

## Traditional Embedded Value (TEV) basis results

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## Basis of preparation

In addition to IFRS reporting, Prudential has, from the first quarter of 2025, chosen to prepare a set of supplementary results on a Traditional Embedded Value (TEV) basis. The results have been determined in accordance with the methodology and assumptions set out in notes 6 and 7. All results are stated net of tax and converted using actual exchange rates (AER) unless otherwise stated. AER are actual historical exchange rates for the relevant accounting period. Constant exchange rates (CER) results are calculated by translating prior year results using current year foreign currency exchange rates, ie current year average rates for the income statement and current year closing rates for the balance sheet.

TEV results are prepared on a supplementary basis to the Group's IFRS results. TEV is a way of measuring the current value to shareholders of the future profits from the life businesses (considering only policies that are in-force at the balance sheet date) using a set of actuarial assumptions and after making an allowance for the aggregate risks of that business, plus total net worth. It also includes a provision for future unallocated central corporate expenditure. The value of future new business is excluded from the embedded value. This compares with IFRS profit for insurance contracts which largely reflects the level of services provided for a given period. Under IFRS, unearned future profits expected on those same insurance contracts are contained in a separate liability called the CSM. These future IFRS profits have been derived on a risk neutral basis (including an illiquidity premium), without allowing for the real-world investment returns that will be earned on the assets held. In contrast, TEV reflects all future profits, with no equivalent liability to the CSM, but values those profits on a risk-adjusted real-world basis, allowing for the future investment returns that are expected to be earned by the assets held. TEV also uses a higher discount rate that allows for the uncertainties in these cash flows. IFRS is updated annually for current interest rates and other economic assumptions whereas TEV makes use of longer-term investment returns as described in note 6. For the purposes of preparing TEV results, insurance joint ventures and associates are included at the Group's proportionate share of their embedded value and not at their market value. Asset management and other non-insurance subsidiaries, joint ventures and associates are included in the TEV results at the Group's proportionate share of IFRS shareholders' equity, with central Group debt shown on a market value basis. Further information is contained in note 4 and note 5.

The Directors are responsible for the preparation of the supplementary information in accordance with the stated methodology and assumptions above (as detailed in notes 6 and 7). In preparing the supplementary TEV basis results, the Directors have satisfied themselves that the Group remains a going concern. Further information is provided in note A to the IFRS consolidated financial statements.

## TEV results highlights

	2025	2024			
	\$m	AER		CER	
		\$m	% change	\$m	% change
New business profit (NBP) <sup>note (i)</sup>	<b>2,782</b>	2,464	13%	2,495	12%
Annual premium equivalent (APE) sales <sup>note (i)</sup>	<b>6,661</b>	6,202	7%	6,289	6%
New business margin on APE (%)	<b>42%</b>	40%	2ppts	40%	2ppts
Present value of new business premiums (PVNBP) <sup>note (i)</sup>	<b>31,925</b>	29,034	10%	29,400	9%
Operating free surplus generated from in-force insurance and asset management businesses <sup>notes (i)(ii)</sup>	<b>3,059</b>	2,666	15%	2,671	15%
Free surplus excluding distribution rights and other intangibles	<b>9,408</b>	8,604	9%	8,802	7%
Free surplus ratio (%) <sup>note (iii)</sup>	<b>221%</b>	234%	(13)ppts	234%	(13)ppts
TEV operating profit <sup>notes (i)(iv)</sup>	<b>4,752</b>	4,095	16%	4,142	15%
Operating return on Group TEV (%) <sup>note (v)</sup>	<b>15%</b>	14%	1ppts		
Closing Group TEV equity <sup>note (vi)</sup>	<b>37,803</b>	34,267	10%	34,933	8%
Closing Group TEV equity per share (in cents) <sup>note (vi)</sup>	<b>1,483¢</b>	1,289¢	15%	1,314¢	13%
Closing Group TEV (ie excluding goodwill attributable to equity holders) per share (in cents) <sup>note (vi)</sup>	<b>1,453¢</b>	1,262¢	15%	1,285¢	13%

### Notes

- (i) New business and operating results are presented before deducting the amounts attributable to non-controlling interests. This presentation is applied consistently throughout this document, unless stated otherwise.
- (ii) Stated before restructuring costs, centrally incurred costs and eliminations.
- (iii) Free surplus ratio is calculated as the total of Group free surplus excluding distribution rights and other intangibles and TEV required capital, divided by TEV required capital.
- (iv) TEV operating profit is stated after restructuring costs, centrally incurred costs and eliminations.
- (v) Operating return on Group TEV is calculated as TEV operating profit for the year, after non-controlling interests, as a percentage of opening Group TEV, excluding distribution rights and other intangibles. Operating profit and Group TEV are net of non-controlling interests. By definition Group TEV excludes goodwill.
- (vi) Stated net of non-controlling interests.

## Movement in Group TEV equity

	Note	2025 \$m			2024 \$m
		Insurance and asset management operations	Other (central) operations	Group total	Group total
New business profit	1	2,842	(60)	2,782	2,464
Profit from in-force business	2	2,284	–	2,284	1,967
Insurance business		5,126	(60)	5,066	4,431
Asset management business		305	–	305	275
Operating profit (loss) from insurance and asset management businesses		5,431	(60)	5,371	4,706
Change in allowance for corporate expenditure and other central costs incurred in the year	4	–	(454)	(454)	(414)
Operating profit (loss) before restructuring costs		5,431	(514)	4,917	4,292
Restructuring costs		(43)	(122)	(165)	(197)
<b>Operating profit (loss) for the year</b>		<b>5,388</b>	<b>(636)</b>	<b>4,752</b>	<b>4,095</b>
Non-operating results <sup>note (i)</sup>		283	(364)	(81)	(566)
<b>Profit (loss) for the year</b>		<b>5,671</b>	<b>(1,000)</b>	<b>4,671</b>	<b>3,529</b>
Non-controlling interests' share of profit		(120)	–	(120)	(85)
<b>Profit (loss) for the year attributable to equity holders of the Company</b>		<b>5,551</b>	<b>(1,000)</b>	<b>4,551</b>	<b>3,444</b>
Intra-group dividends and investment in operations <sup>note (ii)</sup>		(2,236)	2,236	–	–
Dividends, net of scrip dividends		–	(594)	(594)	(552)
Adjustment to non-controlling interest for Malaysia conventional life business on 1 Jan 2024		–	–	–	(1,375)
Share repurchases/buybacks <sup>note (iii)</sup>		–	(1,234)	(1,234)	(878)
Foreign exchange movements		787	(6)	781	(526)
Other equity movements <sup>note (iv)</sup>		(1,172)	1,204	32	(17)
<b>Net increase in Group TEV equity</b>		<b>2,930</b>	<b>606</b>	<b>3,536</b>	<b>96</b>
Group TEV equity at beginning of year		34,688	(421)	34,267	34,171
<b>Group TEV equity at end of year</b>		<b>37,618</b>	<b>185</b>	<b>37,803</b>	<b>34,267</b>
<b>Contribution to Group TEV equity at end of year:</b>					
Insurance business	2	36,186	–	36,186	33,261
Asset management and other	4	653	2,271	2,924	2,348
Provision for future central corporate expenditure		–	(2,086)	(2,086)	(2,078)
Group TEV		36,839	185	37,024	33,531
Goodwill attributable to equity holders		779	–	779	736
<b>Group TEV equity at end of year</b>		<b>37,618</b>	<b>185</b>	<b>37,803</b>	<b>34,267</b>

