the Risk factors.

The Group exercises primary oversight and control over joint ventures and associates through our nominated directors and other representatives on the Board and Board Committees, whose appointments are subject to regular review. The Group has effective access to management information on these businesses via the Board and Board Committees, the businesses' public disclosures, and established regular touchpoints with key business functions of these organisations (eg audit). Key updates on joint ventures and associates are provided to the Group's governance such as the Risk Committee and the Audit Committee. The Group also regularly reviews its governance frameworks and policies to ensure optimal oversight over joint ventures and associates. The Group has established a new Joint Venture Oversight Framework in 2024 to formalise and strengthen the Group's oversight of the joint ventures over which it does not exercise management control.

#### Notes

- (1) Reflecting products that are classified as variable fee approach only.
- (2) With the exception of investments backing the shareholders' 10 per cent share of the estate within the Hong Kong participating fund.
- (3) Excluding assets held to cover linked liabilities.
- (4) Based on middle ranking from Standard & Poor's, Moody's and Fitch ratings, where available. Where ratings are not available from these rating agencies, local external ratings agencies' ratings and lastly internal ratings have been used.
- (5) Source of segmentation: Bloomberg Sector, Bloomberg Group and Merrill - Bank of America. Anything that cannot be identified from the three sources noted is classified as other.
- (6) Corporate debt comprises corporate bonds and asset backed securities.

# Risk factors

A number of risk factors may affect the financial condition, results of operations and/or prospects of Prudential and its wholly and jointly owned businesses, as a whole, and, accordingly, the trading price of Prudential's shares. The risk factors mentioned below should not be regarded as a complete, exhaustive and comprehensive statement of all potential risks and uncertainties. The information given is as of the date of this document, and any forward-looking statements are made subject to the factors specified under 'Forward-looking statements'.

## 1

### Risks relating to Prudential's financial condition

#### **1.1 Prudential's businesses are inherently subject to market fluctuations and general economic conditions, each of which may adversely affect the Group's business, financial condition, results of operations and prospects.**

Uncertainty, fluctuations or negative trends in global and national macroeconomic conditions and investment climates could have a material adverse effect on Prudential's business, financial condition, results of operations, and prospects, including as a result of increased strategic, business, insurance, product and customer conduct risks.

The financial markets in which Prudential operates are subject to uncertainty and volatility created by a variety of factors such as actual or expected changes in both monetary and regulatory policies in Mainland China, the US and other jurisdictions together with their impact on base interest rates and the valuation of asset classes and inflation expectations; slowdowns or reversals in world or regional economic growth from geopolitical conflicts and/or global issues such as pandemics; natural catastrophes; and sector-specific (eg in banking or real estate) slowdowns or deteriorations which have the potential to have contagion impacts. Other factors include fluctuations in global commodity and energy prices, concerns over the serviceability of sovereign debt in certain economies, increased levels of geopolitical and political risk and policy-related uncertainty, protectionism, trade policies, and sociopolitical and climate-driven events. The transition to a lower carbon economy, the timing and speed of which is uncertain and will vary by country, may also result in greater uncertainty, fluctuations or negative trends in asset valuations and reduced liquidity, particularly for carbon-intensive sectors, and may have a bearing on inflation levels. The extent of the financial market and economic impact of these factors may be highly uncertain and unpredictable and influenced by the actions, including the duration and effectiveness of mitigating measures, taken by governments, policymakers, institutions and the public.

The adverse effects of such factors could be felt principally through the following items:

- Changes to interest rates could reduce Prudential's capital strength and impair its ability to write significant volumes of new business. Increases in interest rates could adversely impact the financial condition of the Group through changes in the present value of future fees for unit-linked businesses and/or the present value of future profits for accident and health products; and/or reduce the value of the Group's assets and/or have a negative impact on its assets under management and profit. Decreases in interest rates could: increase the potential adverse impact of product guarantees included in non-unit-linked products with a savings component; reduce investment returns on the Group's portfolios; impact the valuation of debt securities; and/or increase reinvestment risk for some of the Group's investments from accelerated prepayments and increased redemptions.
- A reduction in the financial strength and flexibility of corporate entities may result in a deterioration of the credit rating profile and valuation of the Group's invested credit portfolio (which may lead to an increase in regulatory capital requirements for the Group or its businesses), increased credit defaults and debt restructurings and wider credit and liquidity spreads, resulting in realised and unrealised credit losses. Regulations imposing or increasing restrictions on the amount of company debt financing, such as those placing limits on debt or liability ratios, may also reduce the financial flexibility of corporate entities. Similarly, securitised assets in the Group's investment portfolio are subject to default risk and may be adversely impacted by delays or failures of borrowers to make payments of principal and interest when due. Where a widespread deterioration in the financial strength of corporate entities occurs, any assumptions on the ability and willingness of governments to provide financial support may need to be revised.
- Failure of Prudential's counterparties (such as banks, reinsurers and counterparties to cash management and risk transfer or hedging transactions) to meet commitments, or legal, regulatory or reputational restrictions on the Group's ability to deal with these counterparties, could give rise to a negative impact on Prudential's financial position and on the accessibility or recoverability of amounts due or the adequacy of collateral. Geographic or sector concentrations of counterparty credit risk could exacerbate the impact of these events where they materialise.
- Estimates of the value of financial instruments becoming more difficult because in certain illiquid, volatile or closed markets, determining the value at which financial instruments can be realised is highly subjective. Processes to ascertain such values require substantial elements of judgement, assumptions and estimates (which may change over time). Where the Group is required to sell its investments within a defined time frame, such market conditions may result in the sale of these investments at below expected or recorded prices.
- The Group holds certain investments that may, by their nature, lack liquidity or have the potential to lose liquidity rapidly, such as investment funds (including money market funds), privately placed fixed maturity securities, mortgage loans, complex structured securities and alternative investments. If these investments were required to be liquidated at short notice, the Group could experience difficulty in doing so and could be forced to sell them at a lower price than it otherwise would have been able to realise.
- Increased illiquidity driven by the uncertainty over the accessibility of financial resources could adversely affect the Group's ability to meet policyholder benefit and expense obligations. This could occur if capital resources are reduced as valuations decline under extreme market conditions, external capital is unavailable at sustainable cost, increased liquid assets are required to be held as collateral under derivative transactions, or redemption restrictions are placed on Prudential's investments in illiquid funds. In addition, significant redemption requests could also be made on Prudential's issued funds, and while this may not have a direct impact on the Group's liquidity, it could result in reputational damage to Prudential. The potential impact of increased illiquidity is more uncertain than for other risks such as interest rate or credit risk.

- A reduction in revenue from the Group's products could occur where fee income is linked to account values or the market value of the funds under management. Sustained inflationary pressures which may drive higher interest rates may also impact the valuation of fixed income investments and reduce fee income.

For some non-unit-linked products with a savings component it may not be possible to hold assets which will provide cash flows to match those relating to policyholder liabilities. This may particularly be the case in jurisdictions where bond markets are less developed or where the duration of policyholder liabilities is longer than the duration of bonds issued and available, and in certain markets where regulated premium and claim values are set with reference to the interest rate environment prevailing at the time of policy issue. This results in a mismatch due to the duration and uncertainty of the liability cash flows and the lack of sufficient assets of a suitable duration. While this residual asset/liability mismatch risk can be managed, it cannot be eliminated. If interest rates in these markets are lower than those used to calculate premium and claim values over a sustained period, this could have a material adverse effect on Prudential's reported profit and the solvency of its business units. In addition, part of the profit from the Group's operations is related to bonuses for policyholders declared on participating products, which are impacted by the difference between actual investment returns of the participating fund (which are broadly based on historical and current rates of return on equity, real estate and fixed income securities) and minimum guarantee rates offered to policyholders. This profit could be lower, in particular in a sustained low interest rate environment.

In general, upheavals in the financial markets may affect general levels of economic activity, employment and customer behaviour. As a result, insurers may experience an elevated incidence of claims, frauds, lapses, partial withdrawals or surrenders of policies, and some policyholders may choose to defer or stop paying insurance premiums or reduce deposits into retirement plans. Uncertainty over livelihoods, elevated cost of living and challenges in affordability may adversely impact the demand for insurance products and increase regulatory risk in meeting regulatory requirements and expectations with respect to vulnerable customers (see risk factor 3.7). In addition, there may be a higher incidence of counterparty failures. If sustained, this environment is likely to have a negative impact on the insurance sector over time and may consequently have a negative impact on Prudential's business, balance sheet and profitability. For example, this could occur if the recoverable value of intangible assets for bancassurance agreements is reduced. New challenges related to market fluctuations and general economic conditions may continue to emerge. For example, sustained inflationary pressures driving interest rates to higher levels may lead to increased lapses for some guaranteed savings products where higher levels of guarantees are offered by products of the Group's competitors, reflecting consumer demand for returns at the level of, or exceeding, inflation. High inflation, combined with an economic downturn or recession, may also result in affordability challenges, adversely impacting the ability of consumers to purchase insurance products. Rising inflation, via medical claims inflation (with rising medical import prices a factor under current market conditions), may adversely impact the profitability of the Group's businesses.

Any of the foregoing factors and events, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

**1.2 Geopolitical and political risks and uncertainty may adversely impact economic conditions, increase market volatility and regulatory compliance risks, cause operational disruption to the Group and its businesses and impact the implementation of its strategic plans, which could have adverse effects on Prudential's business, financial condition, results of operations, and prospects.**

The Group is exposed to geopolitical and political risks and uncertainty in the diverse markets in which it operates. Such risks may include:

- The application of government regulations, executive powers, sanctions, protectionist or restrictive economic and/or trade policies (including tariffs and embargoes) or other measures adopted by businesses or industries which increase trade barriers or restrict trade, sales, financial transactions, or the transfer of capital, investment, data or other intellectual property, with respect to specific territories, markets, companies or individuals;
- An increase in the volume and pace of domestic regulatory changes, including those applying to specific sectors;
- The increased adoption or implementation of laws and regulations which may purport to have extra-territorial application;
- An increase in military tensions, regional hostilities or new conflicts which may disrupt business operations, investments, market confidence and expectations and growth;
- Withdrawals or expulsions from existing trading blocs or agreements or financial transaction systems, or fragmentation of systems, including those which facilitate cross-border payments;
- The implementation of measures favouring local enterprises including changes to the maximum level of non-domestic ownership by foreign companies, differing treatment of foreign-owned businesses under regulations and tax rules, or international trade disputes affecting foreign companies;
- Increased costs due to government mandates or regulations imposing a financial contribution to the government as a condition for doing business;
- Uncertainty in the enforceability of legal obligations where their interpretation may change or be subject to inconsistent application; and
- Measures which require businesses of overseas companies to operate through locally incorporated entities or with local partners, or with requirements for minimum local representation on executive or management committees.

