Full Year 2024 results presentation

Anil Wadhwani - Chief Executive Officer

Hello, I'm Anil Wadhwani, CEO of Prudential. Thank you for joining me today. I'm delighted to share our full year 2024 results and update you on the progress of our strategy announced 18 months ago.

We have continued our focus on building and transforming Prudential to realise its full potential and deliver best in class experiences to our customers. Our strategy is being executed swiftly and effectively with an unwavering commitment to driving long-term, sustainable value for all our stakeholders.

<u>Macro</u>

Against the backdrop of a rapidly changing geopolitical environment, the markets we operate in continue to be some of the fastest growing in the world.

Markets like China, India, Indonesia and Malaysia are likely to grow GDP by around 5% or more in 2025.

For many consumers, ensuring sufficient retirement savings and securing adequate protection against rising costs, particularly in healthcare, remain top priorities for themselves and their families.

This is amplifying the demand for insurance products that offer greater financial security and protection.

To that end, we are optimistic about the growth opportunities in our markets, especially as the market sales growth returns to double-digit levels seen before COVID.

AI is bringing its own set of opportunities to the insurance sector in the way customers and agents interact. It will also have material implications for health businesses and for policy underwriting, servicing and claims cost management.

We expect to see these trends continue into 2025, and we are factoring them in as we develop solutions to meet the growing needs of our customers.

<u>Strategic execution</u>

Our five-year strategy, announced in August 2023, is addressing previous under-investment in the businesses and building enduring capabilities that drive sustainable performance.

At all times we take a disciplined approach, focusing on investments that will create value for our stakeholders. It is clear to me that we are seeing signs of improvement in productivity and operational effectiveness as a result of these investments.

The full year results, published today, show how these improvements are translating into value.

Our new business profit was up 11% to $3.1 billion, in line with our guidance.

Over the past two-years, we have achieved a compounded annual rate of growth of 21% in new business profit.

We also generated, as expected, $2.6 billion in free surplus last year.

Capital

Given the progress in our performance, we are firmly on track to meet our 2027 strategic and financial objectives.

We have a clear path to delivering the growth in new business profit of 15 to 20% and generating at least $4.4 billion in free surplus that we set out in our strategy. 2025 is expected to be the inflection point for growth in our free surplus.

Importantly, our strong capital position, underpinned by the improving quality of our capital generation, continues to give us the financial flexibility to invest in new business growth and strategic initiatives, while delivering strong shareholder returns.

Delivering shareholder value

Creating shareholder value is a key imperative for us, and for 2024 we have announced just over $600 million of dividends, which on a per share basis is up 13%.

This is alongside the near $800 million we returned to shareholders through a share buyback. We are accelerating the pace of our current $2 billion programme, to complete it by the end of 2025, well ahead of our original mid-2026 schedule.

In February, we announced that we are evaluating a potential listing of the Indian asset management business involving a partial divestment of our shares. This is subject to approvals and market conditions. We intend to return the net proceeds to our shareholders.

These initiatives underscore our disciplined capital management and our focus on improving shareholder returns.

On track for 2027 Objectives

Alongside new business profit and free surplus generation, I was particularly pleased that we delivered operating profit after tax of $2.6 billion - representing an 8% increase per share.

As we look towards 2025, we have introduced further guidance on our key performance metrics.

We are targeting double digit growth in new business profit, operating profit per share and operating free surplus generation.
We also expect an increase in dividend per share of more than 10%. Our dividend policy remains unchanged, with future growth in dividends expected to be in line with net free surplus generation.

Our confidence in meeting these growth ambitions is driven by our relentless focus on:

- Improving the cash signature profiles of our new business we are writing;
- Managing our in-force, by improving our operational delivery and our customers' satisfaction levels, and;
- Improving our variances through better management of claims and expenses.

Growth opportunity underpinned by enduring structural drivers

Prudential's footprint and capabilities uniquely position us to leverage the strong structural demand drivers across our markets.
These drivers include:

- The demographic shift to longer lifespans and older populations, for example, 28% of China's population will be over the age of 60 by 2040;
- Rising wealth creation, particularly in Asia, now accounts for approximately 30% of global wealth;
- The significant gap between customers' protection needs and their insurance coverage, estimated at $119 trillion in Asia.