Group TEV equity per share (in cents) <sup>note (v)</sup>	2025		
	Insurance and asset management operations	Other (central) operations	Group total
<b>At end of year</b>			
Based on Group TEV (ie excluding goodwill attributable to equity holders)	1,446¢	7¢	1,453¢
Based on Group TEV equity at end of year	1,476¢	7¢	1,483¢
<b>At beginning of year</b>			
Based on Group TEV (ie excluding goodwill attributable to equity holders)	1,278¢	(16)¢	1,262¢
Based on Group TEV equity at beginning of year	1,305¢	(16)¢	1,289¢

TEV basis basic earnings per share (in cents) <sup>note (vi)</sup>	2025	2024
	Basic earnings per share	Basic earnings per share
Based on operating profit	178.5¢	146.2¢
Based on profit for the year	176.4¢	126.9¢

#### Notes

- (i) The classification of the TEV profit or loss between operating and non-operating results is described in note 6.2. In 2025, the non-operating results of the Group include the gain arising from the sale of a portion of the Group's interest in ICICI Prudential Asset Management Company Limited during the company's IPO. The non-operating results for the insurance business operations is discussed further in note 2(d).
- (ii) Intra-group dividends represent dividends that have been paid in the year. Investment in operations reflects movements in share capital.
- (iii) Further details on the share buyback/repurchase by the Company are provided in note C8 of IFRS consolidated financial statements.
- (iv) Other movements include reserve movements in respect of intra-group transfers between operations that have no overall effect on the Group's shareholders' equity, transactions relating to non-controlling interests, share-based payments, treasury shares, and new share capital subscribed.
- (v) Based on the number of issued shares at 31 December 2025 of 2,548 million shares (31 December 2024: 2,658 million shares).
- (vi) Based on weighted average number of issued shares in 2025 of 2,580 million shares (31 December 2024: 2,715 million shares), excluding those held in employee share trusts.

## Movement in Group free surplus

Operating free surplus generation is the financial metric we use to measure the internal cash generation of our business operations and for our life operations is generally based on (with adjustments as discussed below) the capital regimes that apply locally in the various jurisdictions in which the Group operates. It 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. 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 (TEV total net worth) over the TEV capital required to support the covered business. Adjustments are also made to enable free surplus to be a better measure of shareholders' resources available for distribution. For shareholder-backed businesses, the level of TEV required capital has generally been based on the Group Prescribed Capital Requirements (GPCR) used in our GWS (Group-wide Supervision) as explained in note 6.1(e).

For asset management and other non-insurance business 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.

	Note	2025 \$m			2024 \$m
		Insurance and asset management operations	Other (central) operations	Group total	Group total
Expected transfer from in-force business		2,731	–	2,731	2,391
Expected return on existing free surplus		298	–	298	288
Changes in operating assumptions and experience variances		(275)	–	(275)	(288)
Operating free surplus generated from in-force insurance business	2	2,754	–	2,754	2,391
Asset management business		305	–	305	275
<b>Operating free surplus generated from in-force insurance and asset management businesses</b>		<b>3,059</b>	<b>–</b>	<b>3,059</b>	2,666
Investment in new business <sup>note (i)</sup>	2	(713)	(60)	(773)	(744)
		2,346	(60)	2,286	1,922
Other expenditure		–	(446)	(446)	(361)
Restructuring costs		(43)	(122)	(165)	(197)
<b>Operating free surplus generated</b>		<b>2,303</b>	<b>(628)</b>	<b>1,675</b>	1,364
Non-operating free surplus generated <sup>note (ii)</sup>		657	(204)	453	323
<b>Free surplus generated for the year</b>		<b>2,960</b>	<b>(832)</b>	<b>2,128</b>	1,687
Non-controlling interests' share of free surplus generated		(23)	–	(23)	(33)
<b>Free surplus generated for the year attributable to equity holders of the Company</b>		<b>2,937</b>	<b>(832)</b>	<b>2,105</b>	1,654
Net cash flows paid to parent company <sup>note (iii)</sup>		(2,137)	2,137	–	–
Dividends, net of scrip dividends		–	(594)	(594)	(552)
Share repurchases/buybacks		–	(1,234)	(1,234)	(878)
Issuance of subordinated debt, net of costs		–	462	462	–
Foreign exchange movements		174	(3)	171	(141)
Other equity movements		(1,271)	1,303	32	(19)
Net (decrease) increase in free surplus		(297)	1,239	942	64
<b>Balance at beginning of year</b>		<b>7,302</b>	<b>5,056</b>	<b>12,358</b>	12,455
Adjustment to non-controlling interest for Malaysia conventional life business on 1 Jan 2024		–	–	–	(161)
<b>Balance at end of year</b>		<b>7,005</b>	<b>6,295</b>	<b>13,300</b>	12,358
<b>Representing:</b>					
Free surplus excluding distribution rights and other intangibles		5,909	3,499	9,408	8,604
Distribution rights and other intangibles		1,096	2,796	3,892	3,754
<b>Balance at end of year</b>		<b>7,005</b>	<b>6,295</b>	<b>13,300</b>	12,358

	Note	2025 \$m			2024 \$m
		Insurance and asset management operations	Other (central) operations	Group total	Group total
<b>Contribution to Group free surplus at end of year:</b>					
Insurance business	2	6,352	–	6,352	6,611
Asset management and other businesses		653	6,295	6,948	5,747
<b>Total at end of year</b>		<b>7,005</b>	<b>6,295</b>	<b>13,300</b>	12,358

**Notes**

- (i) Free surplus invested in new business primarily represents acquisition costs and amounts set aside for required capital.
- (ii) Non-operating free surplus generated for other (central) operations represents the post-tax IFRS basis short-term fluctuations in investment returns, the movement in the mark-to-market value adjustment on core structural borrowings that did not meet the qualifying conditions as set out in the Insurance (Group Capital) Rules and the gain or loss on corporate transactions, if any, undertaken in the period.
- (iii) Net cash flows to parent company reflect the cash remittances as included in the holding company cash flow at transaction rates. The difference to the intra-group dividends and investment in operations in the movement in Group TEV equity primarily relates to intra-group loans, foreign exchange movements, timing differences and other non-cash items.