The above risks may have an adverse impact on Prudential through their effects on the macroeconomic outlook and the environment for global, regional and national financial markets. Prudential may also face risks arising from economic sanctions imposed as a result of geopolitical conflicts and national security and economic decisions. The above risks may adversely impact the economic, business, legal and regulatory environment in specific markets or territories in which the Group, its joint ventures or jointly owned businesses, sales and distribution networks, or third-party service providers have operations. For internationally active groups such as Prudential, operating across multiple jurisdictions, such measures may add to the complexity of legal and regulatory compliance and increase the risk of conflicts between the requirements of one jurisdiction and another. See risk factors 4.1 and 4.3 below.

Geopolitical and political risks and uncertainty may adversely impact the Group's operations and its operational resilience. Increasing geopolitical and political tensions may lead to conflict, civil unrest and/or disobedience as well as increases in domestic and cross-border cyber intrusion activity. Such events could impact operational resilience by disrupting Prudential's IT systems (including any applications, models and platform technologies), operations, new business sales and renewals, distribution channels and services to customers, which may result in a reduction in

contributions from business units to the central cash balances and profit of the Group, decreased profitability, financial loss, adverse customer impacts and reputational damage, and may impact Prudential's business, financial condition, results of operations and prospects.

Legislative or regulatory changes and geopolitical or political risks which adversely impact the international trading and economic relationships of Hong Kong, which is both a key market and the location of Group head office functions, may result in adverse sales, operational and product distribution impacts to the Group.

### **1.3 As a holding company, Prudential is dependent upon its subsidiaries to cover operating expenses, dividend payments and share buybacks.**

The Group's insurance and asset management operations are generally conducted through direct and indirect subsidiaries, which are subject to the risks discussed elsewhere in this 'Risk factors' section.

As a holding company, Prudential's principal sources of funds are remittances from subsidiaries, shareholder-backed funds, the shareholder transfer from long-term funds and any amounts that may be raised through the issuance of equity, debt and commercial paper.

Prudential's subsidiaries are generally subject to insurance, asset management, foreign exchange and tax laws, rules and regulations (including in relation to distributable profits that can limit their ability to make remittances). In some circumstances, including where there are changes to general market conditions, this could limit Prudential's ability to pay dividends to shareholders, to make available funds held in certain subsidiaries to cover the operating expenses of other members of the Group, or to execute business strategies such as share buybacks.

A material change in the financial condition of any of Prudential's subsidiaries may have a material effect on the Group's business, financial condition, results of operations and prospects.

### **1.4 Prudential's investment portfolio is subject to the risk of potential sovereign debt credit deterioration.**

Investing in sovereign debt creates exposure to the direct or indirect consequences of geopolitical, political, social or economic changes (including changes in governments, heads of state or monarchs), military conflicts, pandemics and associated disruption, and other events affecting the markets in which the issuers of such debt are located and the creditworthiness of the sovereign. Investment in sovereign debt obligations involves risks that are different to investment in the debt obligations of corporate issuers. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due (or in the agreed currency) in accordance with the terms of such debt, and Prudential may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its financial position, the extent and availability of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward local and international lenders, geopolitical tensions and conflicts and the political constraints to which the sovereign debtor may be subject. Fiscal risks faced by sovereigns could increase due to elevated levels of indebtedness and increasing demands on government budgets stemming from rising social welfare costs, defence expenditures and climate transition efforts.

Moreover, governments may use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to devalue their currencies' exchange rates, or may adopt monetary, fiscal and other policies (including to manage their debt burdens) that have a similar effect, all of which could adversely impact the value of an investment in sovereign debt even in the absence of a technical default. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issuers.

In addition, if a sovereign default or other such events described above were to occur, as has happened on certain occasions in the past, other financial institutions may also suffer losses or experience solvency or other concerns, which may result in Prudential facing additional risks relating to investments in such financial institutions that are held in the Group's investment portfolio. There is also risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be adversely affected, as might counterparty relationships between financial institutions.

If a sovereign were to default on or restructure its obligations, or adopt policies that devalued or otherwise altered the currencies in which its obligations were denominated, this could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

## **1.5 Downgrades in Prudential's financial strength and credit ratings could significantly impact its competitive position and damage its relationships with creditors or trading counterparties.**

Prudential's financial strength and credit ratings, which are used by the market to measure its ability to meet policyholder obligations, are important factors affecting public confidence in Prudential's products, and as a result its competitiveness. Downgrades in Prudential's ratings as a result of, for example, decreased profitability, increased costs, increased indebtedness or other concerns could have an adverse effect on its ability to market products, retain current policyholders and attract new policyholders, as well as the Group's ability to compete for acquisition and strategic opportunities. Downgrades could have an adverse effect on the Group's financial flexibility, including its ability to issue commercial paper at acceptable levels and pricing, requirements to post collateral under or in connection with transactions, and ability to manage market risk exposures. The interest rates at which Prudential is able to borrow funds are affected by its credit ratings, which are in place to measure the Group's ability to meet its contractual obligations.

In addition, changes in methodologies and criteria used by rating agencies could result in downgrades that do not reflect changes in the general economic conditions or Prudential's financial condition.

Any such downgrades could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects. Prudential cannot predict what actions rating agencies may take, or what actions Prudential may take in response to any such actions, which could adversely affect its business.

## **1.6 Prudential is subject to the risk of exchange rate fluctuations owing to the geographical diversity of its businesses.**

Prudential's operations generally write policies and invest in assets denominated in local currencies, but in some markets Prudential also writes policies and invests in assets denominated in non-local currencies, primarily in the US dollar. Although this practice limits the effect of exchange rate fluctuations on local operating results, it can lead to fluctuations in Prudential's consolidated financial statements upon the translation of results into the Group's presentation currency. This exposure is not currently separately managed. The Group presents its consolidated financial statements in the US dollar. The results of some entities within the Group are not denominated in or linked to the US dollar and some enter into transactions which are conducted in non-US-dollar currencies. Prudential is subject to the risk of exchange rate fluctuations from the translation of the results of these entities and non-US-dollar transactions and the risks from the maintenance of the HK dollar peg to the US dollar. In cases where a non-US-dollar-denominated surplus arises in an operation which is to be used to support Group capital or shareholders' interest (ie remittances), this currency exposure may be hedged where considered economically favourable. Prudential is also subject to the residual risks arising from currency swaps and other derivatives that are used to manage the currency exposure.

# **2**

## **Risks relating to sustainability (including environmental, social and governance (ESG) and climate-related) matters**

### **2.1 The failure to understand and respond effectively to the risks associated with sustainability factors could adversely affect Prudential's achievement of its long-term strategy.**

Sustainability-related risks refer to (i) environmental, social or governance issues, trends or events that could have a financial or non-financial impact on the Group, and/or (ii) the Group's sustainability-focused activities, strategy and commitments that could have an external impact on the environment and wider society. A failure to manage the risks associated with key sustainability themes may undermine Prudential's financial performance, operational resilience and sustainability credentials, and adversely impact its reputation and brand, and its ability to attract and retain customers and employees, and therefore the delivery of its business strategy and long-term financial success. As investors are increasingly being seen as partly responsible for the actions of the companies they invest in, Prudential, as an asset owner, may also incur sustainability-related risks from investee companies.

#### **a Environmental risks**

Environmental concerns, notably those associated with climate change, biodiversity and nature degradation, present potential long-term risks to the sustainability ambitions of Prudential and may impact its customers and other stakeholders. Prudential is therefore exposed to the long-term impact of climate change and nature degradation risks, which include the financial and non-financial impacts of transition risks relating to a lower carbon economy as well as nature preservation and restoration, and also physical, reputational and shareholder, regulatory, customer or third-party litigation risks.

Recognising the long-term nature of the Group's investment time horizon, the global transition to a lower carbon economy and nature preservation may have an adverse impact on investment valuations and liquidity as the financial assets of carbon-intensive companies in some asset sectors re-price as a result of increased operating costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed versus disorderly and reactive, will be influenced by factors such as changes in geopolitics, public policy, technology and customer or investor sentiment. Prudential's stakeholders increasingly expect and/or rely on the Group to support an orderly, inclusive and sustainable transition based on an understanding of the relevant market and investee-company-level transition plans with consideration given to the impact on the economies, businesses, communities and customers in these markets. The potential economic impacts of transition risks may also have a broader economic impact that may adversely affect customers and their demand for the Group's products.

The Group's ability to sufficiently understand, measure and appropriately respond to transition risk may be limited by insufficient or unreliable data on the carbon exposure, nature impacts and dependencies, and transition plans of investee companies. This may impact the Group's ability to deliver on its external carbon reduction commitments and the implementation of sustainability considerations in existing or new sustainability-orientated investment strategies and products. Additionally, current limitations in financial climate and nature modelling tools make it challenging to assess the financial impact of climate-related risks on the Group and its investment portfolio, particularly for longer-term time horizons. The direct physical impacts of climate change and nature degradation, including shorter-term event-driven (acute) physical risks such as increasingly frequent and severe hurricanes and wildfires, and those associated with longer-term shifts in climate patterns such as elevated temperatures and prolonged drought (chronic physical risks), are likely to become increasingly significant factors in the mortality and morbidity risk assessments for the Group's insurance product underwriting and offerings and their associated claims profiles. These physical climate risks have the potential to disproportionately impact the Asia and Africa markets in which Prudential operates and invests. Similarly, nature-related physical risks can impact life and health liabilities where, for example, pollution, poor water quality, waste contamination and overexploitation of the natural environment can all contribute to biodiversity degradation, which in turn can potentially pose threats to human health.