These are all leading to greater demand for both life and health insurance, as well as investment-linked products.

Given these structural demand drivers, the total addressable market for gross written premiums, is expected to more than double over the next decade. I believe we are very well positioned to capture this opportunity.

Asian market growth has recovered to pre-COVID levels

COVID had indeed a profound impact on Asia.

The good news is that Asian insurance markets have recovered back to their pre-COVID growth rates, which are well above those of the rest of the world.

We are seeing economic integration and increasing intra-Asian trade flows. These positive trends are increasingly becoming important drivers of region-wide economic growth.

Prudential is a leading franchise in Asia and Africa

Our multi-channel, multi-market franchise includes top 3 positions in 13 of our Asian and African life markets, positioning us strongly to succeed in this attractive industry.

Our distribution powerhouse includes 65,000 active agents and more than 200 bank partners, allowing us to provide engaging, personalised financial solutions and exceptional service to a wide range of customers.

We are a trusted household brand in many of our markets, with long-lasting relationships and the confidence of 18 million customers, to whom we bring deep expertise and capabilities informed by years of experience.

Our in-house and integrated asset management business, Eastspring, is a large and leading pan-Asian player, with $258 billion of funds under management.

Executing on our 5-year strategy

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, including digitising and harmonising our core operations and infrastructure.

These investments are transforming our ways of working across all aspects of our businesses and I'm pleased with the results that they are delivering. We believe during 2025 and into 2026, we will further evolve our capabilities to a level that will position us strongly for **accelerated** growth.

I want to share with you some examples of what we have done and the operational benefits we are already seeing.

Driving consistent growth in New Business profit and operating free surplus generation

To achieve our new business profit and free surplus objectives, our actions and decision making are based on three core operational imperatives:

Firstly, we are committed to **writing high quality new business**. Our focus is on Health & Protection and longer-term products that deliver higher cash signatures. Notably, the 2027 cash signature of the new business cohort written in 2024 was up 36%. We are enhancing sales and productivity within our agency force and achieving a better rate of penetration of Health & Protection products through our bancassurance partnerships.

Second, we are more effectively **managing our in-force**, enhancing our efficiency and customer experience. This includes disciplined repricing of our product portfolio, improving our customer net promoter score, and digitising our core operations. Our net promoter scores are in the top quartile in five markets, and all ten markets now are within the top two quartiles.

Third, we are focused on **improving our variances** by implementing better health claims management, improving persistency, and modernising our IT infrastructure to capture economies of scale. Our net negative variances improved from $383 million to $299 million.

<u>Driving value creation through focus on execution</u>
As part of our investment programme, we have invested over $300 million in enhancing our capabilities to accelerate growth and value creation. Approximately half has been invested in Distribution and one quarter each in Customer and Health.

Agency
Let me start with agency:
Our agency business aims to address the savings and protection needs of our customers while generating high quality, profitable new business growth.

We are focused on building momentum in our agency channel by enhancing agent quality, activation and productivity across all our markets.

Our performance improved during the year, with new business profit growth rising from negative 5% in the first half to positive 4% in the second, as we lapped a strong first half comparator due to the Hong Kong border re-opening in 2023.

Active agent count increased to 67,000 in the second half, up from 63,000 in the first, and we see opportunities in several markets to improve this further.

The most impactful actions we are taking include:

Firstly, recruiting quality agents, which is central to our efforts. It saw new agent recruitment grow by 9%. An important driver of quality recruits is our PRUVenture career development programme, with sales by PRUVenture agents up 34% year-on-year.

Second, partnering with the MDRT network to roll out bespoke industry-leading training and sales recognition programmes, to continuously develop and benefit all our agents - We are the second largest MDRT force globally.

Third, enterprise-wide, we have invested in technology to enhance agent experience and boost their productivity. New business profit per active agent grew 5% and is 1.6 times higher than 2022.

We are working hard to significantly increase agent activation and are confident that our initiatives will help us surpass 80,000 active agents by 2027.