## Notes on the TEV basis results

### 1 Analysis of new business profit and TEV for insurance business operations

Throughout this section we would note the following:

- (i) New business in Mainland China is included at Prudential's 50 per cent interest in the life joint venture;
- (ii) Within Growth markets and other, new business in India is included at Prudential's 22 per cent interest in the associate; and
- (iii) The Malaysia segment contains 100 per cent of the Conventional business and the Group's share of the Takaful joint venture.

APE sales are an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profit for shareholders. The amounts shown are not, and are not intended to be, reflective of revenue recorded in the Group IFRS condensed consolidated income statement.

2025						
	New business profit (NBP)	Annual premium equivalent (APE)	Present value of new business premiums (PVNBP)	New business margin on APE	New business margin on PVNBP	Closing TEV
	\$m	\$m	\$m	%	%	\$m
Hong Kong	1,221	2,221	11,738	55 %	10 %	14,460
Indonesia	118	258	1,055	46 %	11 %	1,350
Mainland China (Prudential's share)	282	621	2,122	45 %	13 %	3,238
Malaysia	118	436	1,863	27 %	6 %	3,861
Singapore	436	938	6,145	46 %	7 %	7,102
Growth markets and other	667	2,187	9,002	30 %	7 %	7,842
Non-controlling interests' share of embedded value						(1,667)
Total insurance business	2,842	6,661	31,925	43 %	9 %	36,186
Less central costs allocated to new business	(60)					
Total Group insurance business	2,782	6,661	31,925	42 %	9 %	

2024 AER						
	New business profit (NBP)	Annual premium equivalent (APE)	Present value of new business premiums (PVNBP)	New business margin on APE	New business margin on PVNBP	Closing TEV
	\$m	\$m	\$m	%	%	\$m
Hong Kong	1,091	2,063	10,865	53 %	10 %	13,876
Indonesia	110	262	1,068	42 %	10 %	1,256
Mainland China (Prudential's share)	221	464	1,530	48 %	14 %	2,860
Malaysia	105	406	1,731	26 %	6 %	3,254
Singapore	419	870	5,442	48 %	8 %	6,264
Growth markets and other	580	2,137	8,398	27 %	7 %	7,336
Non-controlling interests' share of embedded value						(1,585)
Total insurance business	2,526	6,202	29,034	41 %	9 %	33,261
Less central costs allocated to new business	(62)					
Total Group insurance business	2,464	6,202	29,034	40 %	8 %	

2024 CER						
	New business profit (NBP)	Annual premium equivalent (APE)	Present value of new business premiums (PVNBP)	New business margin on APE	New business margin on PVNBP	Closing TEV
	\$m	\$m	\$m	%	%	\$m
Hong Kong	1,092	2,065	10,875	53 %	10 %	13,848
Indonesia	106	252	1,028	42 %	10 %	1,212
Mainland China (Prudential's share)	222	464	1,532	48 %	14 %	2,987
Malaysia	112	434	1,850	26 %	6 %	3,586
Singapore	429	890	5,566	48 %	8 %	6,645
Growth markets and other	596	2,184	8,549	27 %	7 %	7,466
Non-controlling interests' share of embedded value						(1,746)
Total insurance business	2,557	6,289	29,400	41 %	9 %	33,998
Less central costs allocated to new business	(62)					
Total Group insurance business	2,495	6,289	29,400	40 %	8 %	

### (a) Analysis of new business profit margin by quarter

New business profit (NBP), annual premium equivalent sales (APE) and new business margin can be analysed by quarter as follows:

	2025			2024 AER			2024 CER		
	NBP post central costs	APE	New business margin on APE	NBP post central costs	APE	New business margin on APE	NBP post central costs	APE	New business margin on APE
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Q1	608	1,677	36%	545	1,625	34%	543	1,609	34%
Q2	652	1,610	40%	576	1,488	39%	588	1,526	39%
Q3	705	1,716	41%	616	1,527	40%	626	1,564	40%
Q4	818	1,659	49%	730	1,566	47%	740	1,590	47%
Foreign exchange adjustment	(1)	(1)	n/a	(3)	(4)	n/a	(2)	–	n/a
<b>Total</b>	<b>2,782</b>	<b>6,661</b>	<b>42%</b>	<b>2,464</b>	<b>6,202</b>	<b>40%</b>	<b>2,495</b>	<b>6,289</b>	<b>40%</b>

The above table shows NBP, APE sales and new business margin for each discrete quarter of 2025 and 2024. Each quarter is prepared based on economic assumptions at the start of each year (including the long-term economic assumptions as set out in note 7.1) and operating assumptions at the start of each quarter. Each quarter is shown on the basis of average exchange rates for the period concerned. The adjustment at the end of the year (where applicable) is to move new business profit to be based on the average exchange rates for the year in line with how the full year TEV basis results have been prepared.

### (b) Movement in new business profit

The movement in new business profit from insurance business operations is analysed as follows:

	\$m
2024 new business profit (AER)	2,464
Foreign exchange movements	31
2024 new business profit (CER)	2,495
Sales volume	147
Business mix, product mix and other items	140
<b>2025 new business profit</b>	<b>2,782</b>

NBP reflects the value of expected future profits from the new business sold in the year and is a measure used by Prudential to assess profitability of the new business written. Explanations of changes in NBP are contained in the Group Strategic and operating review. Information on the Group's operating experience variances on the in-force business is shown in note 2.

### (c) Insurance new business

	Single premiums		Regular premiums		APE	
	2025 \$m	2024 \$m	2025 \$m	2024 \$m	2025 \$m	2024 \$m
Hong Kong	803	398	2,141	2,024	2,221	2,063
Indonesia	273	266	231	235	258	262
Mainland China	537	162	568	447	621	464
Malaysia	109	95	425	397	436	406
Singapore	2,494	1,404	689	730	938	870
Growth markets and other	597	628	2,126	2,074	2,187	2,137
<b>Total</b>	<b>4,813</b>	<b>2,953</b>	<b>6,180</b>	<b>5,907</b>	<b>6,661</b>	<b>6,202</b>

