PRUDENTIAL

Prepared remarks supporting Capital Management Update presentation

23 June 2024

Delivering growth in value and cash returns

- We are providing a capital management update as a result of our strong capital base, the progress we have made on our strategic priorities, as well as the recent clarification of the rating agencies treatment of IFRS17 CSM.
- We have announced a US$2bn share buyback programme to be completed no later than mid 2026.
- This is equivalent to an approximately additional 70 cents per share over and above our ordinary dividends over this period. The $2bn represents approximately 8% of our outstanding stock at 21st of June.
- The share buyback programme is consistent with our stated capital allocation policy.
- At the current share price, we see this as a compelling opportunity to create value for our shareholders.
- At the same time, we have retained sufficient capital flexibility to further accelerate organic growth and enhance our core capabilities.
- There is no change in our dividend policy. Our expectation for the 2024 annual dividend is to grow in the range of 7-9%.
- Looking further out, we expect that the progress towards our financial objectives will increase the potential for further cash returns to our shareholders.

Disciplined capital allocation to drive compounding growth

- When we introduced our new strategy in August last year, we set out our capital allocation philosophy, summarised on slide 4.
- This philosophy remains unchanged but is subject to a few developments which have subsequently clarified our view that capital is available for return to shareholders.
- Our credit rating agencies have now updated their methodologies to reflect the implementation of IFRS 17. We continue to maintain our double A financial strength rating and we have comfortable leverage headroom even after a buyback of US$2bn. On a year end 2023 basis, proforma for the buyback, our Moody's total leverage ratio would be 15%.
- We have provided additional guidance as to how we think about the deployment of free surplus, in the context of the Group's growth aspirations, leverage capacity, and its liquidity and capital needs.

Regulatory capital and free surplus ratio

- Slide 5 sets out the building blocks of our Free surplus ratio.
- Starting on the left, our GWS shareholder capital position remains a key metric for assessing regulatory solvency, and for risk management. Our position here is very strong, with a cover ratio of 295% at year-end 2023.
- As mentioned previously, some elements of the shareholder GWS capital surplus only become available as cash flows for distribution to the holding company over time. The Group's Free Surplus metric, which excludes these future flows, is therefore our preferred measure of distributable shareholder capital.
- As at 31 December 2023, the Group's Free Surplus stock, excluding distribution rights and other intangibles, was US$8.5 billion.
- The calculation of the free surplus ratio is shown on the right.

- It is defined as the Group's capital resources, being Group free surplus plus the EEV required capital of the life business, divided by the EEV required capital of the life business.
- At the end of 2023, our free surplus ratio was 242%.

Free surplus ratio operating range

- Our historic focus on "with profits" savings, unit-linked and health and protection business results in a relatively low volatility of free surplus to stress events.
- Based on our current risk profile and our business units' applicable capital regimes, we want to operate between a range of 175%-200%.
- This allows us to absorb severe but plausible stress scenarios and retains flexibility to accelerate growth
- If we project the free surplus ratio to be above the operating range over the medium term, and taking into account opportunities to reinvest at appropriate returns and allowing for market conditions, capital will be returned to shareholders
- Consistent with our previous guidance, and reflecting a 175% level of capital loading, the IRRs for organic new business remain very attractive at over 25%. The effect of higher initial capital intensity is largely balanced by the increased level of capital being released relatively quickly through the calculation period.

Capital management discipline

- With a free surplus ratio of 242% at year-end 2023, our balance sheet is in a robust position.
- At the current level of stock price, taking into account recent clarity from the rating agencies and by applying our capital management framework, the Board has determined that, US$2bn of capital should be returned to shareholders.
- Pro-forma, this reduces the free surplus ratio from 242% at year-end 2023 to marginally in excess of 200%, having taken into account the 2023 second Interim dividend.
- In terms of execution, we intend to return this capital in the form of a share buyback on our London line. The buyback is expected to be completed no later than mid 2026.
- There will be announcements in respect of any stock repurchases made and we intend to cancel the stock repurchased.

Increasing potential for further cash returns

- Looking forward, as a reminder, our financial objectives are organic. They are largely driven by growth in successive cohorts of profitable new business and based on volumes of new business written, rather than margin expansion.
- As you can see from the shape of our expected gross free surplus generation shown on the right-hand side of this slide, given the relatively short payback periods of our product portfolio, we expect significant acceleration in annual gross free surplus generation from the end of 2025.
- This will ultimately increase our financial flexibility and the potential for further cash returns to shareholders.

Delivering growth in value and cash returns

- We are delighted to have taken a further step forward through our announcement of a $2bn buyback.

- At the same time, we are retaining sufficient financial capacity to further accelerate organic growth and enhance our core capabilities to drive a sustainable organic growth platform.
- On account of the progress that we are seeing on our strategic priorities, we remain increasingly confident that we will achieve our financial objectives of new business growth profit and Gross OFSG growth to 2027.
- We are highly focussed on building shareholder value by delivering quality growth in both value and cash returns.
- We look forward to speaking with you about our H1 performance on August 28th.

[End of prepared remarks]