Bancassurance

Now turning to bancassurance, new business profit increased by 31% to just under $1 billion. Performance during the year was broad-based, with 14 markets achieving double-digit growth.

We have cultivated long standing strategic relationships with key banking partners that support this robust performance.

Our expertise and focus on sales training, together with providing a wide range of products that cater to different customer needs, all together help enhance customer experience. As a result, we have improved traction in sales with 32% increase in sales of Health & Protection products.

New business strategic alliances, such as with the Bank Syariah Indonesia, along with the deepening of the existing partnerships, are expanding our offerings to more people across Asia and Africa, further building our momentum.

Health

Now turning to our Health business. New business repricing initiatives and innovative products have combined to deliver 11% growth in new business profit.

The second half of the year saw good momentum compared to the first, driven primarily by Hong Kong, Singapore and Indonesia.

Our investments are beginning to show results through better sales enablement tools for our agents, product innovation, claims cost management, and the reduction of fraud, waste and abuse.

Deepening our expertise and capabilities as part of our strategy has given us first-mover advantage on repricing. We are also better placed to manage the medical inflation in our markets. For example in Indonesia, initiatives to drive claims cost efficiency have led to annualised claims savings of more than $30 million.

We believe the investments we are making in our business puts us on track to achieve our 2027 new business profit target.

Customer

Next, our customers. We have seen progress in our customer relationship net promoter score, with five businesses now in top quartile and three more businesses moving up one quartile. All our businesses are now in the top two quartiles.

Focusing on net promoter scores is absolutely critical to driving customer retention, which improved by one percentage point last year to 87%. This, in turn, provides further opportunities to us for cross-selling and driving repeat sales.

We look forward to taking this momentum through 2025 and beyond.

Broad-based growth, building on our market-leading positions

Moving on to our markets. Looking at our key markets in closer detail, we have achieved broad-based growth in new business profit, with 18 of our 22 life markets showing year-on-year increases:

In Hong Kong and Taiwan, we delivered quality growth, leveraging our diverse distribution channels. Our key market of Hong Kong grew strongly, with new business profit up 15%.

In Mainland China, our strategy in response to the changes in regulatory and macroeconomic environment is progressing well. A more balanced product mix resulted in higher margins and 7% growth in new business profit. We are focused on quality new business in long term savings, including pension business and Health & Protection. Risk management remains prudent, and our solvency ratios have improved.

ASEAN markets are gaining momentum as the post-COVID recovery continues, with strong performances in many of our markets. For example, in Singapore, our key market, new business profit was up 12%.

In Indonesia, the 7% growth in new business profit for the full year reflects a marked recovery during the second half of last year, driven by agency and health. Medical repricing and new products are gaining traction. The onboarding of our new Syariah bancassurance partner, Bank Syariah Indonesia, is progressing well, with products launching during the first half of 2025.

In Malaysia, we are addressing challenges in our agency distribution caused by health repricing and the associated disruption to customer engagement. Revitalising this channel is a high priority, and we are placing greater focus on next-generation agents and developing our agent leaders. Bancassurance performed very well through effective collaboration with our key strategic bank partners.

Customer sentiment in Vietnam remains challenged. However, we are working closely with the regulators to help restore industry confidence. Despite the tough market, we continue to focus on building a quality business and enhancing our capabilities for our Vietnamese customers. Our actions have helped us remain a top three player.

In India, we hold strong competitive positions in life insurance and asset management. We are focusing our efforts on repositioning our life products, broadening their distribution and growing our agency network.

Africa is benefiting from our multi channel model, and we are focusing our capital on markets where we see significant structural demand and have the strongest competitive advantage.

Eastspring creates strategic value to the Group

Asset management is a key part of our long-term strategy. We have $258 billion in funds under management with retail inflows last year of just under $9 billion.

Our footprint in Asia is unrivalled, with 400 investment professionals across 11 markets.

With a 10% increase in operating profit last year, this business delivers a high return on equity and is a key cash generator for the Group.