## 2 Analysis of movement in net worth and value of in-force insurance business operations

	2025 \$m					2024 \$m
	Free surplus	Required capital	Net worth	Value of in-force business note (b)	Embedded value note (a)	Embedded value note (a)
<b>Balance at beginning of year</b>	6,611	6,410	13,021	20,240	33,261	32,474
New business contribution <sup>note (b)</sup>	(713)	886	173	2,669	2,842	2,526
Existing business – transfer to net worth	2,731	(286)	2,445	(2,445)	–	–
Expected return on existing business	298	291	589	1,958	2,547	2,366
Changes in operating assumptions, experience variances and other items <sup>note (c)</sup>	(275)	97	(178)	(85)	(263)	(399)
In-force business	2,754	102	2,856	(572)	2,284	1,967
Operating profit before restructuring costs	2,041	988	3,029	2,097	5,126	4,493
Restructuring costs	(20)	–	(20)	–	(20)	(21)
<b>Operating profit</b>	2,021	988	3,009	2,097	5,106	4,472
Non-operating result <sup>note (d)</sup>	(699)	429	(270)	(805)	(1,075)	(708)
<b>Profit for the year</b>	1,322	1,417	2,739	1,292	4,031	3,764
Non-controlling interests' share of profit	(15)	(14)	(29)	(83)	(112)	(94)
<b>Profit for the year attributable to equity holders of the Company</b>	1,307	1,403	2,710	1,209	3,919	3,670
Foreign exchange movements	160	63	223	509	732	(468)
Intra-group dividends and investment in operations	(2,023)	(115)	(2,138)	115	(2,023)	(1,177)
Adjustment to non-controlling interest for Malaysia conventional life business on 1 Jan 2024	–	–	–	–	–	(1,404)
Other equity movements <sup>note (e)</sup>	297	–	297	–	297	166
<b>Balance at end of year</b>	6,352	7,761	14,113	22,073	36,186	33,261

### (a) Total embedded value

The total embedded value for insurance business operations at the end of each year, excluding goodwill attributable to equity holders, can be analysed further as follows:

	31 Dec 2025 \$m	31 Dec 2024 \$m
Free surplus	6,352	6,611
Required capital	7,761	6,410
<b>Net worth</b>	14,113	13,021
<b>Value of in-force business before deduction of cost of capital</b>	23,094	21,308
Cost of capital	(1,021)	(1,068)
<b>Net value of in-force business</b>	22,073	20,240
<b>Embedded value</b>	36,186	33,261

### (b) Value of in-force business and new business profit split by product type

The value of in-force business (VIF) and new business profit (NBP) are analysed by product type as follows:

Product	2025 %		2024 %	
	VIF	NBP	VIF	NBP
Health & protection	46	36	46	40
Participating (Shareholder-backed)	7	28	5	29
Participating	28	15	29	11
Non-participating	5	14	5	15
Linked	14	7	15	5
<b>Total</b>	100	100	100	100

### (c) Changes in operating assumptions, experience variances and other items

Overall, the total impact of operating assumption changes, experience variances and other items in 2025 is \$(263) million (2024: \$(399) million), comprising changes in operating assumptions of \$8 million (2024: \$(45) million) and experience variances and other items of \$(271) million (2024: \$(354) million). Included in the \$(271) million is \$(230) million (2024: \$(175) million) that was invested in building capabilities in the period.

#### (d) Non-operating results

The non-operating result each period comprises short-term fluctuations caused by changes in interest rates and other market movements, the effect of changes in economic assumptions and the impact of corporate transactions undertaken, if any, in the period.

The 2025 non-operating result largely reflects the impact of a reduction in interest rates across many of our Asian markets with a consequential reduction in the investment return assumptions (which trend from current to long-term assumptions over time) with no change in the long-term discount rate to offset. It also reflects derisking activity in Mainland China. The 2024 non-operating result reflected interest rate rises in many Asian markets offset by the effects of a reduction in the long-term risk-free rate for Mainland China by 50 bps (which impacted fund earned rates and the risk discount rate).

#### (e) Other equity movements

Other equity movements include reserve movements in respect of intra-group transfers between operations that have no overall effect on the Group's TEV equity and transactions relating to non-controlling interests.

### 3 Sensitivity of results for insurance business operations to alternative assumptions

#### (a) Sensitivity analysis – economic assumptions

The tables below show the sensitivity of the new business profit and the embedded value for insurance business operations to:

- 1 per cent and 2 per cent increases in interest rates and 0.5 per cent decrease in interest rates impacting both long-term and current interest rates used in determining TEV values. This allows for consequential changes in the assumed investment returns for all asset classes, market values of fixed interest assets, local statutory reserves, capital requirements and risk discount rates;
- 1 per cent fall in equity and property yields and risk discount rates;
- 1 per cent and 2 per cent increases in the risk discount rates via a change to the risk premium;
- For embedded value only, 20 per cent fall in the market value of equity and property assets (with no impact on assumed investment returns); and
- 5 per cent increase and decrease in foreign exchange rates.

The sensitivities shown below are for the impact of instantaneous changes on the embedded value of insurance business operations and include the combined effect on the value of in-force business and net assets (including derivatives within the insurance operations) held at the valuation dates indicated. The results only allow for limited management actions, such as repricing and changes to future policyholder bonuses, where applicable. If such economic conditions persisted, the financial impacts may differ to the instantaneous impacts shown below. In this case, management could also take additional actions to help mitigate the impact of these stresses. No change in the mix of the asset portfolio held at the valuation date is assumed when calculating sensitivities, while changes in the market value of those assets are recognised. The sensitivity impacts are expected to be non-linear. To aid understanding of this non-linearity, impacts of both a 1 per cent and 2 per cent increase to interest rates and risk discount rates are shown.

The sensitivities shown below are for illustrative purposes and, in reality, the impacts may be different. In the event that the illustrated changes in market conditions occur, the effect would be captured in non-operating results. For in-force business, the impact of the market sensitivities below is calculated by reference to end of year economic assumptions, whereas new business impacts are with reference to beginning of year economic assumptions.

<b>New business profit from insurance business</b>	<b>2025 \$m</b>	<b>2024 \$m</b>
<b>Base value (before central costs)</b>	<b>2,842</b>	<b>2,526</b>
<b>Impact from alternative economic assumptions:</b>		
Interest rates – 2% increase	(78)	(59)
Interest rates – 1% increase	(49)	(28)
Interest rates – 0.5% decrease	31	17
Equity and property returns and risk discount rates – 1% decrease	355	283
Risk discount rates – 2% increase	(634)	(565)
Risk discount rates – 1% increase	(352)	(311)
Foreign exchange rates – 5% increase	(77)	(68)
Foreign exchange rates – 5% decrease	85	75

New business profit sensitivities vary with changes in business mix and APE sales volumes.