A failure to understand, manage and provide greater transparency of its exposure to these environment-related risks may have increasingly adverse implications for Prudential and its stakeholders. At the same time, evolving and diverging approaches to sustainability in different jurisdictions, in some cases with extraterritorial reach, create challenges for global businesses such as Prudential in meeting differing requirements and expectations.

## **b Social risks**

Social risks that could impact Prudential may arise from a failure to consider the rights, diversity, wellbeing, changing needs, human rights and interests of its customers and employees and the communities in which the Group or its third parties operate. Perceived or actual inequity and income disparities (both within developed markets and within the Group's markets) have the potential to further erode social cohesion across the Group's markets, which may increase operational and disruption risks for Prudential and impact the delivery of the Group's strategy on developing affordable and accessible products to meet the needs of people across these markets. Direct physical impacts of climate change and deterioration of the natural environment, together with the societal impact from actions that support the global transition to a lower carbon economy, may disproportionately impact the stability of livelihoods and health of lower socioeconomic groups within the markets in which the Group operates. These risks are heightened as Prudential operates in multiple jurisdictions that are particularly vulnerable to climate change and biodiversity degradation, with distinct local cultures and considerations.

Evolving social norms and emerging population risks associated with public health trends (such as an increase in obesity, metabolic syndrome and mental health deterioration) and demographic changes (such as population urbanisation and ageing), as well as potential migration or displacement due to factors including climate- and nature-related developments, may affect customer lifestyles and therefore may impact the level of claims and persistency under the Group's insurance product offerings.

As a provider of insurance and investment services, the Group is increasingly focused on making its products more accessible through the use of digital services, technologies and distribution methods to customers. As a result, Prudential has access to extensive amounts of customer personal data, including data related to personal health, and an increasing ability to analyse and interpret this data through the use of complex tools, machine learning and artificial intelligence (AI) technologies. The Group is therefore exposed to an increase in technology risk, including potential unintended consequences from algorithmic biases, as well as regulatory, ethical and reputational risks associated with customer data misuse or security breaches. These risks are explained in risk factors 3.4 and 3.5 below. The increasing digitalisation of products, services and processes may also result in new and unforeseen regulatory requirements and stakeholder expectations, including those relating to how the Group supports its customers through this transformation.

Failure to foster an inclusive, diverse and open environment for the Group's employees in accordance with the Group Code of Conduct could impact the ability to attract and/or retain employees and increase potential reputational risk. The business practices within the Group's third-party supply chain and investee companies with regards to topics including labour standards, respect for human rights and modern slavery also expose the Group to potential reputational risk.

Insurers use the claims and risk profiles of different homogeneous customer cohorts such as age, gender and health status to determine the insurance premiums and/or charges. In some societal settings, insurers' ability to set differential premiums and/or charges may be viewed as an equitable and risk-based practice. In other societal settings, this may be viewed as discriminatory. Failure to understand and manage these divergent views across the markets in which Prudential operates may adversely impact the financial condition and reputation of the Group.

## **c Governance**

A failure to maintain high standards of corporate governance may adversely impact the Group and its customers and employees and increase the risk of poor decision-making and a lack of oversight and management of its key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience in their members, or unclear (or insufficient) oversight responsibilities and mandates. Inadequate oversight over remuneration also increases the risk of poor senior management behaviour.

Prudential operates across multiple jurisdictions and has a group and subsidiary governance structure which may add further complexity to these considerations. Participation in joint ventures or partnerships where Prudential does not have direct overall control and the use of third-party service providers increase the potential for reputational risks arising from inadequate governance.

The pace and volume of global standards and sustainability, environmental and climate-related regulations emerging across the markets in which the Group operates, the need to deliver on existing and new exclusions or restrictions on investments in certain sectors, engagements and reporting commitments, such as the International Sustainability Standards Board (ISSB) standards for climate-related disclosures, and the demand for externally assured reporting may give rise to regulatory compliance, operational, disclosure and litigation risks, which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach. The launch of sustainability-focused funds or products, or the (method of) incorporation of sustainability considerations within the investment process for existing products, may increase the risks related to the perceived fulfilment of fiduciary duties to customers and investors by the Group's appointed asset managers, and may subsequently increase regulatory compliance, customer conduct, product disclosure, litigation and reputational risks. Prudential's voluntary memberships of, or participation within, industry organisations and groups or their initiatives may increase stakeholder expectations of the Group's acquiescence or compliance with their publicised positions or aims. The reputational and litigation risks of the Group

may subsequently increase where the stated positions or aims of such industry organisations or their initiatives continue to evolve, or where jurisdictions interpret their objectives as adversely impacting on markets or consumers, including, for example, perceived conflicts with anti-trust laws. See risk factor 4.1 for details of sustainability including ESG and climate-related regulatory and supervisory developments with potential impacts for the Group.

Sustainability risks may directly or indirectly impact Prudential's business and the achievement of its strategic focus on providing greater and more accessible health and financial protection, responsible stewardship and investment within the Group's markets to support a just and inclusive transition and nature restoration, and developing a sustainable business that delivers a positive impact on its broad range of stakeholders, which range from customers, institutional investors, employees and suppliers to policymakers, regulators, industry organisations and local communities. A failure to transparently and consistently implement the Group's Sustainability Strategy across its local businesses and operational, underwriting and investment activities, as well as a failure to implement and uphold responsible business practices, may adversely impact the financial condition and reputation of the Group. This may also negatively impact the Group's stakeholders, who all have expectations, concerns and aims related to sustainability matters, which may differ, both within and across stakeholder groups and the markets in which the Group operates. In its investment activities, Prudential's stakeholders increasingly have expectations of, and place reliance on, an approach to responsible investment that demonstrates how sustainability considerations are effectively integrated into investment decisions and the performance of fiduciary and stewardship duties. These duties include effective implementation of exclusions, voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager, in line with internally defined procedures and external commitments. The increased demands and expectations of stakeholders for transparency and disclosure of the activities that support these duties further heighten disclosure risks for the Group, including those associated with potentially overstating or misstating the positive environmental or societal impacts of the Group's activities, products and services (eg greenwashing).

## 3

### Risks relating to Prudential's business activities and industry

#### **3.1 The implementation of large-scale transformation, including complex strategic initiatives, gives rise to significant design and execution risks and may affect Prudential's operational capability and capacity. Failure of these initiatives to meet their objectives may adversely impact the Group and the delivery of its strategy.**

To implement its business strategies for growth, meet customer needs, improve customer experiences, strengthen operational resilience, meet regulatory and industry requirements, and maintain market competitiveness, Prudential from time to time undertakes operating model and corporate restructuring, transformation programmes and acquisitions/disposals across its business. Many such change initiatives are complex, interconnected and/or of large scale, and seek to achieve business efficiencies through operating model changes, advancing the Group's digital capability, expanding strategic partnerships, and industry and regulatory-driven change. There may be a material adverse effect on Prudential's business, employees, customers, financial condition, results of operations and prospects if these initiatives incur unplanned costs, are subject to implementation delays, or fail to fully meet their objectives. Leadership changes and changes to the business and operational model of the Group increase uncertainty for its employees, which may affect operational capacity and the ability of the Group to deliver its strategy. There may also be adverse implications for the Group in undertaking transformation initiatives, such as placing additional strain on employees or operational capacity, and adding stress to change management practices. Implementing initiatives related to the business strategy for the Group, control environment transformation, significant accounting standard changes, and other regulatory changes in major businesses of the Group may amplify these risks. Risks relating to these regulatory changes are explained in risk factor 4.1 below.

The speed of technological change in the business could outpace the Group's ability to anticipate all the unintended consequences that may arise from such change. Challenges or failures in adopting innovative technologies, such as failure to systematically, prudently and effectively implement AI, may expose Prudential to potential opportunity cost, loss of competitive advantage, as well as additional regulatory, information security, privacy, operational, ethical and conduct risks. High-quality training data is essential for building accurate and robust AI models. Without sufficient, well-structured and relevant data, AI systems may produce unreliable or biased results. Real-world data collected during deployment as well as continuous monitoring and updating using new data may help adapt AI models to specific contexts, improving their reliability, efficiency and performance. Prudential seeks to consider potential risks and negative outcomes, and proactively build risk mitigation governance practices, when implementing AI technologies to mitigate these unintended effects.

#### **3.2 Prudential's businesses are conducted in highly competitive environments with rapidly developing demographic trends. The profitability of the Group's businesses depends on management's ability to respond to these pressures and trends.**

The markets for financial services are highly competitive, with a number of factors affecting Prudential's ability to sell its products and its profitability, including price and yields offered, financial strength and ratings, range of product lines and product quality, range of distribution channels and distribution quality, illustrative point-of-sale customer investment returns, ability to implement and comply with regulatory changes, the imposition of regulatory sanctions, brand strength and name recognition, investment management performance and fund management trends, historical bonus levels, the ability to respond to developing demographic trends, customer appetite for certain savings products (which may be impacted by broader economic pressures), delivery of non-guaranteed benefits (notably non-guaranteed investment returns) according to reasonable customer expectations set at and after the point-of-sale, technological advances, and the interplays of these factors. In some of its markets, Prudential faces competitors that are larger, have greater financial resources or a greater market share, have differing financial and/or risk appetites, offer a broader range of products or have higher bonus rates. Further, heightened competition for talented and skilled employees, agents and independent financial advisers may limit Prudential's potential to grow its business as quickly as planned or otherwise implement its strategy. Technological advances, including those enabling increased capability for gathering large volumes of customer health data and developments in capabilities and tools for analysing and interpreting such data (such as AI and machine learning as well as other digital technologies), may result in increased competition to the Group, and may increase the competition risks resulting from a failure to be able to retain existing talent in the organisation, as well as hiring for newly emerging roles in the marketplace. Additionally, evolving regulatory requirements and the development of new technologies, including AI, may vary across the markets the Group operates in. This could limit the Group's ability to implement these technologies uniformly, resulting in disparities in innovation and cost efficiency, and impacting the Group's competitive position.

The Group's principal competitors include global life insurers, regional insurers and multinational asset managers. In most markets, there are also local companies that have a material market presence.