Over the long-term, success in asset management is value-add through investment performance. To achieve this, we continue to invest in highly skilled talent across Asia. Our team has worked diligently to improve our investment performance, with 61% of our funds under management now outperforming the important three year benchmark.

By combining our insurance and asset management capabilities, we see significant opportunities for creating new bespoke propositions to meet our customers' wealth needs.

Driving shareholder value creation

As I said earlier, Prudential is uniquely positioned as an integrated life and asset management business to capitalise on the long-term growth trends across Asia and Africa. These trends are reasserting themselves post-COVID.

We are relentlessly executing our strategy, seizing structural growth opportunities across our markets, and investing to accelerate our value creation. We have made significant progress so far, and I am excited about how much more we can achieve.

Our commitment to creating value by capturing economies of scale, improving operational efficiency and reducing variances stems from our relentless focus on writing quality new business and enhancing our profitability.

By making disciplined capital allocation decisions and applying our capital management framework, we are delivering accelerated returns to our shareholders.

Dividend per share is up 13% and our current $2 billion share buyback programme will complete this year.

2025 is expected to be the inflection point of growth in our free surplus, and our proforma free surplus ratio is at 204%, just above the upper end of our guided range.

We intend to update you on our capital management plans at our half year results in August.

Additionally, we continue to evaluate an IPO of our India Asset Management Company, intending to partially divest our shares and return those proceeds to our shareholders.

Value creation and total shareholder returns are key imperatives for the management team and an ongoing area of focus for us.

We are firmly on track to achieve our 2022 to 2027 objectives of 15 to 20% compound annual growth in new business profit, and $4.4 billion gross operating free surplus generation in 2027.

Finally, I would like to express my sincere gratitude to our people, to our agents, and to our partners for their dedication and focus in 2024 and onwards into 2025. Thank you.

Ben Bulmer - Chief Financial Officer

Hi, I'm Ben Bulmer, CFO of Prudential.

Key highlights

We are 18 months into the execution of our five-year strategy to build our capabilities, enhance our operating performance, and accelerate value creation.

Our progress to date is increasingly being reflected in our financial outcomes and outlook.

For ease of comparability, I will refer to all growth rates on a constant exchange rate basis, and in respect of EEV new business profits, on an ex economics basis.

Our full year results for 2024, show how these improvements are beginning to translate into value, with new business profits up 11% in line with our guidance. Over the past two-years, we have achieved a new business profits compound annual growth rate on a TEV basis of 21%.

IFRS Operating Profit After Tax, or OPAT per share was up 8% on a consistent basis and our underlying Contractual Service Margin, or CSM, grew at 9%. The CSM acts as a store of unearned profit, a key driver of future earnings growth.

Gross operating free surplus generation, or Gross OFSG, was down 2% over the year, in-line with the trajectory we set out.

We remain focused on quality growth and improving new business cash signatures and margins. In 2024 this was supported by repricing flagship products in our key markets.

The Board has approved a dividend of 23.13 cents per share, equivalent to annual growth of 13%. This reflects growth in the dollar value of the full year dividend, and the benefit of a lower share count.

We remain focused on driving shareholder value and allocating our capital with discipline:

- Our on-going $2 billion buyback announced in June has been accelerated to complete by the end of 2025.
- Our proforma free surplus ratio is 204%, just above the upper end of our guided range. We remain very confident that 2025 is the inflection in the trajectory of our capital generation.
- We intend to update you on our capital management plans at our half-year results in August.
- Additionally, we continue to evaluate an IPO for our India Asset Management Company, intending to partially divest our shares and return net proceeds to shareholders.

For the 2025 year as a whole, we expect to deliver double digit growth in NBP, Gross OFSG, operating EPS and dividend per share.

In summary, our progress made and actions taken in 2024 reinforce our confidence in achieving our 2027 financial objectives.

2024 Financial Performance by segment

This slide summarises our diverse sources of new business profits and OPAT generation across our pan Asian franchise.

All but one of our life segments reported NBP growth, and at a market level, 18 out of 22 life markets increased NBP.

NBP growth on a TEV basis was also 11%.