<b>Embedded value of insurance business</b>	31 Dec 2025 \$m	31 Dec 2024 \$m
<b>Base value*</b>	<b>36,186</b>	33,261
<b>Impact from alternative economic assumptions:</b>		
Interest rates – 2% increase	(4,225)	(3,294)
Interest rates – 1% increase	(2,234)	(1,682)
Interest rates – 0.5% decrease	1,303	971
Equity/property market values – 20% fall	(1,852)	(1,684)
Equity and property returns and risk discount rates – 1% decrease	2,136	1,914
Risk discount rates – 2% increase	(4,989)	(4,778)
Risk discount rates – 1% increase	(2,757)	(2,637)
Foreign exchange rates – 5% increase	(1,050)	(921)
Foreign exchange rates – 5% decrease	1,160	1,018

\* Embedded value sensitivities include Africa operations at base value. In the context of the Group, Africa's results are not materially impacted by the above sensitivities.

In order to illustrate the impact of varying specific economic assumptions, all other assumptions are held constant in the sensitivities above and, therefore, the actual changes in embedded value were these economic effects to materialise may differ from the sensitivities shown.

### (b) Sensitivity analysis – non-economic assumptions

The tables below show the sensitivity of the new business profit and the embedded value for insurance business operations to the following changes to the relevant operating assumptions:

- 10 per cent proportionate decrease in maintenance expenses (for example, a 10 per cent sensitivity on a base assumption of \$10 per annum would represent an expense assumption of \$9 per annum);
- 10 per cent proportionate decrease in lapse rates (for example, a 10 per cent sensitivity on a base assumption of 5.0 per cent would represent a lapse rate of 4.5 per cent per annum); and
- 10 per cent proportionate decrease in base mortality (ie increased longevity) and morbidity rates.

Changes in operating assumptions are reported in operating profit.

#### New business profit from insurance business

	2025 \$m	2024 \$m
<b>New business profit (before central costs)</b>	<b>2,842</b>	2,526
Maintenance expenses – 10% decrease	47	51
Lapse rates – 10% decrease	143	131
Mortality and morbidity – 10% decrease	230	229

#### Embedded value of insurance business

	31 Dec 2025 \$m	31 Dec 2024 \$m
<b>Embedded value</b>	<b>36,186</b>	33,261
Maintenance expenses – 10% decrease	357	313
Lapse rates – 10% decrease	1,067	942
Mortality and morbidity – 10% decrease	2,432	2,100

## 4 TEV results for other (central) operations

TEV results for the change in allowance for corporate expenditure and other central costs incurred in the year comprises the movement in the provision for recurring central head office expenditure that is not related to the acquisition of new business together with the post-tax IFRS results for other central items such as interest costs on core structural borrowings and other central net investment income and other items. It also includes the actual head office expenditure (before restructuring costs) in the year on an IFRS net-of-tax basis, which is either allocated to new business (if it relates to acquisition costs) or in-force otherwise. In-force costs are covered by the provision.

Certain costs incurred within the head office functions are recharged to the insurance business operations and recorded within the results for those operations. The assumed future expenses within the value of in-force business for insurance business operations generally allow for amounts expected to be recharged by the head office functions on a recurring basis. The provision for future central corporate expenditure and the actual expenditure in the year excludes such costs.

The allowance for the future costs of internal asset management services within the TEV results for insurance business operations excludes the projected future profits generated by any non-insurance entities within the Group in providing those services (ie the TEV for insurance business operations includes the projected future profit or loss from asset management and service companies that support the Group's covered insurance businesses). The results of the Group's asset management operations include the current period profit from the management of both internal and external funds, consistent with their presentation within the Group's IFRS basis reporting. An adjustment is accordingly made to Group TEV operating profit, within the results for other (central) operations, to deduct the expected profit anticipated to arise in the current period in the opening value of in-force business from internal asset management services, such that Group TEV operating profit includes the actual profit earned in respect of the management of these assets. Under IFRS 17, a similar adjustment is made to eliminate the intra-group profit within the results of central operations.

The Group TEV equity for other operations is taken to be IFRS shareholders' equity, with central Group debt shown on a market value basis, offset by the provision for future central corporate expenditure. Free surplus for other operations is taken to be IFRS shareholders' equity, net of any goodwill attributable to equity holders, with central Group debt recorded as free surplus to the extent that it is classified as capital resources under the Group's capital regime. Under the GWS Framework, debt instruments issued at the date of designation which met the transitional conditions set by the Hong Kong IA are included as GWS eligible group capital resources. In addition, debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules are also included as GWS eligible group capital resources.

Shareholders' equity for other (central) operations can be compared across metrics as shown in the table below.

	31 Dec 2025 \$m	31 Dec 2024 \$m
<b>IFRS shareholders' equity</b>	<b>2,214</b>	1,426
Mark-to-market value adjustment on central borrowings <sup>note 5</sup>	57	231
Provision for future central corporate expenditure	(2,086)	(2,078)
<b>Group TEV equity</b>	<b>185</b>	(421)
IFRS shareholders' equity	2,214	1,426
Mark-to-market value adjustment on central borrowings	57	231
Debt instruments treated as capital resources	4,024	3,399
<b>Free surplus at end of year</b>	<b>6,295</b>	5,056

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

	31 Dec 2025 \$m			31 Dec 2024 \$m		
	IFRS basis note (ii)	Mark-to-market value adjustment note (iii)	TEV basis at market value	IFRS basis note (ii)	Mark-to-market value adjustment note (iii)	TEV basis at market value
Core structural borrowings:						
Subordinated debt	2,795	(35)	2,760	2,289	(141)	2,148
Senior debt	1,664	(22)	1,642	1,636	(90)	1,546
	4,459	(57)	4,402	3,925	(231)	3,694
Holding company cash and short-term investments <sup>note (i)</sup>	(4,282)	–	(4,282)	(2,916)	–	(2,916)
<b>Net core structural borrowings of shareholder-financed businesses</b>	<b>177</b>	<b>(57)</b>	<b>120</b>	1,009	(231)	778

### Notes

- (i) Holding company includes centrally managed Group holding companies and service companies.  
(ii) As recorded in note C5.1 to the IFRS consolidated financial statements. The movement in the value of core structural borrowings includes issuance in the year and foreign exchange effects for non-USD denominated debts.  
(iii) The movement in the mark-to-market value adjustment can be analysed as follows:

	2025 \$m	2024 \$m
Mark-to-market value adjustment at beginning of year	(231)	(274)
Charge to the income statement (including foreign exchange effects)	173	43
Effect of foreign exchange movements included in reserves	1	–
<b>Mark-to-market value adjustment at end of year</b>	<b>(57)</b>	(231)

## 6 Methodology and accounting presentation

### 6.1 Methodology

The following sets out the Group's methodology for preparing the TEV basis results. Key features of the Group's methodology include:

- The use of long-term risk-free rates when setting investment return assumptions. For in-force business investment returns generally trend from current to long-term assumptions;
- Using the same long-term risk-free rates to set the risk discount rates which also includes a risk margin to cover non-diversifiable non-market risk as well as market risk, including an implicit allowance for the time value of options and guarantees; and
- To reduce TEV for a projection of recurring central head office expenditure and to reduce TEV new business profit for that proportion of recurring actual central head office expenditure considered to be acquisition in nature.