Prudential believes that competition will intensify across all regions in response to consumer demand, digital and other technological advances (including the use of AI to improve operational efficiency and enhance customer experiences), the need for economies of scale and the consequential impact of consolidation, regulatory actions and other factors. Prudential's ability to generate an appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

Failure to do so may adversely impact Prudential's ability to attract and retain customers and, importantly, may limit Prudential's ability to take advantage of new business arising in the markets in which it operates, which may have an adverse impact on the Group's business, financial condition, results of operations and growth prospects.

### **3.3 Adverse experience in the operational risks inherent in Prudential's business, and those of its material outsourcing partners, could disrupt its business functions and have a negative impact on its business, financial condition, results of operations and prospects.**

Operational risks are present in all of Prudential's businesses, including the risk of loss arising from inadequate or failed internal processes, systems or human error, misconduct, fraud, the effects of natural or man-made catastrophic events (such as natural disasters, pandemics, cyber attacks, acts of terrorism, military conflict, civil unrest and other catastrophes) or other external events. These risks may also adversely impact Prudential through its partners. Prudential relies on the performance and operations of a number of bancassurance, agency and product distribution, outsourcing (including but not limited to external technology, data hosting and payments), and service partners. These include back office support functions, such as those relating to technology infrastructure, development and support, and customer-facing operations and services, such as product distribution and services (including through digital channels), and investment operations. This creates reliance upon the resilient operational performance of these partners and exposes Prudential to the risk that the operations and services provided by these partners are disrupted or fail. Further, Prudential operates in extensive and evolving legal and regulatory environments which adds to the complexity of the governance and operation of its business processes and controls.

Exposure to such risks could impact Prudential's operational resilience and ability to perform necessary business functions if there are disruptions to its systems, operations, new business sales and renewals, distribution channels and services to customers, or could result in the loss of confidential or proprietary data. Such risks, as well as any weaknesses in administration systems (such as those relating to policyholder records) or actuarial reserving processes, may also result in increased expenses, as well as legal and regulatory sanctions, decreased profitability, financial loss and customer conduct risk impacts. This could damage Prudential's reputation and relationship with its customers and business partners. A failure to adequately oversee service partners (or their technology and operational systems and processes) could result in significant service degradation or disruption to Prudential's business operations and services to its customers, which may have reputational or conduct risk implications and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Prudential's business requires the processing of a large number of transactions for a diverse range of products. It also employs complex and interconnected technology and finance systems, models and user-centric applications in its processes to perform a range of operational functions. These functions include the calculation of regulatory or internal capital requirements, the valuation of assets and liabilities, and the acquisition of new business using AI and digital applications. Many of these tools form an integral part of the information and decision-making frameworks used by Prudential and the risk of adverse consequences arising from erroneous or misinterpreted tools used in core business activities, decision-making and reporting exists. Errors or limitations in these tools, or their inappropriate usage, may lead to regulatory breaches, inappropriate decision-making, financial loss, customer detriment, inaccurate external reporting or reputational damage. The long-term nature of much of the Group's business also means that accurate records are to be maintained securely for significant time periods.

The performance of the Group's core business activities and the uninterrupted availability of services to customers rely significantly on, and require significant investment in, resilient IT applications, infrastructure and security architectural design, data governance and management and other operational systems, personnel, controls and mature processes. During large-scale disruptive events or times of significant change, or due to other factors impacting operational performance including adequacy of skilled/experienced personnel, the resilience and operational effectiveness of these systems and processes at Prudential and/or its third-party service providers may be adversely impacted. In particular, Prudential and its business partners are making increasing use of emerging technological tools and digital services, or forming strategic partnerships with third parties to provide these capabilities. Automated distribution channels and services to customers increase the criticality of providing uninterrupted services. A failure to implement appropriate governance and management of the incremental operational risks from emerging technologies may adversely impact Prudential's reputation and brand, the results of its operations, its ability to attract and retain customers and its ability to deliver on its long-term strategy and therefore its competitiveness and long-term financial success.

Although Prudential's technology, compliance and other operational systems, models and processes incorporate strong governance and controls designed to manage and mitigate the operational and model risks associated with its activities, there can be no complete assurance as to the resilience of these systems and processes or that governance and controls will always be effective. Due to human error, among other reasons, operational and model risk incidents may occur from time to time and no system or process can entirely prevent them. Prudential's legacy and other technology systems, data and processes, as with operational systems and processes generally, may also be susceptible to failure or security/data breaches.

### **3.4 Cyber security risks, including attempts to access or disrupt Prudential's technology systems, and loss or misuse of personal data, could have potential adverse financial impacts on the Group and could result in loss of trust from Prudential's customers and employees and reputational damage, which in turn could have material adverse effects on the Group's business, financial condition, results of operations and prospects.**

Prudential and its business partners operate in an escalating cyber security risk landscape. Individuals (including employees, contractors and agents) or groups may pose intentional or unintentional threats to the availability, confidentiality, and integrity of Prudential's technology systems. These risks extend to the security of both corporate and customer data. The evolution of ransomware (a form of malicious software (malware) designed to restrict data access until a ransom is paid) could pose a threat to Prudential by impeding operations or resulting in the public exposures of sensitive information if the ransom is not promptly paid. Where these risks materialise, this could result in disruption to key operations, make it difficult to recover critical data or services, or damage assets, any of which could result in loss of trust from Prudential's customers and employees, reputational damage and direct or indirect financial loss.

The vast amount of personal and financial data held by financial services companies makes them attractive targets for cyber crime groups. Recent trends indicate that ransomware attacks are on the rise due to the proliferation of ransomware exploit toolkits and Ransomware-as-a-Service (RaaS) offerings, which provide threat actors with easy access to powerful attack tools. Simultaneously, global cyber security threats are becoming more sophisticated and impactful. As financial institutions increasingly rely on third-party vendors and interconnected systems, vulnerabilities in these supply chains can also be exploited by cyber criminals. A compromised vendor or service provider could inadvertently introduce malicious code or backdoors into the financial institution's infrastructure, leading to potential data breaches or ransomware incidents.

Prudential's increasing profile in its current markets and those in which it is entering, growing customer interest in interacting with their insurance providers and asset managers through the internet and social media, improved brand awareness, and increasing adoption of the Group's digital platforms could also increase the likelihood of Prudential being considered a target by cyber criminals.

There is an increasing requirement and expectation on Prudential and its business partners not only to hold the data of customers, shareholders and employees securely, but also to ensure its ongoing accuracy and that it is being used in a transparent, appropriate and ethical way, including in decision-making where automated processes or AI are employed. As Prudential and its business partners increasingly adopt digital technology including AI in business operations, the data the Group generates creates an opportunity to enhance customer engagement while maintaining a responsibility to keep customers' personal data safe. Various policies and frameworks are in place to govern the handling of customers' data. A failure to adhere to these policies may result in regulatory scrutiny and sanctions and detriment to customers and third-party partners, and may adversely impact the reputation and brand of the Group, its ability to attract and retain customers, and deliver on its long-term strategy, and therefore the results of its operations.

The risk to the Group of not meeting these requirements and expectations may be increased by the expansion of cloud-based infrastructure and the usage of digital distribution and service channels, which can collect a broader range of personal and health-related data from individuals at increased scale and speed, as well as the use of complex tools, machine learning and AI technologies to process, analyse and interpret this data.

New and currently unforeseeable regulatory, reputational and operational issues may also arise from the increased use of emerging technology such as generative AI which requires careful consideration and guardrails established to enable its safe use. Regulatory developments in cyber security and data protection continue to progress worldwide. In 2024, the momentum in focus on data privacy continued to increase, with regulators in Asia and globally introducing new data privacy laws or enhancing existing ones (eg new data protection laws in Indonesia which came into effect in October 2024, the EU AI Act passed in May 2024, and the new GenAI Guidelines and AI Verify Framework issued in Singapore). Such developments may increase the complexity of requirements and obligations in this area, in particular where they involve AI or data localisation restrictions, or impose differing and/or conflicting requirements compared with those of other jurisdictions.

Prudential faces increased financial and reputational risks due to both dynamic changes in the regulatory landscape and the risk of a significant breach of IT systems or data. These risks extend to joint ventures and third-party suppliers in light of a dynamic cyber threat landscape including supply chain compromise, computer viruses, unauthorised access and cyber security attacks such as 'denial of service' attacks, phishing and disruptive software campaigns. Despite multi-layered security defences, there is no guarantee that such events will not occur, and they could have significant adverse effects on Prudential's business, financial condition, results of operations and prospects.

### **3.5 Prudential's digital platforms may heighten existing business risks to the Group or introduce new risks as the markets in which it operates, and its partnerships and product offerings evolve.**

Prudential's digital platforms are subject to a number of risks. In particular, these include risks related to legal and regulatory compliance and the conduct of business; the execution of complex change initiatives; information security and data privacy; the use of models and the handling of personal data (including those using or used by AI); the resilience and integrity of IT infrastructure and operations; and those relating to the management of third parties. These existing risks for the Group may be increased due to several factors:

- The number of current and planned markets in which Prudential's digital platforms operate, each with their own laws and regulations, regulatory and supervisory authorities, the scope of application of which may be uncertain, conflicting or change at pace, may increase regulatory compliance risks;
- The implementation of planned digital platforms and services, which may require the delivery of complex, interconnected change initiatives across current and planned markets. This may give rise to design and execution risks, which could be amplified where these change initiatives are delivered concurrently;
- The increased volume, breadth and sensitivity of data on which the digital platforms are dependent and to which the Group has access, holds, analyses and processes through its models, increases information security, data privacy and usage risks. Furthermore, the use of complex models, including where AI is used for critical decision-making, in an application's features and offerings may give rise to ethical, operational, conduct, litigation and reputational risks if they do not function as intended;

- Reliance on and/or collaboration with a number of third-party partners and providers, which may vary according to the market. This may increase operational disruption risks to the uninterrupted provision of services to customers, regulatory compliance and conduct risks, and the potential for reputational risks; and
- Support for, and development of, the platforms being provided outside some of the individual markets in which the platforms operate, which may increase the complexity of local legal and regulatory compliance.

New product offerings and functionality (including those supported by AI) may be developed and provided through the digital platforms, which may introduce new regulatory, operational, conduct and strategic risks for the Group. Regulations may be introduced, which limit the permitted scope of online or digitally distributed insurance and asset management services, or deployment of new technological services, and may restrict current or planned offerings provided by the platform.