This geographic diversification is also clear on the right hand side of this chart showing the segmental split of our IFRS operating profits after tax, with Indonesia and Singapore delivering a notably strong operating performance.

Growth driven by strong bancassurance and improving agency

Our NBP performance was driven by our two key channels, agency and bancassurance.

Agency, accounting for 62% of our NBP generation, was flat year on year, albeit with improving momentum. In the second half of the year NBP was up 4%, as Hong Kong and Indonesia in particular, returned to positive growth.

Agency margins improved 2 percentage points over the year, primarily driven by pricing actions in a number of markets.

As Anil explained in his presentation, further delivery of our transformation programme, will drive further growth in agency and health and protection sales, providing additional growth in NBP and capital generation.

Our bancassurance channel which represented 28% of NBP registered new business profit growth of 31%.

We continue to make good progress in lifting the proportion of high margin health and protection business within the bancassurance sales mix, increasing this by a further 1 percentage point year on year to 8%.

This higher health and protection sales weighting and product repricing, supported a 4 percentage point improvement in bancassurance margins. As a reminder, these margins are stated net of associated distribution costs.

High quality, higher margin, cash generative new business

Investing capital in high quality business with attractive returns and short payback periods is at the heart of our strategy to grow long term shareholder value.

Over 40% of our NBP relates to health and protection business.

These are our highest value products per unit of new sales with a margin of 15% on a Present Value of New Business Premiums or PVNBP basis; Health and protection, or 'H&P', also has an earlier cash emergence signature than long term savings products. These two features together explain our focus on lifting H&P share within our sales channels.

As shown in the pie chart, our portfolio is well balanced across H&P and savings products.

Moving to the central chart, we saw a 2 percentage point improvement in NBP margin driven by pricing actions and a higher weight of H&P business. New business continues to be written at highly attractive IRRs of over 25%.

Finally, this improvement in new business pricing is also reflected in the improved new business cash flow signature, shown in the chart on the right.

The OFSG contribution to our 2027 target year from 2024 new business is up 36% compared to that in 2023, ahead of the 7% growth in sales.

I will return to this topic shortly.

Hong Kong: Quality growth, increasing momentum

Turning to our markets, Hong Kong's new business profit grew 15%.

The new business margin was 70% up 7 percentage points. Both agency and bancassurance channels saw margin improvement, reflecting our continued focus on driving quality distribution and value creation.

We saw improved sequential momentum over the year across the domestic and Mainland China Visitor segments, with overall second half NBP up 28%.

Agency returned to growth in H2, with new business profit up 4% year-on-year, supported by strong recruitment momentum and improved productivity.

Our bancassurance channel saw significant growth, with new business profit up 54%, driven by an increase in sales and positive product mix effects. The proportion of health and protection product sales has grown from 5% in 2022 to 18% in 2024.

Mainland China: Actions taken to position for quality growth
In Mainland China, our joint venture delivered new business profit growth of 7%, driven by improved product mix expanding new business margins 9 percentage points.

We continue to actively rebalance the product portfolio to drive profitability, sustainability and manage risk.

In 2024, we have pivoted towards higher margin health and protection products, and doubled sales of our participating products, resulting in improved channel margins.

Multi-market ASEAN growth engines
Moving to ASEAN, starting with Singapore, new business profits grew 12%, with double digit growth from both agency and bancassurance channels.

In Malaysia, NBP was down 4% in 2024, as sales growth was offset by lower margins given a shift in channel mix towards bancassurance.

And finally in Indonesia, our 2024 NBP grew 7%, driven by an acceleration in agency channel growth in the second half of the year, supported by a number of actions including repricing. Over 2024 as a whole, agency NBP grew 5% and agency productivity increased by 21%.

Additionally, as Anil mentioned, we signed a new bancassurance partnership with BSI.

Growth markets and other: Broad based growth
Our Growth Markets segment delivered another solid performance with broad based sales growth of 16% and NBP growth of 7%.

In India, our joint venture, ICICI Pru Life grew sales by 20%.

In Taiwan, we continue to broaden the distribution of our very successful par product suite.

In Thailand, sales were up 27% driven by new product launches and the new CIMB bancassurance partnership.