In addition, to facilitate discrete quarterly reporting new business profit is determined based on economic assumptions at the start of the year and on operating assumptions at the start of the quarter being reported. More information on the new business results by quarter are set out in note 1(a). The 2025 TEV basis results have been prepared using the long-term assumptions set out in note 7.1.

#### (a) In-scope business

An embedded value (EV) is calculated for each of the Group's in-scope insurance business (including the Group's investments in joint venture and associate insurance business operations). It represents the net worth and the present value of future profits attributable to shareholders from insurance contracts in-force at the end of the reporting year.

The TEV results for the Group's in-scope insurance business are then combined with the post-tax IFRS results of the Group's asset management and other business operations. A provision for future central corporate expenditure that is not recharged or allocated to the insurance business operations is determined and reduces Group TEV equity accordingly. An adjustment is also made to carry the Group's core structural borrowings at market value. The TEV for the life insurance business incorporates the projected margins of attaching internal asset management, as described in note (g) below.

The TEV principles below are applicable to all of the Group's businesses with the exception of its associate ICICI Prudential, which uses the Indian Embedded Value methodology as issued by the Institute of Actuaries of India, consistent with local practice in India. Certain smaller immaterial subsidiaries have also continued to apply 'simplified' EEV principles issued by the European Insurance CFO Forum in 2016.

#### (b) Valuation of in-force and new business

The TEV basis results are prepared incorporating best estimate assumptions, about all relevant factors including, persistency, mortality, morbidity and expenses, as described in note 7.2. These assumptions, as well as a long-term view of future investment returns, are used to project future cash flows. The present value of the projected future cash flows is then calculated using a discount rate, which reflects risks associated with the cash flows that are not otherwise allowed for, such as implicit allowance for the time value of options and guarantees. Further information on how the risk discount rate has been set is included in item (h) below.

The total profit that emerges over the lifetime of an individual contract as calculated under the TEV basis is the same as that calculated under the IFRS basis. As IFRS defers all day one profit into a contractual service margin which it releases in line with service provision, under the TEV methodology profit emergence is more advanced, more closely aligning the timing of the recognition of profit with the efforts and risks of current management actions, particularly with regard to business sold during the year.

#### New business

New business premiums reflect those premiums attaching to the in-scope insurance business, including premiums for contracts classified as investment contracts under IFRS 17. New business premiums for regular premium products are shown on an annualised basis in the Group's new business sales reporting.

New business profitability is a key metric for the Group's management of the development of the business. NBP represents the value created by new business sold in the period determined by applying operating and economic assumptions that apply at the beginning of the quarter in which new business is reported and at the beginning of the year respectively. In addition, new business margins are shown by reference to APE and PVNBP. These margins are calculated as the percentage of the value of NBP to APE and PVNBP. APE is calculated as the aggregate of annualised regular premiums on new business written in the period and one-tenth of single premiums. PVNBP is 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 NBP.

New business profit is determined using long-term investment return assumptions, with the exception of certain business (principally single premium business) which trends from current investment returns to long-term investment returns over time. The risk discount rates applied to new business reflect the risks attaching to business sold in the period and may differ to those of the opening in-force business.

#### (c) Cost of capital

A charge is deducted from the embedded value for the cost of locked-in required capital supporting the Group's insurance business. The cost is the difference between the nominal value of the capital held and the discounted value of the projected releases of this capital, allowing for post-tax investment earnings on the capital.

The TEV results are affected by the movement in this cost from period to period, which comprises a charge against new business profit and generally a release in respect of the reduction in capital requirements for business in force as this runs off.

Where required capital is held within a with-profits long-term fund, the value placed on surplus assets within the fund is already adjusted to reflect its expected release over time and so no further adjustment to the shareholder position is necessary.

#### **(d) Investment return assumptions**

Risk-free rates (RFRs) and fund earned rates (FERs) are set with reference to a long-term 'passive' view of the investment outlook (ie on a long-term basis) rather than being updated at each valuation date to directly reflect changes in interest rates over the period. Equity and property return assumptions are set in relation to the long-term return on 10-year government bonds, with allowance for the internal view of risk premium for each currency. The Group also uses its assumed long-term, risk-free rates in calibrating risk discount rates (see (h) below). To derive investment returns for in-force business, the Group trends from current observable rates over time to these assumed long-term, risk-free rates (passive basis), for VIF. Whereas for NBP the Group applies long-term rates throughout, with some exceptions, for example single premium business.

#### **(e) Level of required capital and net worth**

In general, net worth and required capital are set with reference to the applicable local statutory regime, with the level of required capital set based on the GWS capital at the Group Prescribed Capital Requirement (GPCR) level. In certain circumstances where updates to the local statutory regime are imminent (ie due to be effective within 12 months) and specific conditions are met, the net worth and required capital may be set with reference to these prospective local statutory rules for TEV reporting. At 31 December 2025 all net worth amounts were based on regulatory reporting effective at that date.

For shareholder-backed businesses, the level of required capital has been based on the relevant GPCR.

- For Hong Kong business, the HK RBC framework requires liabilities to be valued on a best estimate basis and capital requirements to be risk based. Adjustments are made to TEV free surplus to better reflect how the business is managed. For example, TEV free surplus excludes regulatory surplus that arises where HK RBC technical provisions are lower than policyholder asset shares. In addition, for participating business, the HK RBC regime recognises the value of future shareholder transfers on an economic basis as available capital with an associated required capital. Within TEV, the shareholder value of participating business continues to be recognised as VIF with no recognition within free surplus and no associated required capital.
- For Mainland China, the level of required capital follows the approach for embedded value reporting issued by the China Association of Actuaries (CAA) introduced when the C-ROSS regime became effective. The CAA started a project to assess whether any changes are required to the embedded value guidance in Mainland China given changes in rules, regulations and the external market environment since the standard was first issued. To date, no outcomes have been proposed by the CAA and accordingly no changes have been made by Prudential to its approach to embedded value reporting for Mainland China.
- For Singapore life operations, the level of net worth and required capital is based on the Tier 1 capital position under the risk-based capital framework (RBC2), which removes certain negative reserves permitted to be recognised in the full RBC2 regulatory position applicable to the Group's GWS capital position, in order to better reflect free surplus and its generation.

#### **(f) With-profits business and the treatment of the estate**

For the Group's relevant operations, the proportion of surplus allocated to shareholders from the with-profits funds has been based on the applicable profit distribution between shareholders and policyholders. The TEV methodology includes the value attributed to the shareholders' interest in the residual estate of the in-force with-profits business. In any scenarios where the total assets of the life fund are insufficient to meet policyholder claims in full, the excess cost is fully attributed to shareholders. Adjustments are also made to reflect any capital requirements for with-profits business in excess of the capital resources of the with-profits funds.