A failure to implement appropriate governance and management of the incremental and new risks detailed above may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness, its ability to deliver on its long-term strategy and the financial position of the Group.

**3.6 Prudential operates in certain markets with joint venture partners and other shareholders and third parties. These businesses face the same risks as the rest of the Group and also give rise to certain risks to Prudential that the Group does not face with respect to its wholly-owned subsidiaries.**

Prudential operates, and in certain markets is required by local regulation to operate, through joint ventures and other joint ownership or third-party arrangements (including associates). The financial condition, operations and reputation of the Group may be adversely impacted, or the Group may face regulatory censure, in the event that any of its partners fails or is unable to meet its obligations under the arrangements, encounters financial difficulty, or fails to comply with local or international regulation and standards such as those pertaining to the prevention of financial crime and sustainability (including climate-related) risks (see risk factor 2.1 above), or fails to resolve disputes that may arise from existing agreements or during the course of implementing business strategy. Reputational risks to the Group are amplified where any joint ventures or jointly owned businesses carry the Prudential name.

A material proportion of the Group's business comes from its joint venture and associate businesses in Mainland China and India, respectively. For such operations the level of control exercisable by the Group depends on the terms of the contractual agreements as well as local regulatory constraints applicable to the joint venture and associate businesses, such as listing requirements; and in particular those terms providing for the allocation of control among, and continued cooperation between, the participants. As a result, the level of oversight, control and access to management information the Group is able to exercise at these operations may be lower compared to the Group's wholly-owned businesses. This may increase the uncertainty for the Group over the financial condition of these operations, including the valuation of their investment portfolios and the extent of their invested credit and counterparty credit risk exposure, resulting in heightened risks to the Group as a whole. This may particularly be the case where the geographies in which these operations are located experience market or sector-specific slowdowns, disruption, volatility or deterioration (such as the negative developments in the Mainland Chinese economy). In addition, the level of control exercisable by the Group could be affected by changes in the maximum level of foreign ownership imposed on foreign companies in certain jurisdictions. The exposure of the Group to the risks detailed in risk factor 3.1 above may also evolve in line with the Group's strategic initiatives, such as the expansion of the Group's operations through joint ventures or jointly owned businesses.

In addition, a significant proportion of the Group's product distribution is carried out through agency arrangements and contractual arrangements with third-party service providers not controlled by Prudential, such as bancassurance arrangements, and the Group is therefore dependent upon the continuation of these relationships. The effectiveness of these arrangements, or temporary or permanent disruption to them, such as through significant deterioration in the reputation, financial position or other circumstances of the third-party service providers, material failure in controls (such as those pertaining to third-party service providers' systems failure or the prevention of financial crime), regulatory changes affecting their governance or operation, or their failure to meet any regulatory requirements could adversely affect Prudential's reputation and its business, financial condition, results of operations and prospects.

**3.7 Adverse experience relative to the assumptions used in pricing products and reporting business results could significantly affect Prudential's business, financial condition, results of operations and prospects.**

In common with other life insurers, the profitability of the Group's businesses depends on a mix of factors including mortality and morbidity levels and trends, policy surrenders and other policy discontinuances, and take-up rates on guarantee features of products, investment performance and impairments, unit cost of administration and new business acquisition expenses.

The Group's businesses are subject to inflation risk. In particular, the Group's medical insurance businesses are also exposed to medical inflation risk, which is often in excess of general price inflation. The potential adverse impacts to the profitability of the Group's businesses from the upheavals in financial markets and levels of economic activity on customer behaviours are described in risk factor 1.1 above. While the Group has the ability to reprice some of its products, the frequency of repricing may need to be increased. Such repricing is dependent on the availability of operational and resource capacity to do so, as well as the Group's ability to implement such repricing in light of the increased regulatory and societal expectations reflecting the affordability of insurance products and the protection of vulnerable customers, as well as the commercial considerations of the markets the Group operates in. The profitability of the Group's businesses also may be adversely impacted by the medical reimbursement downgrade experience following any repricing.

Prudential, like other insurers, needs to make assumptions about a number of factors in determining the pricing of its products, for setting reserves, and for reporting its capital levels and the results of its long-term business operations. A further factor is the assumptions that Prudential makes about future expected levels of the rates of early termination of products by its customers (known as persistency). This is relevant to a number of lines of business in the Group. Prudential's persistency assumptions reflect a combination of recent past experience for each relevant line of business and expert judgement, especially where a lack of relevant and credible experience data exists. Any expected change in future persistency is also reflected in the assumptions. If actual levels of persistency are significantly different than assumed, the Group's results of operations could be adversely affected.

In addition, Prudential's business may be adversely affected by epidemics, pandemics and other effects that give rise to a large number of deaths or additional sickness claims, as well as increases to the cost of medical claims. Pandemics, significant influenza and other epidemics have occurred a number of times historically, but the likelihood, timing or severity of future events cannot be predicted. The effectiveness of external parties, including governmental and non-governmental organisations, in combatting the spread and severity of any epidemics, as well as pharmaceutical treatments and vaccines (and their rollouts) and non-pharmaceutical interventions, could have a material impact on the Group's claims experience.

Prudential uses reinsurance to selectively transfer mortality, morbidity and other risks. This exposes the Group to: the counterparty risk of a reinsurer being unable to pay reinsurance claims or otherwise meet their commitments; the risk that a reinsurer changes reinsurance terms and conditions of coverage, or increases the price of reinsurance which Prudential is unable to pass on to its customers; the risk of ambiguity in the reinsurance terms and conditions leading to uncertainty whether an event is covered under a reinsurance contract; and the risk of being unable to replace an existing reinsurer, or find a new reinsurer, for the risk transfer being sought.

Any of the foregoing, individually or together, could have a material adverse effect on Prudential's business, financial condition, results of operations and prospects.

## **4** Risks relating to legal and regulatory requirements

### **4.1 Prudential conducts its businesses subject to regulation and associated regulatory risks, including a change to the basis of the regulatory supervision or intervention of the Group, the level of regulatory scrutiny arising from the Group's reported events, the effects and pace of changes in the laws, regulations, policies, their interpretations and application, and any industry/accounting standards in the markets in which it operates.**

Any non-compliance with laws, regulations, government policies, or common industry practices and standards or rules in the financial services and insurance sector (including those applicable to relevant companies, individuals or distributors) can adversely affect Prudential's operations, licences or business continuity. In the markets in which Prudential operates, it is subject to regulatory requirements for ongoing operations as well as obligations with respect to financial crime, including anti-money laundering (AML), sanctions compliance, and anti-corruption and fraud, which may either impose obligations on the Group to act in a certain manner or restrict the way that the Group can act in respect of specified individuals, organisations, businesses, territories and/or governments. A failure to comply with such requirements may adversely impact the reputation of Prudential and/or result in the imposition of legal or regulatory penalties, heightened regulatory scrutiny or enforcement actions, or restrictions on the Group.

The impact from regulatory developments may also be material to Prudential; for instance, changes may be required to its product range, distribution channels, sales and servicing practices, data handling, operational processes, competitiveness, profitability, capital requirements, risk appetite and risk management approaches, corporate or governance structure, financial and non-financial disclosures and reported results, and financing requirements. Changes in capital-related regulations may affect the sensitivity of capital to market factors and the allocation of capital and liquidity within the Group. Regulators may also change solvency requirements or methodologies for determining components of the regulatory or statutory balance sheet, including the reserves and the level of capital required to be held by individual businesses (with implications to the Group capital position). Other government interventions due to financial and global economic conditions may also potentially lead to tightened business operating environment and heightened regulatory scrutiny.

For internationally active groups such as Prudential, operating across multiple jurisdictions (including cross-border activities) may increase the complexity and volume of legal and regulatory compliance challenges. The multitude of laws and regulations in the jurisdictions in which Prudential operates is dynamic and may be subject to ongoing changes. Legal and regulatory obligations may also be unclear in their application to particular circumstances, which may affect Prudential's ability to enforce the Group's rights in the manner intended and reduce predictability for Prudential's business operations. Compliance with Prudential's legal or regulatory obligations, including those in respect of international sanctions, sustainability efforts and human resources practices, in one jurisdiction may conflict with the law or policy objectives of another jurisdiction, or may be seen as supporting the law or policy objectives of that jurisdiction over another, creating additional legal, regulatory compliance and reputational risks for the Group. Geopolitical and global tensions may also lead to realignment among blocs, or challenging supply chains, which may lead to an increase in the volume and complexity of international sanctions or controls. These risks may be increased where uncertainty exists on the scope of regulatory requirements and obligations, and where the complexity of specific cases applicable to the Group is high.

Further information on specific areas of regulatory and supervisory requirements or changes is included below.

#### **a Group-wide Supervision (GWS) regulatory framework**

The Hong Kong Insurance Authority (Hong Kong IA) is the Group-wide supervisor for Prudential. The Group is subject to the Hong Kong IA's GWS Framework, which is principles-based and outcome-focused, allowing the Hong Kong IA to exercise direct regulatory powers over the designated holding companies of multinational insurance groups. Prudential has in place various monitoring mechanisms and controls to ensure ongoing sustainable compliance and to promote constructive engagement with the Hong Kong IA as its Group-wide supervisor.

#### **b The Group's regulatory landscape**

In 2024, the Hong Kong IA and regulators in the markets in which Prudential operates continued to focus on customer protection and the resilience of the insurance industry, including the management of business practices and operational soundness with appropriate governance and controls. New mandates and guidelines were issued in several markets whereby industry participants are required to assess, monitor and manage non-financial, financial and sustainability risks. Business conduct and consumer protection remain the priority for regulators, with emphases on products, sales, servicing and data protection expectations, as well as various operational processes including resilience, investment management, third-party management and technology management.