And finally, Africa delivered another year of strong growth across all of our markets there. We were also pleased to acquire full ownership of Prudential Zenith Life in Nigeria.

Asset Management: Building momentum

Asset management is an important value creator and key differentiator for Prudential.

Eastspring reported a 9% increase in total funds under management to $258 billion.

This growth reflects favourable market movements and strong net inflows from both third parties and the Group's life business.

Third-party net inflows increased to $6.5 billion, driven by net inflows into higher margin retail funds and internal net inflows from Prudential's life business which more than doubled to $5.2 billion.

Investment performance improved substantially, with 61% of funds under management outperforming benchmark on a 3 year basis, a notable improvement from 50% in 2023.

Overall, Eastspring's adjusted operating profit was up 10%, broadly in-line with the growth in average funds under management.

EEV Operating profit up 7%, return on embedded value 12%

Finally, bringing the value section of my presentation together, and for the last time on an EEV basis, operating profit was up 7% reflecting a higher expected return from in-force business growth and higher asset management profits.

Together this supported an operating RoEV of 12%.

Our stock of EEV reduced by 2% year on year, allowing for:

- The return of $1.4 billion in ordinary dividend and share buybacks;
- The Malaysia court judgement resulting in the crystallisation of a related non-controlling interest;
- And the economic impact from adverse US and Mainland Chinese interest rate movements.

This brought us to a closing EEV per share of 1,636 cents.

Moving to traditional embedded value (TEV) from 1Q25

As announced at our half year results, our embedded value reporting switches to a Traditional Embedded Value or 'TEV' basis, starting with our first quarter 2025 Business Performance update.

This will improve comparability and reporting stability, providing better visibility of underlying growth trends.

The key change moving to TEV is a higher risk discount rate, up 2% to 8.1% at year-end, comparable on a country weighted basis to our peers. The higher discount rate also reflects a 50bps reduction to the long-term interest rate assumption applied to our Mainland China business.

As I said previously, this is despite our considerable weighting of UK style with-profit business which has relatively limited risk to the shareholder, as well as conservatively set equity risk premia.

A segmental view of the 2024 TEV NBP and margins is summarised in the middle chart, and we have published detailed TEV disclosures following the format of our EEV report, along with high level quarterly data, to help you with updating your models.

Looking forwards, these margins provide a good reference for 2025.

In Hong Kong, I expect these margins to remain broadly stable, while in Mainland China, margins may reduce moderately as sales of savings products continue to shift towards participating products.

Over the medium term we see potential to continue to improve our margins as we execute our strategy.

Finally, while TEV results in a lower point Embedded Value, the return, or RoEV, is 2 percentage points higher than under EEV, at 14%.

I expect this return to improve by several percentage points as we progress towards our 2027 financial objectives, by growing profitable new business, improving variances, increasing asset management earnings and managing capital with discipline.

Objectives unchanged under TEV

To reiterate, our financial objectives in terms of 15 to 20% NBP growth over 2022 to 2027, and 2027 Gross OFSG of at least $4.4 billion, remain unchanged.

The dollar value of the NBP objective is rebased to a TEV basis with an implied 2027 NBP of between $3.4 and $4.2 billion.

Consistent underlying CSM growth 9%

Turning to earnings on an IFRS basis, the CSM acts as a store of future profit within the IFRS17 accounting framework. Growth in the CSM is the key driver of growth in insurance profit over time.

Structural growth in the CSM, comprising new business additions, normalised unwind, and net of the release to the income statement, was $2 billion, an increase of 9%.

This is again at the top end of the 6 to 9% guidance range we set out in parallel to our 2022 to 2027 NBP growth objective.

Economic variances reflect similar drivers to those under EEV, particularly the net negative impact of higher US rates.

The CSM release rate remained stable year on year at 9.5%.

Diverse insurance profit, lower central costs

Our insurance result was up 7%, driven by a 7% increase in the CSM release more than offsetting a lower net investment result.

The net investment result reflects the long-term return on assets backing shareholders' equity of the life business, and on spread business.