#### **(g) Internal asset management**

The insurance business TEV includes the projected future profit from asset management and service companies that support the Group's in-scope insurance businesses. The results of the Group's asset management business operations include the current period profit from the management of both internal and external funds. The TEV results for other (central) operations is adjusted to deduct the expected profit anticipated to arise in the current period in the opening VIF from internal asset management and other services. This deduction is on a basis consistent with that used for projecting the results for in-scope insurance business. Accordingly, Group operating profit includes the actual profit earned in respect of the management of these assets.

#### **(h) Allowance for risk and risk discount rates**

Under TEV, discount rates used to determine the present value of expected future cash flows are set by reference to risk-free rates plus a risk premium.

The risk-free rates are largely based on a long-term passive view of local government bond yields.

The risk premium reflects any non-diversifiable risk associated with the emergence of distributable earnings that is not allowed for elsewhere in the valuation as well as market risk, including an implicit allowance for the time value of options and guarantees. The risk premium is set to be at least equal to the equity risk premium relevant to each currency within each business unit and for smaller entities takes into consideration the stage of development of the business. The equity risk premium is used irrespective of the strategic asset allocation of the business, which, as well as equities, will include government and corporate bonds, with the higher allowance implicitly covering credit risk.

The risk discount rates applied to the in-force business at 31 December 2025 are set out in note 7.1.

### **(i) Allowance for corporate expenditure**

A deduction has been made from Group TEV equity for the present value of future unallocated central corporate expenditure, representing the recurring expenses incurred by the central head office which are not recharged to the business units. These recurring expenses exclude interest costs on core borrowings, net investment return and similar items.

This provision is determined by allocating recurring central corporate expenditure between acquisition and maintenance expenses based on the underlying activity of the functions giving rise to the expenditure. Acquisition costs are deducted from new business profit.

Maintenance costs are projected forward for the next 20 years, taking account of the Group's three year business plan with the present value being deducted from Group TEV. The present value of the corporate expenditure is derived with reference to the Hong Kong risk discount rate.

### **(j) Foreign currency translation**

Foreign currency profits and losses have been translated at average exchange rates for the period. Foreign currency transactions are translated at the spot rate prevailing at the date of the transactions. Foreign currency assets and liabilities have been translated at closing exchange rates. The principal exchange rates are shown in note A1 of the Group IFRS consolidated financial statements.

### **(k) Taxation**

In determining the post-tax profit for the period for covered business, the overall tax rate includes the impact of tax effects determined on a local regulatory basis. Tax payments and receipts included in the projected future cash flows to determine the value of in-force business are calculated referencing tax rates that have been announced and substantively enacted by the end of the reporting period.

The OECD Pillar Two tax rules, which include a global minimum tax and domestic minimum tax rate of 15 per cent, became effective for the whole Group in 2025, following enactment in Hong Kong. These tax rules are not expected to have a material impact on the Group TEV in periods where actual investment returns are in line with or below the expected long-term rates of return.

## **6.2 Accounting presentation**

### **(a) Analysis of post-tax profit**

To the extent applicable, the presentation of the TEV profit or loss for the period is consistent with the classification between operating and non-operating results that the Group applies for the analysis of IFRS results. Operating results are determined using investment returns as described in note (b) below and incorporate new business profit (6.1(b)), expected return on existing business (6.2(c)), routine review of operating assumptions (6.2(d)) and actual experience variation from operating assumptions in the period (6.2(e)).

In addition, operating results include the effect of changes in tax legislation, unless these changes are one-off and structural in nature, or primarily affect the level of projected investment returns, in which case they are reflected as a non-operating result, which comprises fluctuations caused by changes in interest rates and other market movements in the period, the effect of changes in long-term economic assumptions, market-to-market movements on corporate debt and the impact of corporate transactions, if any, undertaken in the period.

The Group believes that operating profit, as adjusted for these non-operating items, better reflects underlying performance.

### **(b) Investment returns included in operating profit**

The investment returns included in operating profit are based on assumptions applying at the beginning of the year with any changes in these investment return assumptions captured in non-operating profit. These expected returns are generally calculated by reference to the asset mix of the opening portfolio.

### **(c) Expected return on existing business**

Expected return on existing business comprises the expected unwind of discounting effects on the opening value of in-force business and required capital and the expected return on existing free surplus. The unwind of discount and the expected return on existing free surplus are determined based on economic assumptions at the start of the year but allow for changes in operating assumptions in the period (ie opening value is adjusted for the effect of changes in operating assumptions during the period). The expected return on net worth is based on long-term investment returns.

### **(d) Effect of changes in operating assumptions**

Operating profit includes the effect of changes to operating assumptions on the value of in-force business at the beginning of the reporting period. For presentational purposes the effect of changes is delineated to show the effect on the opening value of in-force business as operating assumption changes, with the experience variances subsequently being determined by reference to the assumptions at the end of the reporting period, as discussed below.

New business reflects operating assumptions in place at the start of the quarter in which the new business is recorded. Operating profit includes the effect of changes to these operating assumptions on the reported new business profit for the period.

### **(e) Operating experience variances**

Operating profit includes the effect of experience variances relative to operating assumptions, such as persistency, mortality, morbidity, expenses and other factors, which are calculated with reference to the assumptions at the end of the reporting period.

### **(f) Effect of changes in economic assumptions**

Movements in the value of in-force business caused by changes in economic assumptions are recorded in non-operating results.

## 7 Assumptions

### 7.1 Principal in-force economic assumptions

The TEV results for the Group's in-force business are determined using economic assumptions where both the risk discount rates and long-term expected rates of return on investments are set with reference to the Group's view of long-term risk-free rates of return by currency. These long-term risk-free rates are the same as those used in our determination of adjusted operating profit in IFRS. The framework used to derive these assesses historical data, forward looking economic views around real rates, inflation and outlooks from central banks. Risk discount rates are determined by adding a country and currency specific risk premium to the risk-free rate to make allowance for the risk profile of the business. The risk premium is at least as large as the equity risk premium for the relevant currency. Long-term expected returns on equity and property assets and corporate bonds are derived by adding a risk premium to the risk-free rate based on the Group's long-term view. Additionally, when determining TEV, current risk-free rates, trend to the long-term risk-free rates over time when projecting investment returns.