Major regulatory changes and reforms are in progress in some of the Group's key markets, with some uncertainty regarding the full impact to Prudential:

- In Hong Kong, the Hong Kong IA enhanced regulatory standards in 2024 for broker business models involving customer referral arrangements and insurers' intermediary oversight obligations, with the aim to reduce unlicensed activities and improve industry practices. Moreover, the Hong Kong IA issued Guideline 34 to set out the expectations for authorised insurers in managing fund(s) in respect of participating business, including the fair and equitable allocation of distributable surplus/profits, alignment with policyholders' reasonable expectations, sustainable management, and compliance with the Board-approved governance. As this product category matures over the coming years and enters into new stages of its lifecycle, management of the interplays between these expectations may increase in complexity. Additional customer protection requirements are anticipated in 2025. The Hong Kong IA updated its cyber security requirements to include a new resilience assessment framework in December 2024, and has also expressed its short-term goal of developing a regulatory framework for AI.
- In Mainland China, regulatory developments in the financial sector have continued, potentially increasing compliance risk to the Group. In 2024, the National Financial Regulatory Administration (NFRA) reinforced the importance of insurance and its role in enhancing the robustness of the Chinese financial system with ongoing regulatory initiatives on market shift to value and efficiency, adaptations to the local regulatory solvency regime, robust risk management and compliance practices, asset-liability management strengthening, corporate governance and customer protection. In May 2024, the NFRA removed the restriction on the number of insurance partners allowed for banks. This change is expected to intensify competition within the bancassurance space. In August 2024, the NFRA reduced the cap on pricing interest rates for various insurance product types and directed the industry towards a more dynamic market-linked pricing mechanism in the future.
- In Singapore, following the discovery of the \$2.2 billion money-laundering ring in the market in 2023, the local authorities announced a new AML strategy in October 2024 to maintain the effectiveness of the national AML framework to prevent, detect, and enforce money laundering issues. The strategy also incorporates the revised money laundering national risk assessment of the Monetary Authority of Singapore (MAS) to enhance risk understanding and mitigation measures.
- In Malaysia, Bank Negara Malaysia (BNM) continued to issue and propose new regulatory changes in 2024 with varying implications on medical health product offerings, quantum of product repricing, and product disclosures to ensure fair treatment of vulnerable customers. The BNM has also initiated revised capital adequacy requirements aimed at improving risk-based capital measurements and reporting, scheduled to take effect in 2027.
- In Indonesia, the focus on insurance industry regulation and supervision remains high with the Otoritas Jasa Keuangan (OJK) five-year roadmap in place to enhance policyholder protection and financial and operational controls. This roadmap covers data, capital, products, actuarial, risk, and control frameworks and applies from 2023 until 2027.
- In Vietnam, significant insurance regulatory changes were made during 2023-2024 to enhance customer protection, operational controls, sales professionalism and bancassurance practices. The insurance players are in the process of transitioning to the changing regulatory landscape, including a restriction imposed to prohibit banks from bundling non-compulsory insurance products alongside other financial services starting in July 2024.
- In Thailand, the Office of Insurance Commission presented draft amendments to the life and non-life insurance laws in December 2023, covering changes in shareholding, dividends, products and sales, capital fund, finance, and mergers and acquisitions. The draft amendments primarily aim to elevate governance standards within the insurance industry and are currently subject to the local legislative process.
- In the Philippines, financial product and customer service requirements were fully adopted in 2024 following an 18-month transition period since being issued by the Insurance Commission in March 2023. The updated requirements include product and service disclosures, a systematic approach to customer assistance and conduct risk management, and additional complaints filing.
- In India, the Insurance Regulatory and Development Authority of India (IRDAI) continues to focus on industry reform and global competitiveness. The IRDAI is promoting the use of technology to transform the insurance landscape in the country, aiming to become a major insurance market globally by 2032. In addition, the IRDAI is planning to introduce risk-based capital requirements. These changes will unfold over time and will be influenced by various factors including the overall economic environment, consumer behaviour, and technological advancements.

The increasing use of technology and digital services across the industry has led to new and unforeseen regulatory requirements and issues, including expectations regarding the governance and ethical use of technology, AI, as well as other resilience-related aspects such as data security, privacy and cyber resilience. Further, distribution and product suitability linked to innovation continues to set the pace of regulatory change related to conduct in Asia. Prudential falls within the scope of these conduct and resilience-related regulations, requiring that regulatory developments are appropriately addressed.

The pace and volume of sustainability-related regulatory changes, including ESG and climate-related changes, are also increasing. Regulators, including the Hong Kong IA, the MAS, the BNM and the Financial Supervisory Commission in Taiwan, are either in the process of developing or have developed supervisory and disclosure requirements or guidelines related to environmental and climate change risk management. Other regulators are expected to develop or are at different stages of developing similar requirements. While the Hong Kong IA has yet to propose any insurance-specific regulations on sustainability and climate, it has regularly emphasised its increasing focus in this area to support Hong Kong's position as a regional green finance hub. With international regulatory and supervisory bodies, such as the ISSB and Taskforce on Nature-related Disclosures, progressing on global sustainability and climate-related disclosure requirements, local jurisdictions are considering adopting and mandating implementation. In 2024, the Stock Exchange of Hong Kong and the Singapore Exchange incorporated IFRS climate-related disclosure standards into their reporting rules. Recent high-profile examples of government and regulatory enforcement and civil actions against companies for misleading investors on sustainability and ESG-related information demonstrate that disclosure, reputational and litigation risks remain high and may increase, particularly as companies increase their disclosures or product offerings in this area. International and local regulatory and industry bodies, such as the UK Financial Conduct Authority, the European Securities and Market Authority, and the MAS have further established more prescriptive requirements and guidelines regarding the use of sustainability and ESG nomenclature in the labelling of investment products. These changes and developments, against the backdrop of contrary trends in the US, may give rise to regulatory compliance, customer conduct, operational, reputational, and disclosure risks, requiring Prudential to coordinate across multiple jurisdictions to apply a consistent risk management approach.

A rapid pace and high volume of regulatory changes and interventions, and the swiftness of their application, including those driven by the financial services industry, have been observed in recent years across many of the Group's markets. The transformation and regulatory changes have the potential to introduce new, or increase existing, regulatory risks and supervisory interest, while increasing the complexity of ensuring concurrent regulatory compliance across markets driven by the potential for increased intra-group connectivity and dependencies. In jurisdictions with ongoing policy initiatives and regulatory developments that will impact the way Prudential is supervised, these developments are monitored

at both market and Group level and inform the Group's risk framework and engagement with regulators or supervisors, government policymakers and industry groups.

### **c International insurance standards developments**

The International Association of Insurance Supervisors (IAIS) sets global standards for the insurance sector, through the Insurance Core Principles (ICPs) and the Common Framework (ComFrame). The ICPs provide a broad framework for insurance supervision globally, while ComFrame offers additional, specific standards for the supervision of Internationally Active Insurance Groups (IAIGs). These standards significantly influence group-wide regulatory frameworks such as the Hong Kong IA's GWS requirements, consequently impacting Prudential, which has been designated as an IAIG by the Hong Kong IA according to the criteria set out in IAIS's ComFrame. The IAIS's standards and guidelines also play a crucial role in shaping regional regulations in many jurisdictions in which Prudential operates.

There are a number of ongoing global regulatory developments by the IAIS that could lead to additional macroprudential and conduct requirements that could result in additional burdens or adverse impacts on the Group and its business units. These developments cover monitoring key insurance risks and trends, including protection gaps, setting standards and providing guidance, assessing the implementation of standards in the areas of systemic risk, the Insurance Capital Standard (ICS), sustainability risk (including climate risk), and cyber and AI-related risks in the global insurance sector.

In December 2022, the Financial Stability Board (FSB), a global body that ensures international financial stability, endorsed the IAIS's Holistic Framework, an enhanced framework for monitoring and mitigating systemic risk in the insurance sector. From December 2024, the FSB will publish an annual list of insurers that will be subject to resolution requirements, in order to provide transparency to market participants that the reported insurers and their regulators and supervisors are working to be better equipped to address stress or failure, and shows that the relevant authorities are working together across borders. In 2025, the IAIS will update ICP and ComFrame material in relation to recovery planning and resolution. The Hong Kong IA is also working on resolution planning to reflect FSB recommendations. In 2025, the IAIS will also undertake the triennial methodology review of the Global Monitoring Exercise (GME) and report to the FSB to inform its review of the process for assessing and mitigating systemic risk, based on the Holistic Framework. Within local jurisdictions, designations of Domestic Systemically Important Insurers (D-SIIs) may result in disproportionate regulation applied to the designated entities. The MAS introduced a D-SII framework effective from 1 January 2024 in Singapore, and the Hong Kong IA conducted an industry-wide consultation on a D-SII framework in 2024 that could apply to insurance groups and companies under the Hong Kong IA's supervision from 2025.

The ICS was adopted by the IAIS in December 2024, and is a global, risk-based measure of capital adequacy for IAIGs as the quantitative element of IAIS's ComFrame. The ICS will serve as a group-wide prescribed capital requirement (PCR), which is a solvency control level below which supervisors will intervene on group capital adequacy grounds. Prudential, as an IAIG, will work with the Hong Kong IA on the implementation of ICS.

As a result, there remains a degree of uncertainty over the potential impact of ongoing global industry and regulatory developments across the Group.

### **d Changes in accounting standards and other principles to determine financial metrics**

The Group's financial statements are prepared in accordance with IFRS. In addition, the Group provides supplementary financial metrics prepared on alternative bases to discuss the performance and position of its business. Any changes or modification to IFRS accounting policies or the principles applied to determine the supplementary metrics may require a change in the way in which future results will be determined and/or a retrospective adjustment of reported results to ensure consistency. Furthermore, investors, rating agencies and other stakeholders may take time to gain familiarity with the revised results and to interpret the Group's business performance and dynamics. Such changes may also require systems, processes and controls to be updated and developed that, if not managed effectively, may increase the operational risk of the Group in the short term.

### **e Policyholder protection schemes**

Various jurisdictions in which Prudential operates have created policyholder protection schemes that require mandatory contributions from market participants in some instances in the event of a failure of a market participant. As a major participant in the majority of its chosen markets, circumstances could arise in which Prudential, along with other companies, may be required to make such contributions.