The overall investment result was reduced as result of lower levels of own funds held at a business unit level and various portfolio actions taken within the Mainland China business at the beginning of the second half of the year.

Including the asset management result, overall segment profit was up 7%.

Corporate expenditure, interest payments and restructuring costs were stable over the year, as guided, contributing to a pre-tax operating profit up 10%.

Looking ahead, we will continue to contain the level of central expenditure.

I expect 2025 restructuring costs to reduce to around $170 million, with 2026 expenditure falling to a double digit million level.

The operating tax rate increased to 17%, reflecting the absence of a favourable one-time effect in 2023. I expect the operating tax rate to remain broadly stable at 2024 levels following the introduction of global minimum tax rates.

Finally, OPAT grew 7% to $2.6 billion.

Looking forward, we expect growth in operating EPS per share of at least 10%, driven by underlying CSM growth, asset management momentum, continued containment of central costs and the tailwind of a reduced share count.

2024: Allocating capital in-line with our framework

The disciplined allocation of capital is at the core of our strategy to accelerate value.

In short, we've executed as we said we would; and the 2024 delivery outcomes reflect this.

We maintain a very strong regulatory capital position, with a 280% shareholder cover ratio. Our free surplus ratio is 234%. Both measures are down slightly over the year as excess capital is returned to shareholders. On a pro-forma basis, allowing for the $2 billion buyback completion, the payment of the 2024 second interim dividend and recognition of the BSI partnership, the free surplus ratio is 204%.

I know the Mainland China capital position is of particular focus. As I mentioned in August, the business is taking significant actions on strategic asset allocation and on adapting distribution to the new product mix. We also maintain our rolling Group level hedge position in respect of local interest rates. We do not envisage any further capital injections in 2025.

Given the Group wide growth opportunity ahead of us, investing in profitable new business at attractive returns is a key driver of growth in future shareholder value.

We continue to invest in our capability enhancement programme, with about $175 million of spend in 2024 taking us to $300 million in total deployed so far.

Our dividend policy remains unchanged and linked to Group net operating free surplus generation, which is calculated after investment in new business. As I mentioned, overall DPS growth of 13% reflects growth in the dollar value of the full year dividend, and the benefit of a lower share count. We will also continue with our scrip dividend alternative in Hong Kong shares.

Any capital deployment to strengthen our franchise continues to be judged against returns to shareholders.

In this context, we announced the return of $2 billion of capital; and committed to evaluate an IPO of ICICI AMC, and intend to return net proceeds to shareholders. Buybacks will continue to take place on the London line.

2025 gross OFSG inflection point, with growth >10%

Our capital generation trajectory remains firmly in-line with the path we set out in August 2023.

As shown on the left hand chart, we expected essentially flat capital generation over 2022 to 2024, and then an inflection point in 2025 with strong growth to our 2027 objective of at least $4.4 billion.

In-force life capital generation is driven by the release or transfer of future capital generation built up over many years of new business, emerging or "monetising" as free surplus.

The profile of our free surplus generation over 2022 to 2024 reflects lower new sales over the COVID period leading to lower additions to future capital generation, coupled with adverse operating effects and our capability investment programme, both leading to negative variances. This is why our in-force capital generation measure, Gross OFSG, was as expected, down 2% in 2024.

Based on the business already on our books at the end of 2024, we have a very clear view of the level of expected capital generation in 2025.

The table on the right shows the components of Gross OFSG; the transfer from in-force monetisation, the investment return on free surplus stock, operating variances and our asset management result.

The key driver is in-force capital generation. In 2025 we expect a transfer of $2.7 billion, 13% higher than the 2024 level.

The highly predictable nature of this expected transfer is demonstrated by the similar dollar amount between the expected and actual transfer in 2023 and 2024, shown in the first two rows.

Coupled with our focus on improving operating variances and the momentum of our asset management business, we are confident of double digit growth in gross free surplus generation in 2025.

Clear pathway to our 2027 Gross OFSG objective-
Looking forward, this chart shows why we have high confidence in the path to our 2027 Gross OFSG objective of at least $4.4 billion.