31 Dec 2025 %					
In-force assumptions <sup>note (iii)</sup>	Current market 10-year government bond yield	Long-term 10-year government bond yield	Risk premium	In-force risk discount rate	Equity risk premium (geometric)
Hong Kong <sup>note (i)</sup>	4.3	3.2	4.5	7.7	3.5
Indonesia	6.4	6.3	6.3	12.6	4.3
Mainland China	1.9	2.9	6.0	8.9	4.0
Malaysia	3.7	3.9	4.0	7.9	3.5
Philippines	6.3	5.8	6.3	12.1	4.3
Singapore	2.2	2.7	4.0	6.7	3.5
Taiwan <sup>note (i)</sup>	4.3	3.2	3.5	6.7	3.5
Thailand	1.7	4.6	4.3	8.9	4.3
Vietnam	3.8	5.8	5.3	11.1	4.3
<b>Total weighted average <sup>note (ii)</sup></b>	<b>3.7</b>	<b>3.6</b>	<b>4.4</b>	<b>8.0</b>	<b>3.6</b>

31 Dec 2024 %					
In-force assumptions <sup>note (iii)</sup>	Current market 10-year government bond yield	Long-term 10-year government bond yield	Risk premium	In-force risk discount rate	Equity risk premium (geometric)
Hong Kong <sup>note (i)</sup>	4.7	3.2	4.5	7.7	3.5
Indonesia	7.2	6.3	6.3	12.6	4.3
Mainland China	1.7	2.9	6.0	8.9	4.0
Malaysia	3.9	3.9	4.0	7.9	3.5
Philippines	6.2	5.8	6.3	12.1	4.3
Singapore	2.9	2.7	4.0	6.7	3.5
Taiwan <sup>note (i)</sup>	4.7	3.2	3.5	6.7	3.5
Thailand	2.3	4.6	4.3	8.9	4.3
Vietnam	2.8	5.8	5.3	11.1	4.3
<b>Total weighted average <sup>note (ii)</sup></b>	<b>4.1</b>	<b>3.7</b>	<b>4.4</b>	<b>8.1</b>	<b>3.6</b>

#### Notes

- (i) For Hong Kong and Taiwan, the assumptions shown are for US dollar denominated business. For other businesses, the assumptions shown are for local currency denominated business.
- (ii) Total weighted average assumptions have been determined by weighting each business's assumptions by reference to the closing net value of all in-force in-scope businesses.
- (iii) Expected long-term inflation assumptions at 31 December 2025 and 2024 range from 1.5 per cent to 4.3 per cent.

### 7.2 Operating assumptions

Best estimate assumptions are used for projecting future cash flows, where best estimate is defined as the mean of the distribution of future possible outcomes. The assumptions are reviewed actively and changes are made when evidence exists that material changes in future experience are reasonably certain. Where experience is expected to be adverse over the short term, a provision may be established.

#### (a) Demographic assumptions

Persistency, mortality and morbidity assumptions are based on an analysis of recent experience and reflect expected future experience. When projecting future cash flows for medical reimbursement business that is repriced annually, explicit allowance is made for expected future premium inflation and separately for future medical claims inflation.

## (b) Expense assumptions

Expense levels, including those of the service companies that support the Group's insurance business, are based on internal expense analysis and are appropriately allocated to acquisition of new business and renewal of in-force business. For mature business, it is Prudential's policy not to take credit for future cost reduction programmes until the actions to achieve the savings have been delivered. Expense overruns are reported where these are expected to be short-lived, including businesses that are growing rapidly or are sub-scale.

Expenses comprise costs borne directly and costs recharged or allocated from the Group head office functions that are attributable to the insurance business. The assumed future expenses for the insurance business allow for amounts expected to be recharged or allocated by the head office functions.

Corporate expenditure included within the TEV results of other (central) operations, comprises expenditure of the Group head office functions that is not recharged or allocated to the insurance or asset management business operations, primarily for corporate-related activities together with restructuring costs incurred across the Group. Further explanation of how central costs are allowed for within TEV are discussed in note 4 and 6.1 (i).

## (c) Tax rates

The assumed long-term effective tax rates for operations reflect the expected incidence of taxable profit or loss in the projected future cash flows as explained in note 6.1(k). The local standard corporate tax rates applicable are as follows:

	%
Hong Kong	16.5% on 5% of premium income
Indonesia	22.0
Mainland China	25.0
Malaysia	24.0
Philippines	25.0
Singapore	17.0
Taiwan	20.0
Thailand	20.0
Vietnam	20.0

## 8 Reconciliation of expected transfer of value of in-force business and required capital to free surplus

The table below shows how the value of in-force business (VIF) and the associated required capital for insurance business operations are projected as emerging into free surplus over the next 20 years as estimated at the end of 31 December 2025. The modelled cash flows use the same methodology underpinning the Group's TEV reporting and so are subject to the same assumptions and sensitivities used to prepare our 2025 TEV results. These include 100 per cent of the Group's Malaysia Conventional Life business.

	2025	2026	2027	2028	2029	2030	2031 - 2045	Total (2025 - 2045)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2024 expected free surplus generation for years 2025 to 2044	2,708	2,628	2,622	2,437	2,406	2,344	28,277	43,422
Less: Amounts expected to be realised in the current year	(2,708)	-	-	-	-	-	-	(2,708)
Add: Expected free surplus to be generated in year 2045 (excluding 2025 new business)	-	-	-	-	-	-	1,845	1,845
Foreign exchange differences	-	44	52	55	58	60	727	996
New business	-	450	321	312	292	284	3,510	5,169
Operating, non-operating and other movements	-	9	(15)	55	6	(12)	83	126
<b>2025 expected free surplus generation for years 2026 to 2045</b>	<b>-</b>	<b>3,131</b>	<b>2,980</b>	<b>2,859</b>	<b>2,762</b>	<b>2,676</b>	<b>34,442</b>	<b>48,850</b>

## 9 Other information

### **Ownership interest in Prudential Assurance Malaysia Berhad**

The settlement reached in the Malaysian dividend dispute in July 2025 is as described in note D2 of the IFRS consolidated financial statements.

On 22 January 2026, the Group signed an agreement to acquire a further 19 per cent interest in the conventional life insurance business in Malaysia increasing the Group's stake from 51 per cent to 70 per cent. See note D2 of the IFRS consolidated financial statements for further details.

### **Post balance sheet events**

The second interim dividend for the year ended 31 December 2025 was approved by the Board of Directors after 31 December 2025, which is described in note B5 of the IFRS consolidated financial statements.

On 6 January 2026 the Company announced the commencement of a new share buyback programme up to a maximum aggregate amount of \$1.2 billion as discussed in note D3 of the IFRS consolidated financial statements.

The increase in the ownership interest in Prudential Assurance Malaysia Berhad in January 2026 is described above.

### **Contingencies and related obligations**

The Group is involved in various litigation and regulatory proceedings from time to time as described in note D1 of the IFRS consolidated financial statements.