## **4.2 The conduct of business in a way that adversely impacts the fair treatment of customers could have a negative impact on Prudential's business, financial condition, results of operations and prospects or on its relations with current and potential customers.**

In the course of its operations and at any stage of the customer and product life cycle, the Group or its intermediaries may conduct business in a way that adversely impacts customer outcomes and the fair treatment of customers ('conduct risk'). This may arise through a failure to design, provide and promote suitable products and services to customers that meet their needs, are clearly explained or deliver real value, provide and promote a high standard of customer service, appropriately and responsibly manage customer information, or appropriately handle and assess complaints. A failure to identify or implement appropriate governance and management of conduct risk may result in harm to customers and regulatory sanctions and restrictions, and may adversely impact Prudential's reputation and brand, its ability to attract and retain customers, its competitiveness, and its ability to deliver on its long-term strategy. There is an increased focus by regulators and supervisors on customer protection, suitability and inclusion across the markets in which the Group operates, thereby increasing regulatory compliance and reputational risks to the Group in the event the Group is unable to effectively implement the regulatory changes and reforms stated in risk factor 4.1 above.

Prudential is, and in the future may continue to be, subject to legal and regulatory actions in the ordinary course of its business on matters relevant to the delivery of customer outcomes. Such actions relate, and could in the future relate, to the application of current regulations or the failure to implement new regulations, regulatory reviews of broader industry practices and products sold (including in relation to lines of business that are no longer active) in the past under acceptable industry or market practices at the time and changes to the tax regime affecting products.

Regulators may also focus on the approach that product providers use to select third-party distributors and to monitor the appropriateness of sales made by them and the responsibility of product providers for the deficiencies of third-party distributors.

There is a risk that new regulations introduced may have a material adverse effect on the sales of the products by Prudential and increase Prudential's exposure to legal risks. Any regulatory action arising out of the Group's position as a product provider could have an adverse impact on the Group's business, financial condition, results of operations and prospects, or otherwise harm its reputation.

#### **4.3 Litigation, disputes and regulatory investigations may adversely affect Prudential's business, financial condition, cash flows, results of operations and prospects.**

Prudential is, and may in the future be, subject to legal actions, disputes and regulatory investigations in various contexts, including in the ordinary course of its insurance, asset management and other business operations. These legal actions, disputes and investigations may relate to aspects of Prudential's businesses and operations that are specific to Prudential, or that are common to companies that operate in Prudential's markets. Legal actions and disputes may arise under contracts, regulations or from a course of conduct taken by Prudential, including class action litigation. Although Prudential believes that it has adequately provided in all material respects for the costs of known litigation and regulatory matters, no assurance can be provided that such provisions will be sufficient or that material new matters will not arise. Given the large or indeterminate amounts of damages sometimes sought, other sanctions that might be imposed and the inherent unpredictability of litigation and disputes, it is possible that an adverse outcome could have an adverse effect on Prudential's business, financial condition, cash flows, results of operations and prospects.

In addition, Prudential operates in some jurisdictions in which the legal framework for the enforcement of contracts can be unpredictable. As a consequence, the enforceability of legal obligations and their interpretation may change or be subject to inconsistent application, which could adversely affect Prudential's legal rights.

#### **4.4 Changes in tax legislation may result in adverse tax consequences for the Group's business, financial condition, results of operations and prospects.**

Tax rules, including those relating to the insurance industry, and their interpretation may change, possibly with retrospective effect, in any of the jurisdictions in which Prudential operates. Significant tax disputes with tax authorities, and any change in the tax status of any member of the Group or in taxation legislation or its scope or interpretation could affect Prudential's business, financial condition, results of operations, and prospects.

The Organisation for Economic Co-operation and Development (OECD) is currently undertaking a project intended to modernise the global international tax system, commonly referred to as Base Erosion and Profit-Shifting 2.0. The project has two pillars. The first pillar is focused on the allocation of taxing rights between jurisdictions for in-scope multinational enterprises that sell cross-border goods and services into countries with little or no local physical presence. The second pillar is focused on developing a global minimum tax rate of 15 per cent applicable to in-scope multinational enterprises.

On 8 October 2021 the OECD issued a statement setting out the high-level principles which have been agreed by over 130 jurisdictions involved in the project. Based on the 8 October 2021 OECD statement, Prudential does not expect to be affected by proposals under the first pillar given they include an exemption for regulated financial services companies.

On 20 December 2021 the OECD published detailed model rules for the second pillar. These rules will apply to the Group when implemented into the national law of jurisdictions where it has entities within the scope of the rules. The OECD also issued a number of detailed guidance documents to assist with interpreting the model rules from 2022 to 2024, and is expected to publish further new guidance in 2025 which will affect the interpretation of already implemented legislation.

Several jurisdictions in which the Group has operations have implemented either a global minimum tax or a domestic minimum tax at a rate of 15 per cent, in line with the OECD proposals, effective for either 2024 onwards or 2025 onwards. Hong Kong, where the Group's ultimate parent entity is a tax resident, is in the process of implementing both the global minimum tax and domestic minimum tax effective for 2025 onwards. The Hong Kong rules once implemented will be the rules with most relevance for Prudential.

In compliance with the relevant IFRS accounting standard, the Group will separately disclose any amount of global minimum tax included in the Group's IFRS tax charge for the relevant accounting period. The rules are complex and require calculations to be undertaken at jurisdiction level aggregating all in-scope entities in that jurisdiction into a single calculation. The design of the rules when applied to Prudential means that a global minimum tax is most likely to arise, and have an adverse impact on Prudential, in periods where there is positive investment performance in jurisdictions whose domestic corporate income tax regimes have features favouring certain types of investment.

## Definitions of performance metrics

### Adjusted operating profit

Adjusted IFRS operating profit based on longer-term investment returns. This alternative performance measure is reconciled to IFRS profit for the year in note B1.1 of the IFRS financial results and a fuller definition given in note B1.2.

### Adjusted operating profit after tax

Adjusted operating profit less tax attributable to items within adjusted operating profit.

### Adjusted total comprehensive equity

Adjusted total comprehensive equity represents the sum of Group IFRS shareholders' equity and contractual service margin (CSM), net of reinsurance (unless attaching wholly to policyholders), non-controlling interests and tax.

See note C3.1(b) and II(ii) of the Additional unaudited financial information for reconciliation to IFRS shareholders' equity.

### Agency new business profit

New business profit generated from the agency channel.

### Annual premium equivalent (APE) sales

A measure of new business activity that comprises the aggregate of annualised regular premiums and one-tenth of single premiums on new business written during the year for all insurance products.

See note II(vi) of the Additional unaudited financial information for further explanation.

### Average monthly active agents

An active agent is defined as an agent who sells at least one case with a Prudential life insurance entity in the month. Average active agents per month is expressed for each reporting period as the sum of active agents in each month divided by the number of months in the period.

### Bancassurance new business profit

New business profit generated from the bancassurance channel.

### Basic earnings per share (EPS) based on adjusted operating profit

Calculated as adjusted operating profit after tax, less non-controlling interests, divided by the weighted average number of ordinary shares outstanding during the year, excluding those held in employee share trusts, which are treated as cancelled.

See note B4 to the IFRS financial statements for more detail and calculation, including the diluted version of this metric and reconciliation to basic earnings per share based on IFRS profit after tax.

### Basic earnings per share (EPS) based on IFRS profit after tax

Calculated as IFRS profit after tax, divided by the weighted average number of ordinary shares outstanding during the year, excluding those held in employee share trusts, which are treated as cancelled.

See note B4 to the IFRS financial statements for more detail and calculation including the diluted version of this.

### CSM release rate

CSM release rate is defined as the release of CSM to the income statement in the period divided by the total of the closing CSM balance after adding back the release in the period and the effect of movements in exchange rates. For half-year reporting, the CSM release rate is annualised by multiplying the result by two.

### Customer numbers

A customer is defined as a unique individual or entity who holds one or more policies, that has premiums paid, with a Prudential life insurance entity, including 100 per cent of customers of the Group's joint ventures and associate. Group business is a single customer for the purpose of this definition.

### Customer relationship net promoter score (rNPS)

Net promoter score on overall strength of customer relationship, based on customers' survey responses to how likely they would be to recommend Prudential. It measures the response on a scale of 0-10 where 9 or 10 are Promoters, 7 or 8 are Passives and 0-6 are Detractors. The score equates to the percentage of promoters less percentage of detractors. Our customer relationship NPS (rNPS) target relates to each market's NPS performance versus their respective peers.

### Customer retention rate

Calculated as the number of customers at the beginning of the period minus exits during the year (net of reinstatement) over the number of customers at the beginning of the period.

### Eastspring cost/income ratio

The cost/income ratio is calculated as operating expenses, adjusted for commissions and share of contribution from joint ventures and associates, divided by operating income, adjusted for commission, share of contribution from joint ventures and associates and performance related fees.

See note II(v) to the Additional unaudited financial information for calculation.

### **Eastspring investment performance - percentage of funds under management outperforming benchmarks**

This measure represents funds under management at the balance sheet date held in funds that outperformed their performance benchmark as a percentage of total funds under management over the time period stated (one or three years). Total funds under management exclude funds with no performance benchmark.

### **Eastspring total funds under management or advice**

Total funds under management or advice including external funds under management, money market funds, funds managed on behalf of M&G plc and internal funds under management or advice.

### **EEV operating profit**

EEV operating profit is determined on the basis of including longer-term investment returns, which are stated after excluding the effect of short-term fluctuations in investment returns on shareholder-backed business, the effect of changes in economic assumptions, the mark-to-market value movements on core structural borrowings for shareholder-financed operations and gain or loss attaching to corporate transactions. See EEV basis results for further details.

### **Free surplus excluding distribution rights and other intangibles**

For insurance business, free surplus is generally based on (with adjustments including recognition of certain intangibles and other assets that may be inadmissible on a regulatory basis) the excess of the regulatory basis net assets (EEV total net worth) over the EEV capital required to support the covered business. For asset management and other non-insurance operations (including the Group's central operations), free surplus is taken to be IFRS shareholders' equity, net of goodwill attributable to shareholders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime.

Excludes intangible assets representing rights under distribution contracts and other items. See EEV basis results for further details.

### **Free surplus ratio**

Free surplus ratio is defined as the sum of Group total free surplus, excluding distribution rights and other intangibles, and the EEV required capital of the life business, divided by the EEV required capital of the life business. Group total free surplus, excluding distribution rights and other intangibles, consists of the free surplus of the insurance business combined with the free surplus of asset management and other non-insurance operations, as defined in the Movement in free surplus table within the EEV basis results. Group total free surplus forms part of the EEV shareholders' equity as set out in the EEV basis results. EEV shareholders' equity is reconciled to IFRS shareholders' equity in note II(viii) of the Additional unaudited financial information. Given the differing basis of preparation for the IFRS and EEV results, individual EEV and IFRS line items are not directly comparable.