Based solely on the life business we have already written today, we expect to deliver OFSG of $2.6 billion in 2027, shown in the bar on the left.

The box in red shows the pattern of additions to OFSG from life business we expect to write in 2025 and 2026. In line with our targets, we expect to continue to grow our NBP which will translate to higher OFSG contribution from each cohort. Assuming growth in line with our targets, new business written in 2025 and 2026 would contribute at least $0.3 and above $0.4 billion, respectively.

In addition, we expect the level of capital emergence from life new business to continue to improve. This reflects the benefit of pricing actions taken in 2024 which contributed to the 36% improvement in the new business contribution to 2027 OFSG I mentioned earlier, together with improvements in channel, product and country mix.

On top of the higher life contributions to OFSG in 2027 you need to add the asset management result and return on free surplus. We expect this to grow from the combined 2024 outcome.

This, with a return to positive variances, including the completion of our strategic investment programme, would add a further $1 billion to our OFSG in 2027.

Together these drivers support our confidence in reaching Gross OFSG of at least $4.4 billion in 2027.

Just to give you an idea on the sensitivity, assume the franchise simply repeats 2024 levels of new business in 2025 and 2026 – i.e it doesn't grow. Similarly, assume only the 2024 level contributions from return on free surplus and asset management, and a return to neutral variances. In this instance, we would deliver nearly $4 billion of Gross OFSG in 2027.

Improving variances to drive gross OFSG delivery

Managing our in-force business is a critical part of our strategy.

We have work to do, nonetheless I'm pleased to report an improving trend, as illustrated by the red bars in the left hand chart.

While variances are still negative, the net operating performance is improving through a focus on underwriting and repricing and increasing operating leverage as we seek to contain costs and rebuild scale lost through COVID.

Our aim is to continue to improve this trend, such that the business reverts to its historical record of generating steady, positive variances by 2027 at the latest, again supporting the delivery of our 2027 OFSG objective.

In terms of our capability investment, we booked the cost as a negative operating variance. These came to $133 million in 2023 and $175 million in 2024.

As these investments mature, these will contribute to additional operating leverage.

OFSG capital generation drives free cash flow

Over time, growth in capital generation drives growth in free cash flow to the holding company.

In 2024, OFSG from our life and asset management business, net of investment in new business was $1.9 billion.

Remittances from the business were $1.4 billion, a conversion ratio of about 70%, consistent with the level I have previously indicated.

Our holding company cash movements are shown on the right hand chart.

Remittances received cover net holding company costs of $0.2 billion and recurring cash payments of centrally funded bancassurance distribution agreements, the costs of which are reflected in new business profits.

Net of these amounts, holding company free cash flow was $0.9 billion.

The remaining items are cash outflows of ordinary dividend payments of $0.6 billion, the existing buyback programme and $0.2 billion, which includes net investments in new bancassurance distribution opportunities including BSI in Indonesia.

Clearly, our cash generation capacity, and the flexibility this brings, will build as we progress towards our 2027 capital generation objective.

Strong capital return profile

We remain committed to the disciplined management of capital; capital in excess of our free-surplus operating range will be returned to shareholders.

- We have already accelerated the $2 billion buyback and expect to complete this by the end of this year, rather than in 2026.
- Allowing for that, the payment of the 2024 second interim dividend, and the effect of the BSI transaction, our proforma free surplus ratio was 204% at end 2024.
- This ratio will now build through 2025 given growth in capital generation.

We will update you on our capital management plans in August this year.

In addition, we are evaluating an IPO of India AMC and intend to return net proceeds to shareholders.

Key messages

In closing:

- Our broad-based NBP growth of 11% was in line with the guidance we provided. 2022 to date we have grown NBP 21% compound on a TEV basis.
- In 2024 our new business cash signature has materially improved.
- Our OPAT per share was up 8% on a consistent basis.
- We remained focused on allocating our capital with discipline and believe our actions demonstrate this.
- For the 2025 year as a whole, we expect to deliver growth of above 10% in NBP, Gross OFSG, operating EPS and dividend per share.
- Finally, we remain confident of achieving our 2027 financial objectives.