### **Group EEV**

Group EEV equity, excluding goodwill attributable to equity holders.

### **Group EEV equity**

Shareholders' equity prepared in accordance with the EEV Principles issued by the European Insurance CFO Forum in 2016.

See note II(viii) of the Additional unaudited financial information for reconciliation to IFRS shareholders' equity.

### **Group EEV equity per share**

Group EEV equity per share is calculated as Group EEV equity divided by the number of issued shares at the end of the period. See EEV basis results for calculation.

### **Group EEV per share**

Group EEV per share is calculated as closing Group EEV divided by the number of issued shares at the end of the period. See EEV basis results for calculation.

### **Group funds under management/advice**

Represents all assets managed or administered by or on behalf of the Group, including those assets managed by third parties. Assets under management include managed assets that are included within the Group's statement of financial position and those assets belonging to external clients outside the Prudential Group, which are therefore not included in the Group's statement of financial position.

### **Group leverage ratio (Moody's basis)**

Leverage measure calculated as the Group gross debt, including commercial paper, as a proportion of the sum of IFRS shareholders' equity, 50 per cent of the surplus in the Group's with-profit funds, 50 per cent of the CSM and the Group's gross debt including commercial paper.

### **GWS capital surplus over GPCR**

Estimated GWS capital resources in excess of the GPCR attributable to the shareholder business, before allowing for the 2024 second interim dividend. Prescribed capital requirements are set at the level at which the local regulator of a given entity can impose penalties, sanctions or intervention measures. The estimated GWS Group capital adequacy requirements require that total eligible Group capital resources are not less than the GPCR.

### **Health new business profit**

New business profit from health products, which typically are annually renewable and would involve diagnosis and treatment from licensed physicians/medical facilities. Critical illness products paying lump sum benefits are not in scope.

### **Health products**

Health products comprise health and personal accident insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident coverage. These typically are annually renewable and would involve diagnosis and treatment from licensed physicians/medical facilities. Critical illness products paying lump sum benefits are not in scope.

### **IFRS shareholders' equity per share**

IFRS shareholders' equity per share is calculated as closing IFRS shareholders' equity divided by the number of issued shares at the end of the period.

See note II(iv) to the Additional unaudited financial information for calculation.

### **Life weighted premium income**

Represents the sum of APE sales plus renewal insurance premiums, which represents premiums paid on regular premium products, subsequent to the first-year premium.

See note II (vi) of the Additional unaudited financial information for further details.

### **Net cash remitted by business units**

Net cash amounts remitted by businesses are included in the holding company cash flow, which is disclosed in detail in note I(iv) of the Additional unaudited financial information. This comprises dividends and other transfers from businesses, net of capital injections, that are reflective of earnings and capital generation.

### **Net Group operating free surplus generated**

Operating free surplus generated (see definition below) less central costs, eliminations, restructuring costs and IFRS 17 costs, net of tax.

### **Net zero**

A state in which greenhouse gas emissions from activities in the value chain of an organisation are reduced as close to zero as possible, with any residual emissions balanced by removals from the atmosphere, in a time frame consistent with the Paris Agreement. Our ambition is that the assets we hold on behalf of our insurance companies will be net zero by 2050, as part of Prudential's signatory requirements to the UN-convened Net Zero Asset Owner Alliance (NZAOA).

### **New business profit (EEV)**

Presented on a post-tax basis, on business sold in the year, calculated in accordance with EEV principles.

New business profit is reconciled to IFRS new business CSM in note II(vii) to the Additional unaudited financial information.

### **New business margin (% APE)**

New business profit (EEV) divided by APE sales over the same period.

### **New business margin (% PVNBP)**

New business profit (EEV) divided by PVNBP sales over the same period.

### **New business profit excluding interest rate and other economic movements**

New business profit excluding economic impacts (and the movements therein) represents the amount of new business profit for the year ended 31 December 2024 calculated using economics (including interest rates) as at 31 December 2023 and average exchange rates for the year ended 31 December 2024. The percentage change excluding economics excludes the impact of the change in interest rates and other economic movements in the period from that applicable to the new business profit in the year ended 31 December 2023 and applies consistent average exchange rates from the year ended 31 December 2024.

### **New business profit on embedded value (New business profit/opening Group EEV insurance business operations)**

Calculated as new business profit divided by the opening Group EEV for insurance business operations, excluding goodwill attributable to equity holders and other intangibles.

See note II(ix) in Additional unaudited financial information for calculation.

### **New business profit per active agent**

Average monthly agency new business profit divided by the active agents per month. Includes 100 per cent of new business profit and active agents in joint ventures and associates.

### **Operating free surplus generated from in-force insurance and asset management business**

Operating free surplus generated from in-force insurance business represents amounts emerging from the in-force business during the year before deducting amounts reinvested in writing new business and excludes non-operating items. For asset management businesses, it equates to post-tax operating profit for the year. Restructuring costs are presented separately from the business unit amount.

Further information is set out in Movement in Group free surplus of the EEV basis results.

### **Operating free surplus generated from insurance and asset management business**

For insurance operations free surplus generated represents amounts emerging from the in-force business net of amounts reinvested in writing new business and excludes non-operating items. For asset management business it equates to post-tax operating profit for the period. Restructuring costs are excluded.

### **Operating return on embedded value**

Calculated as EEV operating profit divided by the average Group EEV equity.

See note II(ix) in Additional unaudited financial information for the calculation.

### **Operating return on IFRS shareholders' equity**

Calculated as Adjusted operating profit divided by the average IFRS shareholders' equity.

See note II(iii) in Additional unaudited financial information for the calculation.

### **Penetration rate of strategic bank customer base**

Number of Prudential customers as percentage of total bank customers. The measure and target pertains to seven strategic bank partners (excluding partners of joint ventures and associates and partnerships in Cambodia and Laos).

### **Present value new business premiums (PVNBP)**

Calculated as the aggregate of single premiums and the present value of expected future premiums from regular premium new business, allowing for lapses and the other assumptions made in determining the EEV new business profit.

### **Shareholder GWS coverage ratio over GPCR (%)**

Estimated ratio of capital resources over GPCR attributable to the shareholder business, before allowing for the 2024 second interim dividend.

### **Tier 1 capital resources**

Tier 1 capital in accordance with the classification of tiering capital under the GWS framework, which reflects the different local regulatory regimes along with guidance issued by the Hong Kong IA.

### **Total investment assets**

Comprises total Group financial investments, investment property and Cash and Cash equivalents as recognised on the Consolidated IFRS statement of financial position.

See note C1 to the IFRS financial statements for further detail.

### **Total GWS coverage ratio over GPCR (%)**

Estimated ratio of capital resources over GPCR attributable to both the shareholder and policyholder business, before allowing for the 2024 second interim dividend.

### **Transactional net promoter score (tNPS)**

Net promoter score based on feedback following an individual purchasing, servicing or claims transaction. Based on customers' survey responses to how likely they would be to recommend Prudential. It measures the response on a scale of 0-10 where 9 or 10 are Promoters, 7 or 8 are Passives and 0-6 are Detractors. The score equates to the percentage of promoters less percentage of detractors.

### **Weighted average carbon intensity (WACI)**

Reflects a portfolio's exposure to carbon-intensive companies, expressed in tCO<sub>2</sub>e/\$m revenue. The WACI is currently the market standard for measuring the carbon footprint of an investment portfolio, as described by global disclosure frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD).

## **Basis for strategic objectives**

### **New business profit growth objective**

Our new business growth objective assumes average exchange rates of 2022 and economic assumptions made by Prudential in calculating the EEV basis supplementary information for the year ended 31 December 2022, and is based on regulatory and solvency regimes applicable across the Group at the time the objective was set. It assumes that the existing EEV and free surplus methodology at 31 December 2022 will be applicable over the period.

### **Operating free surplus generated from in-force insurance and asset management business growth objective**

Our operating free surplus generated from in-force insurance and asset management business growth objective assumes average exchange rates of 2022 and economic assumptions made by Prudential in calculating the EEV basis supplementary information for the year ended 31 December 2022, and is based on regulatory and solvency regimes applicable across the Group at the time the objectives was set. It assumes that the existing EEV and free surplus methodology at 31 December 2022 will be applicable over the period.

# Shareholder information

## Dividend information

2024 second interim dividend	Shareholders registered on the UK register and Hong Kong branch register	Holders of American Depository Receipts	Shareholders with ordinary shares standing to the credit of their CDP securities accounts
Ex-dividend date	27 March 2025	—	27 March 2025
Record date	28 March 2025	28 March 2025	28 March 2025
Payment date	14 May 2025	14 May 2025	On or around 21 May 2025

The total number of Prudential plc shares in issue as at 31 December 2024 was 2,657,521,888. Each ordinary share carries the right to one vote on a poll at general meetings of Prudential plc. If votes are cast on a show of hands, each shareholder present in person or by proxy, or in the case of a corporation, each of its duly authorised corporate representatives, has one vote.

## Corporate governance

### Corporate governance codes – statement of compliance

The Company has dual primary listings in Hong Kong (main board listing) and London (equity shares (commercial companies)) and, as required, has adopted a governance structure based on the Hong Kong and UK Corporate Governance Codes (the HK and UK Codes).

The Board confirms that, for the year under review, the Company has applied the principles and complied with the provisions of the UK Code. The Company has also complied with the provisions of the HK Code, other than provision E.1.2(d), which requires companies, on a comply or explain basis, to have a remuneration committee that makes recommendations to a main board on the remuneration of non-executive directors. This provision is not compatible with provision 34 of the UK Code, which recommends that the remuneration of non-executive directors be determined in accordance with the Articles of Association or, alternatively, by the board. Prudential has chosen to adopt a practice in line with the recommendations of the UK Code.

The HK Code is available from [www.hkex.com.hk](http://www.hkex.com.hk)

The UK Code is available from [www.frc.org.uk](http://www.frc.org.uk)